

First Methodist Church of Fort Worth Foundation, Inc.

Financial Report
December 31, 2019

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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, 2019 and 2018 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, 2019 and 2018, 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
August 13, 2020

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Financial Position

December 31, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 149,282	\$ 120,323
Oil and gas receivables	71,331	109,206
Contribution and other receivables	9,218	7,425
Interest receivable	183,205	152,689
Prepaid expenses	9,089	8,358
Investment securities	75,059,883	62,399,144
Mineral interests	825,884	825,884
Perpetual income interest in land not owned	1,068,000	1,068,000
TOTAL ASSETS	\$ 77,375,892	\$ 64,691,029
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 29,346	\$ 10,810
Assets held for others	277,943	175,459
Deferred income	11,719	11,719
Total liabilities	319,008	197,988
NET ASSETS		
Without Donor Restrictions		
Designated	7,712,745	7,452,940
Undesignated	65,328,620	53,809,715
With Donor Restrictions	4,015,519	3,230,386
Total net assets	77,056,884	64,493,041
TOTAL LIABILITIES AND NET ASSETS	\$ 77,375,892	\$ 64,691,029

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

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Activities Years Ended December 31, 2019 and 2018

	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
Gain on sale of land held for investment	-	-	-
Unrealized and realized gain (loss) 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 Expenses			
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.

2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,274,065	\$ -	\$ 1,274,065
697,641	-	697,641
289,923	-	289,923
949,396	80,607	1,030,003
47,262	-	47,262
(2,073,097)	(171,915)	(2,245,012)
51,703	(51,703)	-
1,236,893	(143,011)	1,093,882
2,261,705	-	2,261,705
306,127	-	306,127
103,677	-	103,677
31,682	-	31,682
6,178	-	6,178
50,083	-	50,083
2,759,452	-	2,759,452
(1,522,559)	(143,011)	(1,665,570)
62,785,214	3,373,397	66,158,611
<u>\$ 61,262,655</u>	<u>\$ 3,230,386</u>	<u>\$ 64,493,041</u>

First Methodist Church of Fort Worth Foundation, Inc.

Statements of Cash Flows Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,563,843	\$ (1,665,570)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net unrealized and realized (gain) loss on investment securities	(13,001,113)	2,245,012
Stock contribution	(108,985)	(1,179,232)
Gain on sale of land held for investment	-	(47,262)
Change in operating assets and liabilities		
Oil and gas receivables	37,875	(18,636)
Contribution and other receivables	(1,793)	(6,941)
Interest receivable	(30,516)	(20,532)
Prepaid expenses	(731)	419
Accounts payable and accrued expenses	18,536	(7,754)
Assets held for others	102,484	(3,000)
	(420,400)	(703,496)
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(20,235,238)	(18,405,216)
Proceeds from sale or maturity of investments	20,684,597	18,881,329
Proceeds from sale of land	-	232,262
	449,359	708,375
Net cash provided by investing activities		
Net change in cash and cash equivalents	28,959	4,879
CASH AND CASH EQUIVALENTS, beginning of year	120,323	115,444
CASH AND CASH EQUIVALENTS, end of year	\$ 149,282	\$ 120,323

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 and future revenues may not be sufficient to recover the costs.

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.

Accounts Receivable

Accounts receivable primarily consist of oil and gas royalty income receivable related to the Foundation's mineral interests, receivables for securities sold, 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, 2019 and 2018, 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, 2019 and 2018 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 a related party 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.

Impairment of Long-lived Assets

Management evaluates its long-lived assets and investments recorded at cost for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management determined that there were no impairments during the years ended December 31, 2019 and 2018.

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

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, 2019 and 2018, 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.

New Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, which creates ASC Topic 606, "Revenue from Contracts with Customers". The provisions in this ASU provide a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 for private entities. Certain revenue streams, such as grants, contributions, rental income and investment income, are not within the scope of ASC 606. The Foundation has adopted the guidance as of January 1, 2019 using the modified retrospective transition method. However, because adoption of this guidance did not change the timing or amount of the Foundation's recognition of revenue, there was no adjustment to net assets needed as part of adoption of the new standard. Revenue streams included within the scope of ASC 606 are oil and gas royalties. Oil and gas royalties revenue is recorded based on the production date when the performance obligation is satisfied.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* which amends ASC Topic 958, "Not-for-Profit Entities". The amendments in this ASU clarify and improve current guidance about whether a transfer of assets is a contribution or an exchange transaction, and requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2018 in which the entity serves as the resource recipient. The Foundation has adopted the guidance as of January 1, 2019 using the modified prospective basis. The adoption of this guidance did not change the timing or amount of the Foundation's recognition of revenue for contributions, as revenue recognition policies in place were consistent with revenue recognition policies noted in this standard.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

Reclassification

Certain balances related to 2018 have been reclassified to conform to the 2019 presentation. The reclassifications had no effect on total net assets or changes in net assets.

Note 2. Investment Securities

Investment securities consist of the following at December 31:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Short-term fund investments	\$ 139,045	\$ 139,045	\$ 349,411	\$ 349,411
Domestic corporate obligations	25,418,486	24,710,789	23,287,160	23,622,822
Equity mutual funds	2,923,886	3,224,764	2,308,527	2,971,979
Common stock	46,578,466	19,367,849	36,454,046	19,643,543
	<u>\$ 75,059,883</u>	<u>\$ 47,442,447</u>	<u>\$ 62,399,144</u>	<u>\$ 46,587,755</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.

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.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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 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, 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
Equity mutual funds	2,923,886	-	-	2,923,886
Common stock	46,578,466	-	-	46,578,466
	<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	9,447,036	4,939,832	-	14,386,868
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
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
	<u>\$ 49,641,397</u>	<u>\$ 25,418,486</u>	<u>\$ -</u>	<u>\$ 75,059,883</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, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Type of investment				
Domestic corporate obligations	\$ -	\$ 23,287,160	\$ -	\$ 23,287,160
Short-term fund investments	349,411	-	-	349,411
Equity mutual funds	2,308,527	-	-	2,308,527
Common stock	36,454,046	-	-	36,454,046
	<u>\$ 39,111,984</u>	<u>\$ 23,287,160</u>	<u>\$ -</u>	<u>\$ 62,399,144</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Industry				
Cash equivalents	\$ 349,411	\$ -	\$ -	\$ 349,411
Consumer discretionary	1,452,689	1,242,330	-	2,695,019
Consumer staples	3,361,546	2,983,053	-	6,344,599
Energy	2,454,027	3,075,299	-	5,529,326
Financials	7,020,190	4,401,393	-	11,421,583
Health care	7,247,571	1,907,286	-	9,154,857
Industrials	4,174,800	2,985,372	-	7,160,172
Information technology	6,873,023	3,088,114	-	9,961,137
Materials	2,239,545	494,576	-	2,734,121
Mutual funds - Equity	2,308,527	-	-	2,308,527
Retail services	1,051,379	508,776	-	1,560,155
Telecom services	579,276	1,490,502	-	2,069,778
Transportation	-	1,110,459	-	1,110,459
Total	<u>\$ 39,111,984</u>	<u>\$ 23,287,160</u>	<u>\$ -</u>	<u>\$ 62,399,144</u>

The valuation techniques used to determine fair value have been consistently applied during 2019 and 2018.

Note 4. Related Parties

Foundation contributions made to the Church are as follows:

	<u>2019</u>	<u>2018</u>
Undesignated cash contributions	\$ 2,297,629	\$ 2,140,112
Designated cash contribution	172,834	121,593
	<u>\$ 2,470,463</u>	<u>\$ 2,261,705</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 \$2,297,629 and \$2,140,112 for the years ended December 31, 2019 and 2018, respectively.

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

Net assets with donor restrictions at December 31 are:

	2019		
	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
	\$ 2,805,451	\$ 1,210,068	\$ 4,015,519

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

	2018		
	Purpose Restricted	Held in Perpetuity	Total 2018
Baker Scholarship	\$ 62,206	\$ 113,079	\$ 175,285
Children's Endowment Fund	240,758	130,117	370,875
Dearden Bible Fund	6,666	-	6,666
Edwards Senior Adult Ministry Fund	74,289	-	74,289
Garden Endowment	167,447	86,573	254,020
Goostree Lectures	172,805	-	172,805
Hendrix	11,863	20,000	31,863
Houston Children's Fund	31,718	47,866	79,584
Johnston Youth Fund	94,517	-	94,517
Linguist Family Youth Fund	91,277	-	91,277
Mission Endowment Fund	441,578	313,354	754,932
REDDING Mission/Outreach	13,512	20,000	33,512
Methodist Justice Ministry	101,113	250,500	351,613
Music Endowment Fund	178,390	50,000	228,390
Jewella D Riley	66,696	30,000	96,696
Sue Sumner Confirmation Endowment	140,943	117,398	258,341
Tilley	18,445	10,000	28,445
W Longworth PC Fund	17,326	21,181	38,507
Youth Fund	88,769	-	88,769
	\$ 2,020,318	\$ 1,210,068	\$ 3,230,386

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 \$6,712,745 and \$6,452,940 has been designated for this purpose as of December 31, 2019 and 2018, respectively.

During years ended December 31, 2019 and 2018, \$77,693 and \$51,703 were released from program restrictions, and paid to the Church for various programs.

The Foundation's Emergency Reserve Fund, included in designated net assets, was \$1,000,000 as of December 31, 2019 and 2018.

The Board of Directors has also designated an emergency reserve fund.

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, 2019 and 2018 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, 2017	\$ -	\$ 1,049,936	\$ 1,210,068	\$ 2,260,004
Interest and dividends	-	60,123	-	60,123
Net loss (realized and unrealized)	-	(128,217)	-	(128,217)
Total investment loss	-	(68,094)	-	(68,094)
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(36,677)	-	(36,677)
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

At December 31, 2019 and 2018, 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, 2019 or 2018.

Note 7. Property Rentals

In 2000, the Foundation entered into an operating lease agreement to lease certain real property to unrelated parties. The lease provided for a term of 15 years and expired on September 30, 2015. An option to extend was signed for another five years starting on October 1, 2015 and ending September 30, 2020. Rental income under the operating lease was \$128,906 and \$141,184 for the years ended December 31, 2019 and 2018, respectively. In addition, the Foundation has an operating lease on other real estate requiring escalating payments through March 2022. Total rental income under this lease was \$164,832 and \$148,739 for the years ended December 31, 2019 and 2018, respectively. The future minimal rentals on noncancelable leases follow:

<u>Year Ending December 31,</u>	
2020	\$ 260,889
2021	160,082
2022	40,314
	<hr/>
	\$ 461,285
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First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

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, 2019 and 2018 were \$27,610 and \$10,540, 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 \$19,300 and \$18,400 for the years ended December 31, 2019 and 2018, 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. The remaining conditional promise and indication to give of \$118,734 has not been recognized in the financial statements at December 31, 2019, 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.

First Methodist Church of Fort Worth Foundation, Inc.

Notes to Financial Statements

The following reflects the Foundation's financial assets as of December 31, 2019 and 2018, including amounts not available within one year of the statement of financial position date. Amounts not available include donor-imposed restricted contributions.

	2019	2018
Financial assets		
Cash and cash equivalents	\$ 149,282	\$ 120,323
Oil and gas receivables	71,331	109,206
Contribution and other receivables	9,218	7,425
Interest receivable	183,205	152,689
Investment securities	75,059,883	62,399,144
Total financial assets, year end	75,472,919	62,788,787
Less		
Board-designated reserves	(7,712,745)	(7,452,940)
Net assets with donor restrictions	(4,015,519)	(3,230,386)
Total financial assets not available to be used within one year	(11,728,264)	(10,683,326)
Total financial assets available to meet general expenditures within one year	\$ 63,744,655	\$ 52,105,461

Note 12. Subsequent Event

The Foundation has evaluated subsequent events that occurred after December 31, 2019, through August 13, 2020, 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 follows:

COVID-19

The extent of the operational and financial impact the COVID-19 pandemic may have on the Foundation has yet to be determined and is dependent on its duration and spread, any related operational restrictions and the overall economy. The Foundation is unable to accurately predict how COVID-19 will affect its investment portfolio because the virus's severity and the duration of the pandemic are uncertain.