

**FIRST UNITED METHODIST CHURCH  
OF FORT WORTH**

Fort Worth, Texas

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

# FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidated Financial Statements  
Years Ended December 31, 2018 and 2017

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## INDEPENDENT AUDITORS' REPORT

To the Finance and Audit Committees  
First United Methodist Church of Fort Worth

We have audited the accompanying consolidated financial statements of First United Methodist Church of Fort Worth (the "Church"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditors' 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 auditors consider internal control relevant to the Church'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 Church'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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First United Methodist Church of Fort Worth as of December 31, 2018 and 2017, 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.

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 17 – 20 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PSK LLP

Arlington, Texas  
June 26, 2019

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Consolidated Statements of Financial Position

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash	\$ 8,187,803	\$ 8,370,355
Accounts receivable	20,855	12,898
Prepaid expenses	47,013	39,208
Property and equipment, net	12,376,086	11,414,507
Investments	76,567	81,735
Beneficial interest in charitable trusts	<u>1,019,636</u>	<u>1,168,730</u>
Total assets	<u>\$ 21,727,960</u>	<u>\$ 21,087,433</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 556,798	\$ 194,545
Funds held for others	77,631	68,581
Deferred income	<u>73,946</u>	<u>68,772</u>
Total liabilities	<u>708,375</u>	<u>331,898</u>
Net assets		
Without donor restrictions	18,212,880	17,755,515
With donor restrictions	<u>2,806,705</u>	<u>3,000,020</u>
Total net assets	<u>21,019,585</u>	<u>20,755,535</u>
Total liabilities and net assets	<u>\$ 21,727,960</u>	<u>\$ 21,087,433</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Consolidated Statement of Activities

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 6,052,595	\$ 1,519,744	\$ 7,572,339
Program fees	1,064,163	-	1,064,163
Net investment loss	-	(154,262)	(154,262)
Other revenue	268,530	12,284	280,814
Net assets released from restrictions	<u>1,571,081</u>	<u>(1,571,081)</u>	<u>-</u>
Total revenues and other support	<u>8,956,369</u>	<u>(193,315)</u>	<u>8,763,054</u>
Expenses:			
Program services	7,246,219	-	7,246,219
Supporting services	<u>1,252,785</u>	<u>-</u>	<u>1,252,785</u>
Total expenses	<u>8,499,004</u>	<u>-</u>	<u>8,499,004</u>
Change in net assets	457,365	(193,315)	264,050
Net assets at beginning of year	<u>17,755,515</u>	<u>3,000,020</u>	<u>20,755,535</u>
Net assets at end of year	<u>\$ 18,212,880</u>	<u>\$ 2,806,705</u>	<u>\$ 21,019,585</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Consolidated Statement of Activities

Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 5,536,012	\$ 1,594,429	\$ 7,130,441
Program fees	1,038,869	-	1,038,869
Net investment income	-	131,885	131,885
Other revenue	294,611	53,262	347,873
Net assets released from restrictions	<u>1,479,323</u>	<u>(1,479,323)</u>	<u>-</u>
Total revenues and other support	<u>8,348,815</u>	<u>300,253</u>	<u>8,649,068</u>
Expenses:			
Program services	6,504,209	-	6,504,209
Supporting services	<u>1,237,731</u>	<u>-</u>	<u>1,237,731</u>
Total expenses	<u>7,741,940</u>	<u>-</u>	<u>7,741,940</u>
Change in net assets	606,875	300,253	907,128
Net assets at beginning of year	<u>17,148,640</u>	<u>2,699,767</u>	<u>19,848,407</u>
Net assets at end of year	<u>\$ 17,755,515</u>	<u>\$ 3,000,020</u>	<u>\$ 20,755,535</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2018

	Program Services	Supporting Services	Total
Salaries and wages	\$ 2,902,192	\$ 651,100	\$ 3,553,292
Employee benefits and taxes	757,474	2,815	760,289
Support for others	1,759,546	-	1,759,546
Meals, travel, and lodging	134,702	10,002	144,704
Supplies and resources	265,466	50,239	315,705
Media and technology	105,684	122,035	227,719
Risk management	-	157,355	157,355
Fees for services	464,295	112,060	576,355
Occupancy (facilities)	425,006	70,969	495,975
Depreciation	431,854	76,210	508,064
	<u>\$ 7,246,219</u>	<u>\$ 1,252,785</u>	<u>\$ 8,499,004</u>

*The accompanying notes are an integral part of these consolidated financial statements.*



**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Consolidated Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services	Supporting Services	Total
Salaries and wages	\$ 2,874,659	\$ 639,415	\$ 3,514,074
Employee benefits and taxes	714,576	2,984	717,560
Support for others	1,211,049	-	1,211,049
Meals, travel, and lodging	144,508	3,664	148,172
Supplies and resources	197,304	36,827	234,131
Media and technology	82,537	124,474	207,011
Risk management	-	162,951	162,951
Fees for services	482,102	131,552	613,654
Occupancy (facilities)	389,595	63,885	453,480
Depreciation	407,879	71,979	479,858
	<u>\$ 6,504,209</u>	<u>\$ 1,237,731</u>	<u>\$ 7,741,940</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

Consolidated Statements of Cash Flows  
 Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 264,050	\$ 907,128
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	508,064	479,858
Net investment loss (income)	154,262	(131,885)
Contributions restricted for building and improvements	(58,738)	(400)
(Increase) decrease in assets:		
Accounts receivable	(7,957)	(10,952)
Prepaid expenses	(7,805)	4,869
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	362,253	(79,107)
Funds held for others	9,050	(2,950)
Deferred income	5,174	(1,047)
Net cash provided by operating activities	<u>1,228,353</u>	<u>1,165,514</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,469,643)	(474,460)
Proceeds received on sale of investments	<u>-</u>	<u>3,499</u>
Net cash used in investing activities	<u>(1,469,643)</u>	<u>(470,961)</u>
Cash flows from financing activities:		
Contributions restricted for building and improvements	<u>58,738</u>	<u>400</u>
Change in cash	(182,552)	694,953
Cash at beginning of year	<u>8,370,355</u>	<u>7,675,402</u>
Cash at end of year	<u>\$ 8,187,803</u>	<u>\$ 8,370,355</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Notes to Consolidated Financial Statements

**1 - Organization and Nature of Activities**

First United Methodist Church of Fort Worth (the “Church”), a Texas nonprofit corporation, serves various charitable, educational, religious and/or missionary undertakings. The majority of the Church's revenues and support are contributed by its members who reside in the greater Fort Worth area.

The Church extends its ministry through another nonprofit entity, the First Street Methodist Mission, (the “Mission”). The Mission is affiliated with the Church as a result of management and financial control. The financial statements of this entity are consolidated with the financial statements of the Church. All inter-company transactions have been eliminated. The Church and Mission are exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

**2 - Significant Accounting Policies**

Basis of Accounting - The consolidated financial statements of the Church have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The consolidated financial statements of the Church have been prepared using accounting principles generally accepted in the United States of America.

Adoption of New Accounting Standards - In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-14: *Presentation of Financial Statements for Not-for-Profit Entities* (“ASU 2016-14”), which is an amendment to the FASB Accounting Standards Codification (“FASB ASC”) Topic 958. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Adopting ASU 2016-14 has had the following impact on the Church’s consolidated financial statements:

- The temporarily and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The consolidated financial statements now include a statement of functional expenses.
- The notes to consolidated financial statements include a new disclosure about liquidity and availability of resources (See Note 3).
- Investment return is now simply reported in the aggregate, net of investment expenses.

Basis of Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

## FIRST UNITED METHODIST CHURCH OF FORT WORTH

### Notes to Consolidated Financial Statements

#### 2 - Significant Accounting Policies (continued)

Revenues and Support - Revenues and support for the Church are primarily derived from contributions from the Church membership.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs are allocated on the basis of estimates of time and effort.

In-Kind Contributions - In-kind contributions, which are donations of food, clothing, materials and supplies used by First Street Methodist Mission, are recognized as support and expenses in the consolidated statements of activities. In-kind contributions are recorded at their estimated fair market value at the date of receipt and totaled \$758,797 and \$181,809 for the years ended December 31, 2018 and 2017, respectively.

Cash and Cash Equivalents - For purposes of reporting cash flows, the Church considers all bank deposits and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital needs, such as building projects and debt retirement, or other long-term purposes are excluded from this definition.

Property and Equipment - It is the Church's policy to capitalize purchases of property and equipment over \$10,000. Property and equipment are recorded at cost, if purchased, and fair market value at date of donation, if contributed. Land, buildings, improvements and equipment on hand prior to March 31, 1986 are stated at estimated value based upon insurance values and appraisal district valuations as of that date. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Buildings and improvements	7 to 40	years
Furniture, fixtures and equipment	3 to 10	years
Vehicles	5	years

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Compensated Absences - Employees of the Church, administrative and ministerial, are entitled to paid vacation depending upon length of service and other factors. Any unused vacation benefits expire at the end of each calendar year. Accordingly, no liability has been recorded in the accompanying consolidated financial statements. The Church's policy is to recognize the cost of compensated absences when paid to employees.

Investment Policy - Certain investments are held by a trustee, who is responsible for all investment decisions, managing the trust and determining the strategy to achieve objectives per the provisions of the trust document. The Church has a beneficial interest in the assets held by the trustee.

The Board of Trustees of the Church 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 Church have both adopted UPMIFA. As a result of this interpretation, the Church classifies as net assets with donor restrictions (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 is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Church in a manner consistent with the standard of prudence prescribed by UPMIFA.

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Notes to Consolidated Financial Statements

**2 - Significant Accounting Policies (continued)**

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 Church to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles (“GAAP”), deficiencies of this nature are reported in net assets without donor restrictions. The Church’s endowment did not have a deficiency as of December 31, 2018 and 2017.

Use of Estimates - Management used estimates and assumptions in preparing these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amount 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 were used.

Concentrations of Credit Risk - The Church maintains deposits with highly reputable financial institutions, which at times are in excess of the federally insured limit. It is the opinion of management that the solvency of the financial institutions is sufficient to cover any related exposure.

Income Taxes - The Church follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Church is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income, other than those reported on Form 990T. As of December 31, 2018, the Church has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements and does not expect this to change in the next twelve months. The 2014 through 2018 tax years remain subject to examination by the Internal Revenue Service.

Reclassifications - Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation.

Subsequent Events - Subsequent events have been evaluated through June 26, 2019, which is the date the consolidated financial statements were available to be issued.

**3 - Liquidity and Availability of Resources**

The Church operates under a budget for activities supported by unrestricted tithes and offerings. Its Governing Board (the “Board”) is responsible for monitoring the liquidity necessary to meet the Church’s operating needs and meets periodically throughout the year to evaluate the actual results of financial operations versus the budget. Additionally, the Church maintains Board designated and donor-restricted ministry funds, at times, purposed for various other activities consistent with the mission of the Church (see Notes 8 and 9). Church management, in collaboration with the Board, appropriates resources from Board designated and donor-restricted funds.

Financial assets available for general expenditure, that is, without donor restrictions limiting their use or without requiring specific action of the Board, within one year of the date of the consolidated statement of financial position are comprised of the following:

Cash	\$ 8,187,803
Accounts receivable	20,855
Investments and beneficial interest in charitable trusts	<u>1,096,203</u>
	9,304,861
Donor-imposed restrictions	(2,806,705)
Board designations	<u>(6,208,992)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 289,164</u>

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Notes to Consolidated Financial Statements

**3 - Liquidity and Availability of Resources (continued)**

ASU 2016-14 allows for transitional relief with respect to disclosure of liquidity and availability of resources; accordingly, this information is not presented for 2017.

**4 - Property and Equipment**

The following is a summary of property and equipment as of December 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 4,090,066	\$ 4,090,066
Buildings and improvements	22,888,983	22,291,651
Furniture, fixtures and equipment	3,440,831	3,479,247
Vehicles	92,544	92,544
Construction in progress	<u>1,081,756</u>	<u>207,844</u>
	31,594,180	30,161,352
Less accumulated depreciation	<u>(19,218,094)</u>	<u>(18,746,845)</u>
Net property and equipment	<u>\$ 12,376,086</u>	<u>\$ 11,414,507</u>

Depreciation expense for the years ended December 31, 2018 and 2017 amounted to \$508,064 and \$479,858, respectively.

**5 - Beneficial Interest in Charitable Trusts**

The Church received a 10% split interest in a perpetual trust established from the bequest of Sheila E. Allen (the "Allen Trust") and is entitled to receive, into perpetuity, its proportionate share of the annual net investment income earned from trust assets. The assets are held in trust by a bank who is the trustee of the Allen Trust. Because the present value of the future cash flows from the trust cannot be reasonably determined, the reported value of the Church's beneficial interest is measured by its share of the fair value of the trust's assets, which amounted to \$177,828 and \$201,854 at December 31, 2018 and 2017, respectively.

The income distributed from the Allen Trust is to be used to maintain and preserve Church buildings; and in accordance with the enactment of UPMIFA and the trust document, it is included in net assets with donor restrictions until appropriated for expenditure. The Church's share of trust distributions amounted to approximately \$8,000 and \$9,000 for 2018 and 2017, respectively.

The Church received a beneficial interest in a testamentary trust established from the bequest of Saul B. Sells known as the Helen F. Sells Charitable Trust (the "Sells Trust") and is entitled to receive its proportionate share of the annual net investment income earned from trust assets until such time that the trust terminates. The assets are held in trust by a bank who is the trustee of the Sells Trust. Because the present value of the future cash flows from the trust cannot be reasonably determined, the reported value of the Church's beneficial interest is measured by its share of the fair value of the trust's assets, which amounted to \$841,808 and \$966,876 at December 31, 2018 and 2017, respectively.

The income distributed from the Sells Trust is to be used for the care, feeding and clothing of needy individuals in Tarrant County and is included in net assets with donor restrictions until appropriated for expenditure. Distributions received by the Church for 2018 and 2017 amounted to approximately \$40,000 and \$45,000, respectively.

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Notes to Consolidated Financial Statements

**6 - Fair Value Measurements**

The Church follows the Fair Value Measurements topic of the FASB ASC for all financial assets and liabilities measured at fair value on a recurring basis. The topic establishes a framework for measuring fair value and enhances disclosure requirements for fair value measurements. The topic defines fair value 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. The topic establishes market or observable inputs as the preferred sources of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The topic establishes a hierarchy for grouping these assets and liabilities, based on the significance level of the following inputs:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations whose inputs are observable or whose significant drivers are observable.

Level III – Significant inputs to the valuation model are unobservable.

The table below summarizes the investments and beneficial interest in charitable trusts by level as of December 31, 2018 and 2017:

	Assets at Fair Value as of December 31, 2018			
	Level I	Level II	Level III	Total
Investments - equity mutual funds	\$ 76,567	\$ -	\$ -	\$ 76,567
Beneficial interest in charitable trusts				
Sheila E. Allen Trust	168,757	9,071	-	177,828
Saul B. Sells Trust	<u>718,658</u>	<u>123,150</u>	<u>-</u>	<u>841,808</u>
Total assets at fair value	<u>\$ 963,982</u>	<u>\$ 132,221</u>	<u>\$ -</u>	<u>\$ 1,096,203</u>
	Assets at Fair Value as of December 31, 2017			
	Level I	Level II	Level III	Total
Investments - equity mutual funds	\$ 81,735	\$ -	\$ -	\$ 81,735
Beneficial interest in charitable trusts				
Sheila E. Allen Trust	187,121	14,733	-	201,854
Saul B. Sells Trust	<u>863,614</u>	<u>103,262</u>	<u>-</u>	<u>966,876</u>
Total assets at fair value	<u>\$ 1,132,470</u>	<u>\$ 117,995</u>	<u>\$ -</u>	<u>\$ 1,250,465</u>

The beneficial interest in charitable trusts are carried at fair value based on information obtained from the trustees regarding the trust holdings, the value of these holdings and other pertinent information. The trusts have invested in a diversified portfolio with an emphasis on domestic common stocks and mutual funds. In addition, investments have been made in international common stocks and mutual funds, domestic and international fixed income securities and structured alternative investments. Level I investments include cash, equities, fixed income and other tangible assets. Level II investments include hedge funds, real estate, and alternative investments.

Investments are also recorded at fair value and include money market funds and mutual funds that are valued using quoted prices on nationally recognized securities exchanges.

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Notes to Consolidated Financial Statements

**7 - Related Parties**

The Methodist Justice Ministry (“MJM”) is organized to provide free legal advice and representation to people in the community whose incomes are at 125% or less of federal poverty guidelines. MJM is self funded although funds have been contributed to MJM by members of the Church.

The First Methodist Church of Fort Worth Foundation, Inc. (the “Foundation”) is organized to receive and preserve gifts and bequests which are intended to benefit the Church and to support and assist in carrying out the purposes and programs of the Church.

The Church has determined not to include the net assets and operating results of MJM or the Foundation in these consolidated financial statements as control of these organizations does not exist through a majority voting interest or board representation.

A summary of financial data of the Foundation at December 31, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
Total assets	\$ 64,691,029	\$ 66,367,353
Total liabilities	<u>197,988</u>	<u>208,742</u>
Net assets	<u>\$ 64,493,041</u>	<u>\$ 66,158,611</u>

The Church received contributions from the Foundation as follows:

	<u>2018</u>	<u>2017</u>
Unrestricted cash contributions	\$ 400,000	\$ 400,000
Restricted/designated cash contributions	<u>1,861,705</u>	<u>1,764,434</u>
	<u>\$ 2,261,705</u>	<u>\$ 2,164,434</u>

**8 - Net Assets Without Donor Restrictions**

The balance of net assets without donor restrictions as of December 31, 2018 and 2017 includes net assets designated by the Board for the following purposes:

	<u>2018</u>	<u>2017</u>
Funds designated for future operating costs:		
General Memorial Funds	\$ 41,980	\$ 20,971
Wanda J. Burton Bequest	119,118	114,685
Operating Cash Reserve	182,232	220,897
Funds designated for future capital costs:		
Collins Maxey Burton Estate	2,089,182	2,068,229
Board of Trustees Funds	2,156,818	1,941,389
Mariann Wilson Lyon Estate	1,535,082	2,000,000
Funds designated for perpetual care:		
Columbarium	<u>84,580</u>	<u>70,515</u>
	<u>\$ 6,208,992</u>	<u>\$ 6,436,686</u>



**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Notes to Consolidated Financial Statements

**9 - Net Assets With Donor Restrictions**

Net assets with donor restrictions relate to funds contributed to the Church for future program expense and property acquisitions:

	<u>2018</u>	<u>2017</u>
Property acquisitions	\$ 3,400	\$ 3,400
Program expenses	1,157,369	1,213,486
Advance pledges	549,733	532,669
Investments	76,567	81,735
Beneficial interest in testamentary trust	841,808	966,876
Beneficial interest in perpetual trust	<u>177,828</u>	<u>201,854</u>
	<u>\$ 2,806,705</u>	<u>\$ 3,000,020</u>

During the years ended December 31, 2018 and 2017, net assets with donor restrictions in the amount of \$1,571,081 and \$1,479,323, respectively, had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

**10 - Endowment Funds**

Changes in endowment net assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ -	\$ 201,854	\$ 201,854
Net investment loss	<u>-</u>	<u>(24,026)</u>	<u>(24,026)</u>
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 177,828</u>	<u>\$ 177,828</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2016	\$ -	\$ 178,845	\$ 178,845
Net investment income	<u>-</u>	<u>23,009</u>	<u>23,009</u>
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 201,854</u>	<u>\$ 201,854</u>

**11 - Retirement Plan**

The Church participates in two retirement plans of the General Board of Pensions of the United Methodist Church. A defined benefit plan is available only to clergy, and the Church contributes toward this plan amounts determined by the Central Texas Conference of the United Methodist Church. A defined contribution plan is available to both clergy and lay employees. For lay employees, the Church contributed 3% of participating employees' compensation annually. For clergy, the Church also contributed 3% of participating clergy persons' compensation annually. For the years ended December 31, 2018 and 2017, pension expense was \$138,610 and \$146,895, respectively.

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

## Notes to Consolidated Financial Statements

**12 - Operating Leases**

The Church has entered into various operating lease agreements for office equipment. Total operating lease expense for the years ended December 31, 2018 and 2017 was approximately \$40,000, respectively.

On October 6, 2004, the Church leased 170 striped parking spaces, owned by the Church, to a third party. The lease was renewed on November 30, 2014, for an additional 36 months. As of December 31, 2018, the lease exists on a month-to-month basis.

Future minimum lease payments on operating leases are as follows:

	Rental Payments
2019	\$ 14,736

**13 - Commitments and Contingencies**

During 2018, the Church was a party to two different contracts in relation to its capital campaign with a total dollar value of \$1,261,103. The contractor submits requests for payment on the contracts as construction progresses. As of December 31, 2018, \$879,108 had been billed and capitalized on the consolidated statement of financial position. Of this amount, \$333,464 is included within accounts payable and accrued expenses on the consolidated statement of financial position. The remaining \$381,995 will be billed as construction progresses; accordingly, this amount is not recorded as a liability on the Church's consolidated financial statements.

**SUPPLEMENTARY INFORMATION**

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**  
 Consolidating Statement of Financial Position - By Fund  
 December 31, 2018

	<u>Budget</u>	<u>Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Weekday</u>	<u>Mission</u>	<u>Total</u>
<b>ASSETS</b>							
Cash	\$ 1,194	\$ 6,209,504	\$ 1,398,618	\$ -	\$ 241,208	\$ 337,279	\$ 8,187,803
Accounts receivable	19,005	-	1,250	-	-	600	20,855
Prepaid expenses	47,013	-	-	-	-	-	47,013
Property and equipment, net	12,376,086	-	-	-	-	-	12,376,086
Investments	-	-	76,567	-	-	-	76,567
Beneficial interest in charitable trusts	-	-	841,808	177,828	-	-	1,019,636
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 12,443,298</u>	<u>\$ 6,209,504</u>	<u>\$ 2,318,243</u>	<u>\$ 177,828</u>	<u>\$ 241,208</u>	<u>\$ 337,879</u>	<u>\$ 21,727,960</u>
<b>LIABILITIES AND NET ASSETS</b>							
Accounts payable and accrued expenses	\$ 543,189	\$ 512	\$ 4,103	\$ -	\$ 1,848	\$ 7,146	\$ 556,798
Funds held for others	-	-	77,631	-	-	-	77,631
Deferred income	16,124	-	-	-	57,822	-	73,946
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>559,313</u>	<u>512</u>	<u>81,734</u>	<u>-</u>	<u>59,670</u>	<u>7,146</u>	<u>708,375</u>
Net assets							
Without donor restrictions	11,883,985	6,208,992	-	-	119,903	-	18,212,880
With donor restrictions	-	-	2,236,509	177,828	61,635	330,733	2,806,705
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total net assets	<u>11,883,985</u>	<u>6,208,992</u>	<u>2,236,509</u>	<u>177,828</u>	<u>181,538</u>	<u>330,733</u>	<u>21,019,585</u>
Total liabilities and net assets	<u>\$ 12,443,298</u>	<u>\$ 6,209,504</u>	<u>\$ 2,318,243</u>	<u>\$ 177,828</u>	<u>\$ 241,208</u>	<u>\$ 337,879</u>	<u>\$ 21,727,960</u>

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

Consolidating Statement of Activities - By Fund

Year Ended December 31, 2018

	<u>Budget</u>	<u>Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Weekday</u>	<u>Mission</u>	<u>Total</u>
Revenues and other support:							
Contributions	\$ 4,312,483	\$ 1,740,112	\$ 291,893	\$ -	\$ -	\$ 1,227,851	\$ 7,572,339
Program fees	-	-	-	-	1,064,163	-	1,064,163
Net investment loss	-	-	(130,236)	(24,026)	-	-	(154,262)
Other revenue	266,030	-	12,284	-	-	2,500	280,814
Interfund transfers	<u>1,937,752</u>	<u>(1,937,752)</u>	-	-	-	-	-
Total revenues and other support	<u>6,516,265</u>	<u>(197,640)</u>	<u>173,941</u>	<u>(24,026)</u>	<u>1,064,163</u>	<u>1,230,351</u>	<u>8,763,054</u>
Expenses:							
Program services	4,676,915	30,054	329,983	-	1,014,051	1,195,216	7,246,219
Supporting services	<u>1,252,785</u>	-	-	-	-	-	<u>1,252,785</u>
Total expenses	<u>5,929,700</u>	<u>30,054</u>	<u>329,983</u>	<u>-</u>	<u>1,014,051</u>	<u>1,195,216</u>	<u>8,499,004</u>
Change in net assets	586,565	(227,694)	(156,042)	(24,026)	50,112	35,135	264,050
Net assets at beginning of year	<u>11,297,420</u>	<u>6,436,686</u>	<u>2,392,551</u>	<u>201,854</u>	<u>131,426</u>	<u>295,598</u>	<u>20,755,535</u>
Net assets at end of year	<u>\$ 11,883,985</u>	<u>\$ 6,208,992</u>	<u>\$ 2,236,509</u>	<u>\$ 177,828</u>	<u>\$ 181,538</u>	<u>\$ 330,733</u>	<u>\$ 21,019,585</u>

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

Consolidating Statement of Financial Position - By Fund

December 31, 2017

	<u>Budget</u>	<u>Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Weekday</u>	<u>Mission</u>	<u>Total</u>
<b>ASSETS</b>							
Cash	\$ 8,060	\$ 6,436,686	\$ 1,443,506	\$ -	\$ 184,545	\$ 297,558	\$ 8,370,355
Accounts receivable	12,898	-	-	-	-	-	12,898
Prepaid expenses	39,208	-	-	-	-	-	39,208
Property and equipment, net	11,414,507	-	-	-	-	-	11,414,507
Investments	-	-	81,735	-	-	-	81,735
Beneficial interest in charitable trusts	-	-	966,876	201,854	-	-	1,168,730
<b>Total assets</b>	<b>\$ 11,474,673</b>	<b>\$ 6,436,686</b>	<b>\$ 2,492,117</b>	<b>\$ 201,854</b>	<b>\$ 184,545</b>	<b>\$ 297,558</b>	<b>\$ 21,087,433</b>
<b>LIABILITIES AND NET ASSETS</b>							
Accounts payable and accrued expenses	\$ 161,600	\$ -	\$ 30,985	\$ -	\$ -	\$ 1,960	\$ 194,545
Funds held for others	-	-	68,581	-	-	-	68,581
Deferred income	15,653	-	-	-	53,119	-	68,772
<b>Total liabilities</b>	<b>177,253</b>	<b>-</b>	<b>99,566</b>	<b>-</b>	<b>53,119</b>	<b>1,960</b>	<b>331,898</b>
<b>Net assets</b>							
Without donor restrictions	11,297,420	6,436,686	-	-	21,409	-	17,755,515
With donor restrictions	-	-	2,392,551	201,854	110,017	295,598	3,000,020
<b>Total net assets</b>	<b>11,297,420</b>	<b>6,436,686</b>	<b>2,392,551</b>	<b>201,854</b>	<b>131,426</b>	<b>295,598</b>	<b>20,755,535</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,474,673</b>	<b>\$ 6,436,686</b>	<b>\$ 2,492,117</b>	<b>\$ 201,854</b>	<b>\$ 184,545</b>	<b>\$ 297,558</b>	<b>\$ 21,087,433</b>

**FIRST UNITED METHODIST CHURCH OF FORT WORTH**

Consolidating Statement of Activities - By Fund

Year Ended December 31, 2017

	<u>Budget</u>	<u>Designated</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Weekday</u>	<u>Mission</u>	<u>Total</u>
Revenues and other support:							
Contributions	\$ 3,511,832	\$ 2,024,180	\$ 1,032,677	\$ -	\$ -	\$ 561,752	\$ 7,130,441
Program fees	-	-	-	-	1,038,869	-	1,038,869
Net investment income	-	-	108,876	23,009	-	-	131,885
Other revenue	294,611	-	53,262	-	-	-	347,873
Interfund transfers	<u>1,997,818</u>	<u>(1,473,402)</u>	<u>(539,310)</u>	<u>-</u>	<u>-</u>	<u>14,894</u>	<u>-</u>
 Total revenues and other support	 <u>5,804,261</u>	 <u>550,778</u>	 <u>655,505</u>	 <u>23,009</u>	 <u>1,038,869</u>	 <u>576,646</u>	 <u>8,649,068</u>
Expenses:							
Program services	4,461,376	2,804	370,754	-	1,085,122	584,153	6,504,209
Supporting services	<u>1,237,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,237,731</u>
 Total expenses	 <u>5,699,107</u>	 <u>2,804</u>	 <u>370,754</u>	 <u>-</u>	 <u>1,085,122</u>	 <u>584,153</u>	 <u>7,741,940</u>
 Change in net assets	 105,154	 547,974	 284,751	 23,009	 (46,253)	 (7,507)	 907,128
 Net assets at beginning of year	 <u>11,192,266</u>	 <u>5,888,712</u>	 <u>2,107,800</u>	 <u>178,845</u>	 <u>177,679</u>	 <u>303,105</u>	 <u>19,848,407</u>
 Net assets at end of year	 <u>\$ 11,297,420</u>	 <u>\$ 6,436,686</u>	 <u>\$ 2,392,551</u>	 <u>\$ 201,854</u>	 <u>\$ 131,426</u>	 <u>\$ 295,598</u>	 <u>\$ 20,755,535</u>