

**FIRST UNITED METHODIST CHURCH
OF FORT WORTH**

Fort Worth, Texas

Consolidated Financial Statements

Years Ended December 31, 2021 and 2020

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidated Financial Statements
Years Ended December 31, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2021 and 2020, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First United Methodist Church of Fort Worth as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Church 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.

Management's Responsibilities for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards 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, including omissions, 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 consolidated financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Church'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.

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
May 26, 2022

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidated Statements of Financial Position

December 31, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|--------------------------|--------------------------|
| ASSETS | | |
| Cash | \$ 6,173,902 | \$ 11,311,078 |
| Accounts receivable | 904 | 1,555 |
| Prepaid expenses | 56,152 | 48,633 |
| Property and equipment, net | 27,351,687 | 16,543,503 |
| Investments | 112,298 | 94,740 |
| Beneficial interest in charitable trusts | <u>1,391,551</u> | <u>1,279,417</u> |
| Total assets | <u>\$ 35,086,494</u> | <u>\$ 29,278,926</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable and accrued expenses | \$ 193,521 | \$ 331,243 |
| Construction and retainage payable | 1,439,415 | 245,112 |
| Funds held for others | 65,629 | 75,767 |
| Deferred income | <u>87,442</u> | <u>58,836</u> |
| Total liabilities | <u>1,786,007</u> | <u>710,958</u> |
| Net assets | | |
| Without donor restrictions | 29,958,590 | 22,615,070 |
| With donor restrictions | <u>3,341,897</u> | <u>5,952,898</u> |
| Total net assets | <u>33,300,487</u> | <u>28,567,968</u> |
| Total liabilities and net assets | <u>\$ 35,086,494</u> | <u>\$ 29,278,926</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, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|----------------------------------|-------------------------------|----------------------|
| Revenues and other support: | | | |
| Contributions | \$ 6,783,585 | \$ 3,863,829 | \$ 10,647,414 |
| Program fees | 1,210,738 | - | 1,210,738 |
| Net investment return | - | 129,692 | 129,692 |
| Other revenue | 183,189 | 3,000 | 186,189 |
| Net assets released from restrictions | <u>6,607,522</u> | <u>(6,607,522)</u> | <u>-</u> |
| Total revenues and other support | <u>14,785,034</u> | <u>(2,611,001)</u> | <u>12,174,033</u> |
| Expenses: | | | |
| Program services | 6,218,489 | - | 6,218,489 |
| Supporting services | <u>1,223,025</u> | <u>-</u> | <u>1,223,025</u> |
| Total expenses | <u>7,441,514</u> | <u>-</u> | <u>7,441,514</u> |
| Change in net assets | 7,343,520 | (2,611,001) | 4,732,519 |
| Net assets at beginning of year | <u>22,615,070</u> | <u>5,952,898</u> | <u>28,567,968</u> |
| Net assets at end of year | <u>\$ 29,958,590</u> | <u>\$ 3,341,897</u> | <u>\$ 33,300,487</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, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|----------------------------------|-------------------------------|----------------------|
| Revenues and other support: | | | |
| Contributions | \$ 6,738,451 | \$ 4,574,378 | \$ 11,312,829 |
| Paycheck Protection Program grant | 807,500 | - | 807,500 |
| Program fees | 926,490 | - | 926,490 |
| Net investment income | - | 97,092 | 97,092 |
| Other revenue | 217,067 | 46,448 | 263,515 |
| Net assets released from restrictions | <u>1,946,732</u> | <u>(1,946,732)</u> | <u>-</u> |
| Total revenues and other support | <u>10,636,240</u> | <u>2,771,186</u> | <u>13,407,426</u> |
| Expenses: | | | |
| Program services | 6,207,940 | - | 6,207,940 |
| Supporting services | <u>1,179,414</u> | <u>-</u> | <u>1,179,414</u> |
| Total expenses | <u>7,387,354</u> | <u>-</u> | <u>7,387,354</u> |
| Change in net assets | 3,248,886 | 2,771,186 | 6,020,072 |
| Net assets at beginning of year | <u>19,366,184</u> | <u>3,181,712</u> | <u>22,547,896</u> |
| Net assets at end of year | <u>\$ 22,615,070</u> | <u>\$ 5,952,898</u> | <u>\$ 28,567,968</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, 2021

| | Program Services | Supporting Services | Total |
|-----------------------------|---------------------|------------------------|---------------------|
| Salaries and wages | \$ 2,812,035 | \$ 626,502 | \$ 3,438,537 |
| Employee benefits and taxes | 809,788 | 2,161 | 811,949 |
| Support for others | 907,523 | - | 907,523 |
| Meals, travel, and lodging | 50,707 | 3,814 | 54,521 |
| Supplies and resources | 171,092 | 26,253 | 197,345 |
| Media and technology | 122,198 | 102,391 | 224,589 |
| Risk management | - | 181,211 | 181,211 |
| Fees for services | 364,683 | 115,061 | 479,744 |
| Occupancy (facilities) | 393,563 | 62,062 | 455,625 |
| Depreciation | 586,900 | 103,570 | 690,470 |
| | <u>\$ 6,218,489</u> | <u>\$ 1,223,025</u> | <u>\$ 7,441,514</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, 2020

| | Program Services | Supporting Services | Total |
|-----------------------------|---------------------|------------------------|---------------------|
| Salaries and wages | \$ 2,941,510 | \$ 641,722 | \$ 3,583,232 |
| Employee benefits and taxes | 855,450 | 2,228 | 857,678 |
| Support for others | 957,745 | - | 957,745 |
| Meals, travel, and lodging | 48,127 | 4,021 | 52,148 |
| Supplies and resources | 159,292 | 47,161 | 206,453 |
| Media and technology | 140,477 | 101,242 | 241,719 |
| Risk management | - | 170,240 | 170,240 |
| Fees for services | 333,436 | 80,268 | 413,704 |
| Occupancy (facilities) | 312,303 | 51,426 | 363,729 |
| Depreciation | 459,600 | 81,106 | 540,706 |
| | <u>\$ 6,207,940</u> | <u>\$ 1,179,414</u> | <u>\$ 7,387,354</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, 2021 and 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 4,732,519 | \$ 6,020,072 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 690,470 | 540,706 |
| Net investment loss (income) | (129,692) | (97,092) |
| Contributions restricted for building and improvements | (2,850,771) | (3,964,861) |
| (Increase) decrease in assets: | | |
| Accounts receivable | 651 | 99,095 |
| Prepaid expenses | (7,519) | 4,147 |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | (137,722) | (327,184) |
| Funds held for others | (10,138) | 10,166 |
| Deferred income | <u>28,606</u> | <u>(16,751)</u> |
| Net cash provided by operating activities | <u>2,316,404</u> | <u>2,268,298</u> |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (10,304,351) | (2,931,747) |
| Proceeds received on sale of investments | <u>-</u> | <u>2,800</u> |
| Net cash used in investing activities | <u>(10,304,351)</u> | <u>(2,928,947)</u> |
| Cash flows from financing activities: | | |
| Contributions restricted for building and improvements | <u>2,850,771</u> | <u>3,964,861</u> |
| Change in cash | (5,137,176) | 3,304,212 |
| Cash at beginning of year | <u>11,311,078</u> | <u>8,006,866</u> |
| Cash at end of year | <u>\$ 6,173,902</u> | <u>\$ 11,311,078</u> |
| Supplemental disclosure: | | |
| Noncash investing and financing activity: | | |
| Property and equipment purchase recorded as construction and retainage payable | <u>\$ 1,194,303</u> | <u>\$ 245,112</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.

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.

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 \$96,692 and \$58,507 for the years ended December 31, 2021 and 2020, 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, to be cash and cash equivalents.

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

2 - Significant Accounting Policies (continued)

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.

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, 2021 and 2020.

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.

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

2 - Significant Accounting Policies (continued)

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, 2021, 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 2017 through 2021 tax years remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through May 26, 2022, 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 10 and 11). 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:

| | <u>2021</u> | <u>2020</u> |
|--|--------------------|--------------------|
| Cash | \$ 6,173,902 | \$ 11,311,078 |
| Accounts receivable | 904 | 1,555 |
| Investments and beneficial interest in charitable trusts | <u>1,503,849</u> | <u>1,374,157</u> |
| | 7,678,655 | 12,686,790 |
| Donor-imposed restrictions | (3,341,897) | (5,952,898) |
| Board designations | <u>(3,605,332)</u> | <u>(6,113,838)</u> |
| Financial assets available to meet general expenditure needs within one year | <u>\$ 731,426</u> | <u>\$ 620,054</u> |

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

4 - Property and Equipment

The following is a summary of property and equipment as of December 31, 2021:

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|----------------------|----------------------|
| Land | \$ 4,090,066 | \$ 4,090,066 |
| Buildings and improvements | 24,941,144 | 24,744,651 |
| Furniture, fixtures and equipment | 3,470,001 | 3,453,286 |
| Vehicles | 161,951 | 104,065 |
| Construction in progress | <u>15,622,117</u> | <u>4,394,556</u> |
| | 48,285,279 | 36,786,624 |
| Less accumulated depreciation | <u>(20,933,592)</u> | <u>(20,243,121)</u> |
| Net property and equipment | <u>\$ 27,351,687</u> | <u>\$ 16,543,503</u> |

Depreciation expense for the years ended December 31, 2021 and 2020 amounted to \$690,470 and \$540,706, 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 \$247,214 and \$221,961 at December 31, 2021 and 2020, 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 \$7,000 for 2021 and 2020.

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 \$1,144,337 and \$1,057,456 at December 31, 2021 and 2020, 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 2021 and 2020 amounted to approximately \$60,000 and \$90,000, 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, 2021 and 2020:

| | Assets at Fair Value as of December 31, 2021 | | | |
|--|--|-----------------|-------------|---------------------|
| | Level I | Level II | Level III | Total |
| Investments - equity mutual funds | \$ 112,298 | \$ - | \$ - | \$ 112,298 |
| Beneficial interest in charitable trusts | | | | |
| Sheila E. Allen Trust | 246,137 | 1,077 | - | 247,214 |
| Saul B. Sells Trust | <u>1,144,337</u> | <u>-</u> | <u>-</u> | <u>1,144,337</u> |
| Total assets at fair value | <u>\$ 1,502,772</u> | <u>\$ 1,077</u> | <u>\$ -</u> | <u>\$ 1,503,849</u> |
| | | | | |
| | Assets at Fair Value as of December 31, 2020 | | | |
| | Level I | Level II | Level III | Total |
| Investments - equity mutual funds | \$ 94,740 | \$ - | \$ - | \$ 94,740 |
| Beneficial interest in charitable trusts | | | | - |
| Sheila E. Allen Trust | 212,169 | 9,792 | - | 221,961 |
| Saul B. Sells Trust | <u>1,057,456</u> | <u>-</u> | <u>-</u> | <u>1,057,456</u> |
| Total assets at fair value | <u>\$ 1,364,365</u> | <u>\$ 9,792</u> | <u>\$ -</u> | <u>\$ 1,374,157</u> |

The beneficial interest in charitable trusts is 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 - Note Payable

In November 2020, the Church secured a construction loan with a financial institution with available credit of \$6,500,000. The loan bears interest at a variable rate equal to the Prime Rate, with a floor of 3.25%. Payments of interest only are required on a monthly basis through November 2023, at which time monthly payments of principal and interest will commence at an amount sufficient to amortize the balance over a period of 240 months. The loan matures in November 2043 and is secured by Church property. As of December 31, 2021, there have been no draws on the loan and there was no balance outstanding.

8 - Paycheck Protection Program Grant

On April 4, 2020, the Church received \$807,500 in proceeds from a Paycheck Protection Program loan funded by a financial institution and guaranteed by the Small Business Administration (“SBA”) under the federal CARES Act. Under the Program, all of a portion of the note payable may be forgiven for amounts that are used for the qualifying purposes under the SBA requirements. As of May 2021, the full amount of the Church’s note payable had been forgiven by the SBA. The proceeds of the note payable are reported as Paycheck Protection Program grant income in the 2020 consolidated statement of activities as the Church satisfied all criteria for forgiveness prior to December 31, 2020.

9 - 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, 2021 and 2020 follows:

| | <u>2021</u> | <u>2020</u> |
|-------------------|----------------------|----------------------|
| Total assets | \$ 97,113,260 | \$ 86,204,055 |
| Total liabilities | <u>475,237</u> | <u>425,016</u> |
| Net assets | <u>\$ 96,638,023</u> | <u>\$ 85,779,039</u> |

The Church received contributions from the Foundation as follows:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Unrestricted cash contributions | \$ 400,000 | \$ 400,000 |
| Next 90 contributions | - | 1,500,000 |
| Restricted/designated cash contributions | <u>2,234,508</u> | <u>2,245,399</u> |
| | <u>\$ 2,634,508</u> | <u>\$ 4,145,399</u> |

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

10 - Net Assets Without Donor Restrictions

The balance of net assets without donor restrictions as of December 31, 2021 and 2020 includes net assets designated by the Board for the following purposes:

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Funds designated for future operating costs: | | |
| General Memorial Funds | \$ 50,714 | \$ 41,860 |
| Operating Cash Reserve | 841,439 | 619,750 |
| Funds designated for future capital costs: | | |
| Collins Maxey Burton Estate | - | 2,164,073 |
| Next90 Project | 189,333 | 357,583 |
| Board of Trustees Funds | 2,385,037 | 1,223,866 |
| Mariann Wilson Lyon Estate | - | 1,591,049 |
| Funds designated for perpetual care: | | |
| Columbarium | <u>138,809</u> | <u>115,657</u> |
| | <u>\$ 3,605,332</u> | <u>\$ 6,113,838</u> |

11 - 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>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Property acquisitions | \$ 224,978 | \$ 3,115,217 |
| Program expenses | 1,448,892 | 989,550 |
| Advance pledges | 164,178 | 473,974 |
| Investments (scholarships) | 112,298 | 94,740 |
| Beneficial interest in testamentary trust | 1,144,337 | 1,057,456 |
| Beneficial interest in perpetual trust | <u>247,214</u> | <u>221,961</u> |
| | <u>\$ 3,341,897</u> | <u>\$ 5,952,898</u> |

During the years ended December 31, 2021 and 2020, net assets with donor restrictions in the amount of \$6,607,522 and \$1,946,732, respectively, had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

FIRST UNITED METHODIST CHURCH OF FORT WORTH
Notes to Consolidated Financial Statements

12 - Endowment Funds

Changes in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|-------------------|
| Endowment net assets, December 31, 2020 | \$ - | \$ 221,961 | \$ 221,961 |
| Net investment income | <u>-</u> | <u>25,253</u> | <u>25,253</u> |
| Endowment net assets, December 31, 2021 | <u>\$ -</u> | <u>\$ 247,214</u> | <u>\$ 247,214</u> |
| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
| Endowment net assets, December 31, 2019 | \$ - | \$ 205,465 | \$ 205,465 |
| Net investment income | <u>-</u> | <u>16,496</u> | <u>16,496</u> |
| Endowment net assets, December 31, 2020 | <u>\$ -</u> | <u>\$ 221,961</u> | <u>\$ 221,961</u> |

13 - 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, 2021 and 2020, pension expense was \$124,838 and \$129,364, respectively.

14 - Commitments and Contingencies

During 2021, the Church was a party to a contract in relation to its capital campaign with a total dollar value of \$13,768,820. The contractor submits requests for payment on the contract as construction progresses. As of December 31, 2021, \$10,924,241 had been billed and capitalized on the consolidated statement of financial position. Of this amount, \$1,439,415 is included within construction and retainage payable on the consolidated statement of financial position. The remaining \$2,844,579 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, 2021

| | Budget | Designated | Temporarily Restricted | Permanently Restricted | Weekday | Mission | Total |
|--|----------------------|---------------------|---------------------------|---------------------------|-------------------|-------------------|----------------------|
| ASSETS | | | | | | | |
| Cash | \$ 176,124 | \$ 3,605,332 | \$ 1,207,547 | \$ - | \$ 480,482 | \$ 704,417 | \$ 6,173,902 |
| Accounts receivable | 904 | - | - | - | - | - | 904 |
| Prepaid expenses | 56,152 | - | - | - | - | - | 56,152 |
| Property and equipment, net | 27,351,687 | - | - | - | - | - | 27,351,687 |
| Investments | - | - | 112,298 | - | - | - | 112,298 |
| Beneficial interest in charitable trusts | - | - | 1,144,337 | 247,214 | - | - | 1,391,551 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | <u>\$ 27,584,867</u> | <u>\$ 3,605,332</u> | <u>\$ 2,464,182</u> | <u>\$ 247,214</u> | <u>\$ 480,482</u> | <u>\$ 704,417</u> | <u>\$ 35,086,494</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| Accounts payable and accrued expenses | \$ 123,250 | \$ - | \$ 66,205 | \$ - | \$ 1,963 | \$ 2,103 | \$ 193,521 |
| Construction and retainage payable | 1,439,415 | - | - | - | - | - | 1,439,415 |
| Funds held for others | - | - | 65,629 | - | - | - | 65,629 |
| Deferred income | 37,912 | - | - | - | 49,530 | - | 87,442 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | <u>1,600,577</u> | <u>-</u> | <u>131,834</u> | <u>-</u> | <u>51,493</u> | <u>2,103</u> | <u>1,786,007</u> |
| Net assets | | | | | | | |
| Without donor restrictions | 25,984,290 | 3,605,332 | - | - | 368,968 | - | 29,958,590 |
| With donor restrictions | - | - | 2,332,348 | 247,214 | 60,021 | 702,314 | 3,341,897 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total net assets | <u>25,984,290</u> | <u>3,605,332</u> | <u>2,332,348</u> | <u>247,214</u> | <u>428,989</u> | <u>702,314</u> | <u>33,300,487</u> |
| Total liabilities and net assets | <u>\$ 27,584,867</u> | <u>\$ 3,605,332</u> | <u>\$ 2,464,182</u> | <u>\$ 247,214</u> | <u>\$ 480,482</u> | <u>\$ 704,417</u> | <u>\$ 35,086,494</u> |

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidating Statement of Activities - By Fund

Year Ended December 31, 2021

| | Budget | Designated | Temporarily Restricted | Permanently Restricted | Weekday | Mission | Total |
|----------------------------------|----------------------|---------------------|---------------------------|---------------------------|-------------------|-------------------|----------------------|
| Revenues and other support: | | | | | | | |
| Contributions | \$ 4,440,959 | \$ 2,342,626 | \$ 2,880,849 | \$ - | \$ - | \$ 982,980 | \$ 10,647,414 |
| Program fees | - | - | - | - | 1,210,738 | - | 1,210,738 |
| Net investment return | - | - | 104,439 | 25,253 | - | - | 129,692 |
| Other revenue | 183,189 | - | 3,000 | - | - | - | 186,189 |
| Interfund transfers | <u>10,634,911</u> | <u>(4,838,015)</u> | <u>(5,741,010)</u> | <u>-</u> | <u>-</u> | <u>(55,886)</u> | <u>-</u> |
| Total revenues and other support | <u>15,259,059</u> | <u>(2,495,389)</u> | <u>(2,752,722)</u> | <u>25,253</u> | <u>1,210,738</u> | <u>927,094</u> | <u>12,174,033</u> |
| Expenses: | | | | | | | |
| Program services | 4,391,295 | 13,117 | 127,551 | - | 1,028,047 | 658,479 | 6,218,489 |
| Supporting services | <u>1,223,025</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,223,025</u> |
| Total expenses | <u>5,614,320</u> | <u>13,117</u> | <u>127,551</u> | <u>-</u> | <u>1,028,047</u> | <u>658,479</u> | <u>7,441,514</u> |
| Change in net assets | 9,644,739 | (2,508,506) | (2,880,273) | 25,253 | 182,691 | 268,615 | 4,732,519 |
| Net assets at beginning of year | <u>16,339,551</u> | <u>6,113,838</u> | <u>5,212,621</u> | <u>221,961</u> | <u>246,298</u> | <u>433,699</u> | <u>28,567,968</u> |
| Net assets at end of year | <u>\$ 25,984,290</u> | <u>\$ 3,605,332</u> | <u>\$ 2,332,348</u> | <u>\$ 247,214</u> | <u>\$ 428,989</u> | <u>\$ 702,314</u> | <u>\$ 33,300,487</u> |

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidating Statement of Financial Position - By Fund

December 31, 2020

| | Budget | Designated | Temporarily Restricted | Permanently Restricted | Weekday | Mission | Total |
|--|-----------------------------|----------------------------|----------------------------|---------------------------|--------------------------|--------------------------|-----------------------------|
| ASSETS | | | | | | | |
| Cash | \$ 253,045 | \$ 6,113,838 | \$ 4,204,482 | \$ - | \$ 300,171 | \$ 439,542 | \$ 11,311,078 |
| Accounts receivable | 1,555 | - | - | - | - | - | 1,555 |
| Prepaid expenses | 48,633 | - | - | - | - | - | 48,633 |
| Property and equipment, net | 16,543,503 | - | - | - | - | - | 16,543,503 |
| Investments | - | - | 94,740 | - | - | - | 94,740 |
| Beneficial interest in charitable trusts | - | - | 1,057,456 | 221,961 | - | - | 1,279,417 |
| Total assets | <u>\$ 16,846,736</u> | <u>\$ 6,113,838</u> | <u>\$ 5,356,678</u> | <u>\$ 221,961</u> | <u>\$ 300,171</u> | <u>\$ 439,542</u> | <u>\$ 29,278,926</u> |
| LIABILITIES AND NET ASSETS | | | | | | | |
| Accounts payable and accrued expenses | \$ 253,661 | \$ - | \$ 68,290 | \$ - | \$ 3,449 | \$ 5,843 | \$ 331,243 |
| Construction and retainage payable | 245,112 | - | - | - | - | - | 245,112 |
| Funds held for others | - | - | 75,767 | - | - | - | 75,767 |
| Deferred income | 8,412 | - | - | - | 50,424 | - | 58,836 |
| Total liabilities | <u>507,185</u> | <u>-</u> | <u>144,057</u> | <u>-</u> | <u>53,873</u> | <u>5,843</u> | <u>710,958</u> |
| Net assets | | | | | | | |
| Without donor restrictions | 16,339,551 | 6,113,838 | - | - | 161,681 | - | 22,615,070 |
| With donor restrictions | - | - | 5,212,621 | 221,961 | 84,617 | 433,699 | 5,952,898 |
| Total net assets | <u>16,339,551</u> | <u>6,113,838</u> | <u>5,212,621</u> | <u>221,961</u> | <u>246,298</u> | <u>433,699</u> | <u>28,567,968</u> |
| Total liabilities and net assets | <u>\$ 16,846,736</u> | <u>\$ 6,113,838</u> | <u>\$ 5,356,678</u> | <u>\$ 221,961</u> | <u>\$ 300,171</u> | <u>\$ 439,542</u> | <u>\$ 29,278,926</u> |

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidating Statement of Activities - By Fund
Year Ended December 31, 2020

| | <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 | \$ 4,399,990 | \$ 2,338,461 | \$ 3,909,712 | \$ - | \$ - | \$ 664,666 | \$ 11,312,829 |
| Paycheck Protection Program grant | 618,641 | - | - | - | 156,577 | 32,282 | 807,500 |
| Program fees | - | - | - | - | 926,490 | - | 926,490 |
| Net investment income | - | - | 80,596 | 16,496 | - | - | 97,092 |
| Other revenue | 217,067 | - | 46,448 | - | - | - | 263,515 |
| Interfund transfers | <u>3,256,800</u> | <u>(2,018,855)</u> | <u>(1,237,945)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues and other support | <u>8,492,498</u> | <u>319,606</u> | <u>2,798,811</u> | <u>16,496</u> | <u>1,083,067</u> | <u>696,948</u> | <u>13,407,426</u> |
| Expenses: | | | | | | | |
| Program services | 4,426,498 | 11,496 | 176,378 | - | 1,038,968 | 554,600 | 6,207,940 |
| Supporting services | <u>1,179,414</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,179,414</u> |
| Total expenses | <u>5,605,912</u> | <u>11,496</u> | <u>176,378</u> | <u>-</u> | <u>1,038,968</u> | <u>554,600</u> | <u>7,387,354</u> |
| Change in net assets | 2,886,586 | 308,110 | 2,622,433 | 16,496 | 44,099 | 142,348 | 6,020,072 |
| Net assets at beginning of year | <u>13,452,965</u> | <u>5,805,728</u> | <u>2,590,188</u> | <u>205,465</u> | <u>202,199</u> | <u>291,351</u> | <u>22,547,896</u> |
| Net assets at end of year | <u>\$ 16,339,551</u> | <u>\$ 6,113,838</u> | <u>\$ 5,212,621</u> | <u>\$ 221,961</u> | <u>\$ 246,298</u> | <u>\$ 433,699</u> | <u>\$ 28,567,968</u> |