

**FIRST UNITED METHODIST CHURCH
OF FORT WORTH**

Fort Worth, Texas

Consolidated Financial Statements

Years Ended December 31, 2022 and 2021

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidated Financial Statements
Years Ended December 31, 2022 and 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4 - 5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 16
Supplemental Information:	
Consolidating Financial Statements	17 - 20



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, 2022 and 2021, 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, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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
July 10, 2023

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidated Statements of Financial Position

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 6,495,931	\$ 6,173,902
Accounts receivable	1,698	904
Prepaid expenses	89,622	56,152
Property and equipment, net	30,820,680	27,351,687
Investments	98,410	112,298
Beneficial interest in charitable trusts	<u>1,085,055</u>	<u>1,391,551</u>
 Total assets	 <u><u>\$ 38,591,396</u></u>	 <u><u>\$ 35,086,494</u></u>
 LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 256,022	\$ 193,521
Construction and retainage payable	135,966	1,439,415
Funds held for others	77,248	65,629
Deferred income	88,283	87,442
Note payable	<u>2,200,935</u>	<u>-</u>
 Total liabilities	 <u>2,758,454</u>	 <u>1,786,007</u>
Net assets		
Without donor restrictions	32,862,772	29,958,590
With donor restrictions	<u>2,970,170</u>	<u>3,341,897</u>
 Total net assets	 <u>35,832,942</u>	 <u>33,300,487</u>
 Total liabilities and net assets	 <u><u>\$ 38,591,396</u></u>	 <u><u>\$ 35,086,494</u></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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions	\$ 6,171,885	\$ 3,316,194	\$ 9,488,079
Program fees	1,538,677	-	1,538,677
In-kind contributions	-	173,282	173,282
Net investment returns	-	(320,384)	(320,384)
Other revenue	363,585	100	363,685
Net assets released from restrictions	<u>3,540,919</u>	<u>(3,540,919)</u>	<u>-</u>
Total revenues and other support	<u>11,615,066</u>	<u>(371,727)</u>	<u>11,243,339</u>
Expenses:			
Program services	6,868,848	-	6,868,848
Supporting services	<u>1,842,036</u>	<u>-</u>	<u>1,842,036</u>
Total expenses	<u>8,710,884</u>	<u>-</u>	<u>8,710,884</u>
Change in net assets	2,904,182	(371,727)	2,532,455
Net assets at beginning of year	<u>29,958,590</u>	<u>3,341,897</u>	<u>33,300,487</u>
Net assets at end of year	<u>\$ 32,862,772</u>	<u>\$ 2,970,170</u>	<u>\$ 35,832,942</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	\$ 6,783,485	\$ 3,767,137	\$ 10,550,622
Program fees	1,210,738	-	1,210,738
In-kind contributions	-	96,692	96,692
Net investment returns	-	129,692	129,692
Other revenue	183,289	3,000	186,289
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 Functional Expenses

Year Ended December 31, 2022

	Program Services	Supporting Services	Total
Personnel costs	\$ 4,020,168	\$ 764,685	\$ 4,784,853
Support for others	1,221,286	-	1,221,286
Meals, travel, and lodging	161,234	12,671	173,905
Supplies and resources	325,629	29,183	354,812
Media and technology	58,245	131,530	189,775
Risk management	-	244,373	244,373
Fees for services	432,274	89,704	521,978
Facilities	55,529	464,981	520,510
Depreciation	594,483	104,909	699,392
	<u>\$ 6,868,848</u>	<u>\$ 1,842,036</u>	<u>\$ 8,710,884</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
Personnel costs	\$ 3,621,823	\$ 628,663	\$ 4,250,486
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
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 Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,532,455	\$ 4,732,519
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	699,392	690,470
Noncash compensation	19,731	-
Net investment loss (income)	320,384	(129,692)
Contributions restricted for building and improvements	(2,219,721)	(2,850,771)
(Increase) decrease in assets:		
Accounts receivable	(794)	651
Prepaid expenses	(33,470)	(7,519)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	62,501	(137,722)
Funds held for others	11,619	(10,138)
Deferred income	841	28,606
Net cash provided by operating activities	<u>1,392,938</u>	<u>2,316,404</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(5,491,565)</u>	<u>(10,304,351)</u>
Cash flows from financing activities:		
Advances on note payable	3,220,935	-
Payments on note payable	(1,020,000)	-
Contributions restricted for building and improvements	<u>2,219,721</u>	<u>2,850,771</u>
Net cash provided by financing activities	<u>4,420,656</u>	<u>2,850,771</u>
Change in cash	322,029	(5,137,176)
Cash at beginning of year	<u>6,173,902</u>	<u>11,311,078</u>
Cash at end of year	<u>\$ 6,495,931</u>	<u>\$ 6,173,902</u>
Supplemental disclosure:		
Noncash investing and financing activity:		
Property and equipment purchases recorded as construction and retainage payable	<u>\$ -</u>	<u>\$ 1,194,303</u>
Cash paid for interest and capitalized	<u>\$ 77,797</u>	<u>\$ -</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 Standard - In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a right-of-use asset and a lease liability for most leases on the statement of financial position as well as other qualitative and quantitative disclosures. ASU 2016-02 is to be applied using a modified retrospective method and became effective for the Church on January 1, 2022. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing organizations to recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption, with no restatement of comparative prior periods required. The Church adopted the standard using this optional transition method.

The FASB has provided certain practical expedients in applying the standard. Of the allowed practical expedients within the standard, the Church elected the package of practical expedients which, among other things, allowed for historical lease classification to be carried forward upon adoption of the standard. The Church did not elect the hindsight practical expedient when determining the lease term for existing leases. In addition, the Church did not separate non-lease components from lease components by class of underlying assets where appropriate and the Church did not apply the recognition requirements of the standard to short-term leases with an initial term of 12 months or less, as allowed by the standard. The adoption of the standard had no impact on the Church’s financial statements as of January 1, 2022.

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 \$173,282 and \$96,692 for the years ended December 31, 2022 and 2021, 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.

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

Within the United Methodist Church denomination, all properties of local churches are held in trust for the benefit of the entire denomination with ownership and usage of church property subject to the United Methodist Book of Discipline ("the Discipline"). The trust is irrevocable except as provided by the Discipline.

Leases - The Church recognizes a right-of-use asset and a lease liability on the effective date of a lease agreement. Right-of-use assets represent the right to use an underlying asset over the lease term, and lease liabilities represent the obligation to make lease payments resulting from the lease agreement. The Church initially records these assets and liabilities based on the present value of lease payments over the lease term calculated using its incremental borrowing rate applicable to the leased asset or the implicit rate within the lease agreement if it is readily determinable. Lease agreements with lease and non-lease components are combined as a single lease component. Right-of-use assets additionally include net prepaid lease expenses. Options to extend or terminate an agreement are included in the lease term when it becomes reasonably certain the option will be exercised. Leases with an initial term of 12 months or less, short-term leases, are not recorded on the statement of financial position for all underlying asset classes. Lease expense for short-term and long-term operating leases is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred. The Church did not have right-of-use assets and lease liabilities as of December 31, 2022.

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

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

2 - Significant Accounting Policies (continued)

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.

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.

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.

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, 2022, 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 2018 through 2022 tax years remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through July 10, 2023, 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 9 and 10). Church management, in collaboration with the Board, appropriates resources from Board designated and donor-restricted funds.

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

3 - Liquidity and Availability of Resources (continued)

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>2022</u>	<u>2021</u>
Cash	\$ 6,495,931	\$ 6,173,902
Accounts receivable	1,698	904
Investments and beneficial interest in charitable trusts	<u>1,183,465</u>	<u>1,503,849</u>
	7,681,094	7,678,655
Donor-imposed restrictions	(2,970,170)	(3,341,897)
Board designations	<u>(3,610,909)</u>	<u>(3,605,332)</u>
Financial assets available to meet general expenditure needs within one year	<u>\$ 1,100,015</u>	<u>\$ 731,426</u>

4 - Property and Equipment

The following is a summary of property and equipment as of December 31, 2022:

	<u>2022</u>	<u>2021</u>
Land	\$ 4,090,066	\$ 4,090,066
Buildings and improvements	25,198,310	24,941,144
Furniture, fixtures and equipment	4,505,538	3,470,001
Vehicles	127,068	161,951
Construction in progress	<u>18,511,590</u>	<u>15,622,117</u>
	52,432,572	48,285,279
Less accumulated depreciation	<u>(21,611,892)</u>	<u>(20,933,592)</u>
Net property and equipment	<u>\$ 30,820,680</u>	<u>\$ 27,351,687</u>

5 - Beneficial Interest in Charitable Trust

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 \$196,243 and \$247,214 at December 31, 2022 and 2021, respectively.

The income distributed from the Allen Trust is to be used to maintain and preserve Church buildings; and in accordance with 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 \$5,000 and \$7,000 for 2022 and 2021, respectively.

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

5 - Beneficial Interest in Charitable Trust (continued)

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 \$888,812 and \$1,144,337 at December 31, 2022 and 2021, 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 2022 and 2021 amounted to approximately \$48,000 and \$60,000, respectively.

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, 2022:

	Assets at Fair Value as of December 31, 2022			
	Level I	Level II	Level III	Total
Investments - equity mutual funds	\$ 98,410	\$ -	\$ -	\$ 98,410
Beneficial interest in charitable trusts				
Sheila E. Allen Trust	187,182	9,061	-	196,243
Saul B. Sells Trust	888,812	-	-	888,812
Total assets at fair value	<u>\$ 1,174,404</u>	<u>\$ 9,061</u>	<u>\$ -</u>	<u>\$ 1,183,465</u>

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

6 - Fair Value Measurements (continued)

The table below summarizes the investments and beneficial interest in charitable trusts by level as of December 31, 2021:

	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	1,144,337	-	-	1,144,337
Total assets at fair value	<u>\$ 1,502,772</u>	<u>\$ 1,077</u>	<u>\$ -</u>	<u>\$ 1,503,849</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.

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% and ceiling of 4.25%. 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 had been no draws on the loan and there was no balance outstanding. The outstanding balance was \$2,200,935 as of December 31, 2022.

8 - 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.

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

8 - Related Parties (continued)

A summary of financial data of the Foundation at December 31, 2022 and 2021 follows:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 79,886,646	\$ 97,113,260
Total liabilities	<u>404,550</u>	<u>475,237</u>
Net assets	<u>\$ 79,482,096</u>	<u>\$ 96,638,023</u>

The Church received contributions from the Foundation as follows:

	<u>2022</u>	<u>2021</u>
Unrestricted cash contributions	\$ 400,000	\$ 400,000
Restricted/designated cash contributions	<u>2,121,841</u>	<u>2,234,508</u>
	<u>\$ 2,521,841</u>	<u>\$ 2,634,508</u>

9 - Net Assets Without Donor Restrictions

The balance of net assets without donor restrictions as of December 31, 2022 and 2021 includes net assets designated by the Board for the following purposes:

	<u>2022</u>	<u>2021</u>
Funds designated for future operating costs:		
General Memorial Funds	\$ 33,629	\$ 50,714
Operating Cash Reserve	282,473	841,439
Funds designated for future capital costs:		
Next90 Project	128,451	189,333
Board of Trustees Funds	3,006,573	2,385,037
Funds designated for perpetual care:		
Columbarium	<u>159,783</u>	<u>138,809</u>
	<u>\$ 3,610,909</u>	<u>\$ 3,605,332</u>

10 - Net Assets With Donor Restrictions

The balance of net assets with donor restrictions as of December 31, 2022 and 2021, relates to certain contributions for which the donor has imposed restrictions. These restrictions require the Church to use such funds for expenses directly related to Church activities that correspond to the donor's wishes. Net assets with donor restrictions consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Property acquisitions	\$ 214,034	\$ 224,978
Program expenses	1,385,901	1,448,892
Advance pledges	186,770	164,178
Investments (scholarships)	98,410	112,298
Beneficial interest in testamentary trust	888,812	1,144,337
Beneficial interest in perpetual trust	<u>196,243</u>	<u>247,214</u>
	<u>\$ 2,970,170</u>	<u>\$ 3,341,897</u>

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Notes to Consolidated Financial Statements

10 - Net Assets With Donor Restrictions (continued)

During the years ended December 31, 2022 and 2021, net assets with donor restrictions in the amount of \$3,540,919 and \$6,607,522, respectively, had been expended in accordance with donor restrictions and have been reclassified to net assets without donor restrictions.

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, 2022 and 2021, pension expense was \$141,981 and \$124,838, respectively.

12 - Commitments and Contingencies

During 2022, 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, 2022, \$13,704,626 had been billed and capitalized on the consolidated statement of financial position. Of this amount, \$135,966 is included within construction and retainage payable on the consolidated statement of financial position. The remaining \$64,194 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, 2022

	Budget	Designated	Temporarily Restricted	Permanently Restricted	Weekday	Mission	Total
ASSETS							
Cash	\$ 149,818	\$ 3,611,139	\$ 1,119,755	\$ -	\$ 886,508	\$ 728,711	\$ 6,495,931
Accounts receivable	1,698	-	-	-	-	-	1,698
Prepaid expenses	89,622	-	-	-	-	-	89,622
Property and equipment, net	30,820,680	-	-	-	-	-	30,820,680
Investments	-	-	98,410	-	-	-	98,410
Beneficial interest in charitable trusts	-	-	888,812	196,243	-	-	1,085,055
Total assets	<u>\$ 31,061,818</u>	<u>\$ 3,611,139</u>	<u>\$ 2,106,977</u>	<u>\$ 196,243</u>	<u>\$ 886,508</u>	<u>\$ 728,711</u>	<u>\$ 38,591,396</u>
LIABILITIES AND NET ASSETS							
Accounts payable and accrued expenses	\$ 186,529	\$ 230	\$ 63,318	\$ -	\$ 3,830	\$ 2,115	\$ 256,022
Construction and retainage payable	135,966	-	-	-	-	-	135,966
Funds held for others	-	-	77,248	-	-	-	77,248
Deferred income	24,220	-	-	-	64,063	-	88,283
Note payable	2,200,935	-	-	-	-	-	2,200,935
Total liabilities	<u>2,547,650</u>	<u>230</u>	<u>140,566</u>	<u>-</u>	<u>67,893</u>	<u>2,115</u>	<u>2,758,454</u>
Net assets							
Without donor restrictions	28,514,168	3,610,909	-	-	737,695	-	32,862,772
With donor restrictions	<u>-</u>	<u>-</u>	<u>1,966,411</u>	<u>196,243</u>	<u>80,920</u>	<u>726,596</u>	<u>2,970,170</u>
Total net assets	<u>28,514,168</u>	<u>3,610,909</u>	<u>1,966,411</u>	<u>196,243</u>	<u>818,615</u>	<u>726,596</u>	<u>35,832,942</u>
Total liabilities and net assets	<u>\$ 31,061,818</u>	<u>\$ 3,611,139</u>	<u>\$ 2,106,977</u>	<u>\$ 196,243</u>	<u>\$ 886,508</u>	<u>\$ 728,711</u>	<u>\$ 38,591,396</u>

FIRST UNITED METHODIST CHURCH OF FORT WORTH

Consolidating Statement of Activities - By Fund

Year Ended December 31, 2022

	<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	\$ 4,151,709	\$ 2,020,176	\$ 2,616,320	\$ -	\$ -	\$ 699,874	\$ 9,488,079
Program fees	-	-	-	-	1,538,677	-	1,538,677
In-kind contributions	-	-	-	-	-	173,282	173,282
Net investment return	-	-	(269,413)	(50,971)	-	-	(320,384)
Other revenue	195,618	-	100	-	167,967	-	363,685
Interfund transfers	<u>4,399,405</u>	<u>(1,998,312)</u>	<u>(2,398,093)</u>	<u>-</u>	<u>-</u>	<u>(3,000)</u>	<u>-</u>
Total revenues and other support	<u>8,746,732</u>	<u>21,864</u>	<u>(51,086)</u>	<u>(50,971)</u>	<u>1,706,644</u>	<u>870,156</u>	<u>11,243,339</u>
Expenses:							
Program services	4,374,818	16,287	314,851	-	1,317,018	845,874	6,868,848
Supporting services	<u>1,842,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,842,036</u>
Total expenses	<u>6,216,854</u>	<u>16,287</u>	<u>314,851</u>	<u>-</u>	<u>1,317,018</u>	<u>845,874</u>	<u>8,710,884</u>
Change in net assets	2,529,878	5,577	(365,937)	(50,971)	389,626	24,282	2,532,455
Net assets at beginning 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>
Net assets at end of year	<u>\$ 28,514,168</u>	<u>\$ 3,610,909</u>	<u>\$ 1,966,411</u>	<u>\$ 196,243</u>	<u>\$ 818,615</u>	<u>\$ 726,596</u>	<u>\$ 35,832,942</u>

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
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
Note payable	-	-	-	-	-	-	-
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	<u>-</u>	<u>-</u>	<u>2,332,348</u>	<u>247,214</u>	<u>60,021</u>	<u>702,314</u>	<u>3,341,897</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	\$ 4,440,859	\$ 2,342,626	\$ 2,880,849	\$ -	\$ -	\$ 886,288	\$ 10,550,622
Program fees	-	-	-	-	1,210,738	-	1,210,738
In-kind contributions	-	-	-	-	-	96,692	96,692
Net investment return	-	-	104,439	25,253	-	-	129,692
Other revenue	183,289	-	3,000	-	-	-	186,289
Interfund transfers	10,634,911	(4,838,015)	(5,741,010)	-	-	(55,886)	-
Total revenues and other support	15,259,059	(2,495,389)	(2,752,722)	25,253	1,210,738	927,094	12,174,033
Expenses:							
Program services	4,391,295	13,117	127,551	-	1,028,047	658,479	6,218,489
Supporting services	1,223,025	-	-	-	-	-	1,223,025
Total expenses	5,614,320	13,117	127,551	-	1,028,047	658,479	7,441,514
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	16,339,551	6,113,838	5,212,621	221,961	246,298	433,699	28,567,968
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>