Texas Methodist Foundation

Financial Statements as of and for the Years Ended December 31, 2020 and 2019 and Independent Auditors' Report

Texas Methodist Foundation

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MAXWELL LOCKE & RITTER

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Independent Auditors' Report

To the Board of Directors of
Texas Methodist Foundation:

We have audited the accompanying financial statements of Texas Methodist Foundation ("TMF") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Affiliated Company
ML&R WEALTH MANAGEMENT LLC
"A Registered Investment Advisor"
This firm is not a CPA firm

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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TMF as of December 31, 2020 and 2019, 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.

Maxwell Locke & Ritter LLP

Austin, Texas
April 13, 2021

Texas Methodist Foundation

Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 28,258,277	$ 21,637,261
Investments	370,857,954	320,396,705
Accrued interest receivable	2,268,848	1,459,959
Prepaid expenses and other assets	628,981	582,718
Loans receivable, less allowance for loan losses of $1,750,000 and $500,000, respectively	305,305,047	326,127,365
Property and equipment, net	2,144,152	2,409,094
Intangible assets, net	299,235	348,947
Total assets	$ 709,762,494	$ 672,962,049
Liabilities and Net Assets		
Liabilities:		
Distributions, grants, and accounts payable	$ 3,644,916	$ 2,958,295
Deferred revenue	147,963	118,500
Deferred grant revenue	940,000	650,000
Funds held as agent	133,110,651	117,985,157
Funds managed for investors	446,721,151	433,883,570
Note payable	6,250,000	13,750,000
Total liabilities	590,814,681	569,345,522
Net assets:		
Without donor restrictions:		
Undesignated endowment	67,377,678	57,986,110
Designated endowment for Leadership Ministry	10,449,772	9,176,721
Total net assets without donor restrictions	77,827,450	67,162,831
With donor restrictions	41,120,363	36,453,696
Total net assets	118,947,813	103,616,527
Total liabilities and net assets	$ 709,762,494	$ 672,962,049

See notes to financial statements.

Texas Methodist Foundation

Statement of Activities
Year Ended December 31, 2020 (with summarized comparative totals for the year ended December 31, 2019)

	2020			
	Without Donor Restrictions	With Donor Restrictions	Total	2019 Total
Revenues, gains, and other support:				
Interest income	$ 14,150,358	281,491	14,431,849	16,450,325
Unrealized and realized gains on investments	10,404,046	5,616,477	16,020,523	14,794,674
Contributions and bequests	1,225,391	1,063,028	2,288,419	8,289,246
Administrative income	1,185,000	-	1,185,000	972,000
Dividends	69,055	774	69,829	364,719
Oil and gas royalties	-	57,502	57,502	56,412
Consulting fees income	3,480	-	3,480	25,850
Change in actuarial liability	-	(1,009)	(1,009)	(1,095)
Other	361,422	52	361,474	635,621
Net assets released from restrictions-				
Expiration of time restrictions	2,351,648	(2,351,648)	-	-
Total revenues, gains, and other support	29,750,400	4,666,667	34,417,067	41,587,752
Expenses:				
Programs:				
Loans and investor services	8,151,877	-	8,151,877	9,048,314
Charitable services	5,521,272	-	5,521,272	5,312,253
Leadership services	2,701,805	-	2,701,805	3,538,442
General and administrative	2,388,401	-	2,388,401	2,111,044
Depreciation and amortization	322,426	-	322,426	358,938
Total expenses	19,085,781	-	19,085,781	20,368,991
Change in net assets before inherent contribution	10,664,619	4,666,667	15,331,286	21,218,761
Inherent contribution	-	-	-	9,662,132
Net assets, beginning of year	67,162,831	36,453,696	103,616,527	72,735,634
Net assets, end of year	$ 77,827,450	41,120,363	118,947,813	103,616,527

See notes to financial statements.

Texas Methodist Foundation

Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Interest income	$ 16,060,607	389,718	16,450,325
Unrealized and realized gains on investments	9,203,263	5,591,411	14,794,674
Contributions and bequests	5,965,615	2,323,631	8,289,246
Administrative income	972,000	-	972,000
Dividends	294,650	70,069	364,719
Oil and gas royalties	-	56,412	56,412
Consulting fees income	25,850	-	25,850
Change in actuarial liability	-	(1,095)	(1,095)
Other	627,022	8,599	635,621
Net assets released from restrictions-			
Expiration of time restrictions	2,503,698	(2,503,698)	-
Total revenues, gains, and other support	35,652,705	5,935,047	41,587,752
Expenses:			
Programs:			
Loans and investor services	9,048,314	-	9,048,314
Charitable services	5,312,253	-	5,312,253
Leadership services	3,538,442	-	3,538,442
General and administrative	2,111,044	-	2,111,044
Depreciation and amortization	358,938	-	358,938
Total expenses	20,368,991	-	20,368,991
Change in net assets before inherent contribution	15,283,714	5,935,047	21,218,761
Inherent contribution	6,040,271	3,621,861	9,662,132
Net assets, beginning of year	45,838,846	26,896,788	72,735,634
Net assets, end of year	$ 67,162,831	36,453,696	103,616,527

See notes to financial statements.

Texas Methodist Foundation

Statement of Functional Expenses
Year Ended December 31, 2020 (with summarized comparative totals for the year ended December 31, 2019)

	2020					
	Programs			Support		
	Loans and Investor Services	Charitable Services	Leadership Services	General and Administrative	Total Expenses	2019 Total
Salaries, wages, and benefits	$ 1,960,460	1,241,151	1,958,490	1,826,066	6,986,167	7,141,120
Interest expense	4,209,634	-	-	-	4,209,634	5,776,729
Grants and distributions	-	3,986,413	-	-	3,986,413	3,465,926
Office	456,327	198,011	617,186	349,067	1,620,591	2,448,052
Provision for loan losses	1,250,000	-	-	-	1,250,000	379,881
Building	47,413	28,448	28,448	85,344	189,653	230,592
Insurance	51,357	27,557	27,557	18,789	125,260	57,342
Travel	20,506	11,547	49,799	39,145	120,997	248,705
Professional fees	-	28,145	-	69,990	98,135	127,478
Scholarships	-	-	20,325	-	20,325	28,127
Other	156,180	-	-	-	156,180	106,101
Total expenses before depreciation and amortization	8,151,877	5,521,272	2,701,805	2,388,401	18,763,355	20,010,053
Depreciation and amortization	-	-	-	322,426	322,426	358,938
Total expenses	$ 8,151,877	5,521,272	2,701,805	2,710,827	19,085,781	20,368,991

See notes to financial statements.

Texas Methodist Foundation

Statement of Functional Expenses
Year Ended December 31, 2019

	Programs			Support	
	Loans and Investor Services	Charitable Services	Leadership Services	General and Administrative	Total Expenses
Salaries, wages, and benefits	$ 1,986,431	1,344,575	2,269,726	1,540,388	7,141,120
Interest expense	5,776,729	-	-	-	5,776,729
Grants and distributions	-	3,465,926	-	-	3,465,926
Office	643,818	345,463	1,069,839	388,932	2,448,052
Provision for loan losses	379,881	-	-	-	379,881
Building	77,364	56,495	60,530	36,203	230,592
Insurance	6,371	9,557	28,671	12,743	57,342
Travel	71,619	50,366	81,549	45,171	248,705
Professional fees	-	39,871	-	87,607	127,478
Scholarships	-	-	28,127	-	28,127
Other	106,101	-	-	-	106,101
Total expenses before depreciation and amortization	9,048,314	5,312,253	3,538,442	2,111,044	20,010,053
Depreciation and amortization	-	-	-	358,938	358,938
Total expenses	$ 9,048,314	5,312,253	3,538,442	2,469,982	20,368,991

See notes to financial statements.

Texas Methodist Foundation

Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	$ 15,331,286	$ 30,880,893
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contribution income from acquisition of assets and liabilities of Heartspring Methodist Foundation	-	(9,061,625)
Depreciation and amortization	322,426	358,938
Provision for loan losses	1,250,000	500,000
Change in actuarial liability	1,009	1,095
Net unrealized and realized gains on investments	(16,020,523)	(14,794,674)
Gain on disposal of fixed assets	(13,056)	(31,858)
Contributions and bequests restricted for long-term investment	(169,359)	(925,474)
Unrealized and realized gains restricted for long-term investment	(1,608,034)	(2,014,852)
Changes in assets and liabilities that provided (used) cash:		
Investments	(34,440,726)	(48,063,937)
Accrued interest receivable	(808,889)	(70,962)
Prepaid expenses and other assets	(46,263)	54,515
Loans receivable	19,788,447	28,516,154
Distributions, grants, and accounts payable	686,621	573,121
Deferred revenue	29,463	(41,482)
Deferred grant revenue	290,000	(270,000)
Funds held as agent	15,124,485	27,570,791
Funds managed for investors	12,837,581	5,984,996
Net cash provided by operating activities	12,554,468	19,165,639
Cash Flows from Investing Activities:		
Purchases of property and equipment	(29,941)	(183,903)
Proceeds from sales of property and equipment	35,225	97,550
Net cash provided by (used in) investing activities	5,284	(86,353)
Cash Flows from Financing Activities:		
Contributions and bequests restricted for long-term investment	169,359	925,474
Unrealized and realized gains restricted for long-term investment	1,608,034	2,014,852
Repayments of loan participations	(216,129)	(54,441)
Proceeds from borrowings on line of credit	1,927,000	5,007,000
Payments on line of credit	(1,927,000)	(8,345,000)
Payments on note payable	(7,500,000)	(5,000,000)
Net cash used in financing activities	(5,938,736)	(5,452,115)
Net change in cash and cash equivalents	6,621,016	13,627,171
Cash and cash equivalents, beginning of year	21,637,261	8,010,090
Cash and cash equivalents, end of year	$ 28,258,277	$ 21,637,261
Supplemental Discosures of Cash Flow Information:		
Interest paid on line of credit	$ 374	$ 16,323
Interest paid on note payable	$ 252,380	$ 649,558

See notes to financial statements.

Note 1 - Organization

Texas Methodist Foundation ("TMF"), headquartered in Austin, Texas, is a nonprofit corporation that supports the religious, charitable and educational undertakings of the Annual Conferences of Texas and New Mexico including local churches, affiliated nonprofit entities, and individuals in the United Methodist Church, and those other churches and related entities which trace their origin to the Methodist Episcopal Church of the 18th Century. TMF provides grants to support local ministry initiatives, assists churches in the establishment of planned-giving programs, accepts and administers gifts and endowments as donee or manager, and provides loans and stewardship services to local churches and other institutions. TMF's Leadership Ministry works to equip leaders for deep change through facilitating conversations of courage, innovation, and learning.

Commencing January 1, 2017, TMF undertook the management of the charitable work of the United Methodist Development Fund ("UMDF"), a separate entity whose financial statements are not combined with those of TMF, which engages in the sale of notes and the provision of loans to United Methodist Churches throughout the United States and its territories. On January 1, 2019, the parties entered into two agreements, further discussed in Note 13.

Note 2 - Business Combination

On January 1, 2019, TMF acquired Heartspring Methodist Foundation's ("Heartspring") assets and assumed certain contractual liabilities to further the mission of TMF. Heartspring was a nonprofit organization with programs similar to that of TMF. The acquisition was accounted for as a business combination. TMF did not transfer any consideration to Heartspring, and accordingly, the excess of the fair values at the acquisition date of the assets and liabilities were classified in the statement of activities as an inherent contribution. The inherent contribution was recorded during the year ended December 31, 2019 on the basis of the donor restrictions imposed on the related net assets.

The following table summarizes the amounts of the identifiable assets acquired and liabilities assumed that were recognized at the acquisition date.

Assets:	
Cash and cash equivalents	$ 600,507
Investments	59,585,457
Accrued interest receivable	97,917
Prepaid expenses	53,290
Loans receivable	16,502,843
Property and equipment	31,272
Total assets	76,871,286
Liabilities:	
Distributions, grants, and accounts payable	42,724
Funds held as agent	19,257,920
Funds managed for investors	47,908,510
Total liabilities	67,209,154
Inherent Contribution Received	$ 9,662,132

TMF did not obtain third party valuations of the fair value of the assets acquired in the business combination; therefore, management considers its measurement of estimated fair value using the market approach, including the amount assigned to inherent contribution, to be the best available measure of the fair value of the assets acquired. Because of inherent uncertainties in estimating fair value, it is at least reasonably possible that the estimates of the fair value of the assets will change in the near term.

Note 3 - Summary of Significant Accounting Policies

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Net Asset Classifications - Net assets, 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 and reported as follows:

Without Donor Restrictions **-** These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. These net assets are those currently available for use by TMF or at the discretion of the Board of Directors (the "Board") for TMF's use. TMF has designated net assets without donor restrictions for the endowment (Note 11) and the Leadership Ministry.

With Donor Restrictions **-** These net assets are subject to donor-imposed stipulations which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. Net assets with temporary donor restrictions result from (a) contributions and other inflows of assets whose use by TMF is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of TMF pursuant to those stipulations, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) forty-five percent (45%) of donor-restricted endowments of perpetual duration which have no explicit donor stipulations, as determined by the Board. Examples of net assets with temporary donor restrictions include annuities and certain endowments which require distributions upon the passage of time such as a monthly, quarterly, or annual payment. Net assets with permanent donor restrictions result from (a) contributions and other inflows of assets whose use by TMF is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of TMF, (b) other asset enhancements and diminishments subject to the same kinds of stipulations, or (c) fifty-five percent (55%) of donor-restricted endowments of perpetual duration which have no explicit donor stipulations, as determined by the Board. Examples of net assets with permanent donor restrictions include endowments and the portion of earnings of endowments which are reinvested into the corpus and held in perpetuity.

Fair Value Measurements - Fair value is 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. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 **-** Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 **-** Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 **-** Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Cash and Cash Equivalents - TMF considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments - Investments are reported at their fair values in the statements of financial position. Donated investments are recorded at fair value as of the date of the gift or bequest. Investment transactions are recorded on the trade date and investment income is recorded in the statements of activities when earned. Unrealized gains and losses are recorded for the changes in fair value of investments between reporting periods. Realized gains and losses are recorded as the difference between historical cost and the proceeds earned from the sale of investments. TMF maintains investments of various funds in pooled accounts to obtain investment flexibility. The assets, liabilities and earnings of the pooled resources are allocated to investors based on their percentages of participation.

Loans Receivable and Interest Income - Loans receivable are stated at the outstanding principal balances, less the allowance for loan losses. TMF extends loans primarily to United Methodist churches and other organizations in Texas and New Mexico and may participate in loans with other United Methodist foundations outside of Texas and New Mexico. These loans generally are for terms of 1 - 20 years, are secured by first mortgages on land and buildings, and bear interest at various rates ranging from 0.60 - 7.75%, with payment due monthly. The mortgagors generally rely on contributions to service their debt. Interest income is recorded in the period earned and is based on the outstanding loan balance.

The accrual of interest on loans is discontinued when there is a significant deterioration in the financial condition of the borrower and full repayment of principal and interest is not expected. Loans for which interest is more than 90 days past due are individually reviewed to determine if the additional accrual of interest is warranted. Generally, all interest income accrued, but not collected, for loans that are placed on non-accrual status, is reversed against current income. Interest income is subsequently recognized only to the extent cash payments are received or after the borrower establishes a reasonable basis to expect future payments.

Loans with payments over 30 days past due are considered delinquent, at which time management begins monitoring these loans and restructuring the loans as considered necessary. Per the Board approved policy, any loans deemed in default by TMF would become assets of TMF's undesignated endowment thereby removing or reducing the risk of loss to the Methodist Loan Portfolio. As of December 31, 2020 and 2019, there were no defaulted loans.

Allowance for Loan Losses - An allowance for loan losses is established to reflect management's best estimate of the losses inherent in the loan receivable portfolio (Note 7). Management establishes the allowance based on a variety of factors, such as loan payment history, current financial information, local economic conditions, geographic location, demographic changes, and other relevant factors. In establishing the adequacy of the allowance for loan losses, management performs periodic reviews of the loan receivable portfolio. Loans are risk-weighted based upon a past due (aging) schedule. All loans which are at least 90 days past due are evaluated individually for collectability and a risk factor is assigned to each. This generally results in an allocation of the allowance for these loans.

Risk factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays or shortfalls generally are not classified as impaired. Management determines the significance of payment delays and shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

A loan is considered to be impaired when, based on current information and events, it is probable that TMF will be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement. Impaired loans include loans that have been modified in a troubled debt restructuring, loans that have been specifically allowed for, and loans placed on nonaccrual status. Impairment is measured on a loan-by-loan basis based on the fair value of the collateral.

Troubled debt restructurings generally result from TMF's loss mitigation activities and occur when a concession is granted to a borrower that is experiencing financial difficulty in order to minimize the financial loss and avoid foreclosure or repossession of collateral. Once modified in a troubled debt restructuring, a loan is generally considered impaired until its contractual maturity, regardless of the borrower performance under the modified terms. While the modified loan may return to accrual status if it meets TMF's criteria to do so, nevertheless, the loan will continue to be evaluated for the allowance for loan losses and the loan will continue to be reported as being impaired in the financial statements.

Impaired loans are classified as nonperforming and, consequently, income is only recognized on these loans when actually received from the borrower. Partial payments of contractual amounts due on impaired loans are treated as interest income on a cash basis until such time as the loan is restored to performing status. TMF's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons. There were no charge-offs of any loans and no foreclosures during the years ended December 31, 2020 and 2019.

Property and Equipment - Property and equipment additions in excess of $5,000 are recorded at cost if purchased, and at fair value on the date of receipt if donated. Property and equipment are stated at cost, net of accumulated depreciation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of activities. Maintenance and repairs that do not improve or extend the useful life of the asset are expensed as incurred. Land is not depreciated.

Property and equipment are depreciated using the straight-line method over the assets' estimated useful lives as follows:

Building	37.5 years
Tenant improvements	2-7 years
Automobiles	4 years
Office furniture and equipment	5-7 years

Intangible Assets - Intangible assets consist of customer relationships acquired from The United Methodist Foundation of the Central Texas Annual Conference ("CTMF") on February 16, 2012. Intangible assets are being amortized using the accelerated amortization method over an estimated benefit period of 22 years. TMF reviews intangible assets at least annually for impairment.

Impairment of Long-Lived Assets - Property and equipment and intangibles assets subject to amortization are reviewed for impairment at the asset group level whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Deferred Revenue and Deferred Grant Revenue - Deferred revenue is primarily comprised of fees that have been collected in advance for the Ministry group registration and consulting fees. Fees will be recognized when the events take place as the services are performed and is included with other revenues in the statements of activities. Deferred grant revenue is primarily comprised of a private grant that management has deemed is conditional upon meeting certain requirements on an annual basis. Accordingly, the revenues are being recognized in the periods those conditions are met.

Funds Held as Agent - TMF enters into certain endowment agreements for which TMF has no variance power. The fair value of these endowment balances are included in funds held as agent and investments in the statements of financial position and totaled $113,078,734 and $98,528,851 as of December 31, 2020 and 2019, respectively. TMF is also the trustee of various charitable gift annuities ("CGAs"), charitable remainder trusts ("CRTs"), charitable remainder unitrusts ("CRUTs"), and charitable remainder annuity trusts ("CRATs"). The majority of these agreements have been established by settlors for their benefit and for the benefit of third parties. Upon establishment of third-party agreements, TMF records the underlying assets and a corresponding liability. These liabilities are reported as funds held as agent in the statements of financial position.

Changes in CGAs, CRTs, CRUTs, and CRATs measured at fair value on a recurring basis using Level 3 inputs were as follows during the years ended December 31:

	2020	2019
Beginning of year	$ 19,456,306	$ 14,738,260
Additions	105,484	5,524,430
Transfers/terminations	(365,508)	(2,329,720)
Actuarial adjustment	835,635	1,523,336
End of year	$ 20,031,917	$ 19,456,306

TMF is required by the State of Texas to maintain a reserve of at least $100,000 to make payments if the assets of the CGAs are depleted. This reserve is held in the undesignated endowment.

In some instances, CGAs, CRTs, CRUTs, and CRATs are split-interest agreements in which TMF has been named a beneficiary or TMF has variance power. Assets held under these agreements are included in investments and are recorded at their fair value when received. Contribution revenues are recognized at the dates the agreements are established, net of the liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the agreements for changes in the fair value of the assets, accretion of the discount, and other changes in the estimates of future benefits. TMF uses the Internal Revenue Service ("IRS") life-expectancy tables to compute the estimated present value of the life expectancy of the settlors and their beneficiaries. The present value of the liability is based upon actuarial estimates and assumptions regarding the duration of the agreements and the rates to discount the liability. Circumstances affecting these assumptions can change the estimate of this liability in future periods. Changes in the present value of the liability are recorded annually as an actuarial gain or loss presented as change in actuarial liability in the statements of activities.

As of December 31, 2020, the assets and liabilities under split-interest agreements totaled $281,903 and $129,146, respectively. As of December 31, 2019, the assets and liabilities under split-interest agreements totaled $260,154 and $130,155, respectively.

Changes in the liability under split-interest agreements measured at fair value on a recurring basis using Level 3 inputs during the years ended December 31, 2020 and 2019 were not significant to the financial statements.

Funds Managed for Investors - The statements of financial position include the balance of funds managed for investors which represent funds invested by third parties for a temporary or indefinite period. These funds are invested under two different arrangements: (1) Foundation-designated investment fund for which TMF makes all investment decisions related to these investments and pays monthly interest and (2) the owner-designated investment funds for which TMF manages specific securities and other investments under a separate agreement with the investor and remits the actual income to the investor. TMF earns interest income for managing these accounts for investors.

Contributions - TMF recognizes contributions when cash, securities, other assets, an unconditional promise to give, or notification of a beneficial interest is received. If TMF accepts cash or other financial assets from a settlor and agrees to use those assets on behalf of that settlor or transfer those assets, return on investment of those assets, or both to a specified beneficiary, the fair value of those assets are recorded as a liability to the specified beneficiary concurrent with recognition of the assets received. However, if the donor explicitly grants TMF variance power or if TMF is the specified beneficiary, the fair value of the assets received is recorded as a contribution. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related amounts are reclassified to net assets without donor restrictions. This is reported in the statements of activities as net assets released from restrictions. Conditional promises to give, defined as those with a measurable performance or other barrier and a right of return, are recognized when the condition on which they depend are met and the promises become unconditional.

Functional Expense Allocation - The accompanying financial statements present expenses by function and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. The services that TMF provides are interrelated and are provided using common resources. Accordingly, certain costs have been allocated among the program and supporting services using a variety of cost allocation techniques, such as time and effort.

Federal Income Taxes - TMF is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income. TMF did not incur any significant tax liabilities due to unrelated business income during the years ended December 31, 2020 or 2019. Due to the religious exemption under its IRS designation as an association of a church, TMF is exempt from filing a Form 990 tax return in the U.S. federal jurisdiction.

Recently Adopted Accounting Pronouncement - In August 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*, which includes amendments intended to improve the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies and adds certain disclosure requirements and affects companies that are required to include fair value measurement disclosures. The amendments in this update are effective for fiscal years beginning after December 15, 2019. TMF adopted the amendments of ASU 2018-13 and has applied the accounting guidance to the fair value disclosures included in the financial statements for the year ended December 31, 2020.

Note 4- Liquidity and Availability of Financial Assets

TMF's financial assets available within one year for general expenditure were as follows as of December 31:

	2020	2019
Cash and cash equivalents	$ 28,258,277	$ 21,637,261
Loans receivable - due within one year (a)	30,000,000	30,000,000
Other receivables	2,268,848	1,459,959
Available Line of Credit (Note 10)	30,000,000	20,000,000
Total financial assets available within one year	90,527,125	73,097,220
Less amounts unavailable for general expenditure within one year-		
Annuity obligations for life income accounts	(406,000)	(300,000)
Total financial assets available to management for general expenditure within one year	$ 90,121,125	$ 72,797,220

(a) Management estimates that approximately $2,500,000 per month is collected in principal payments on loans receivable, for a total of estimated loan principal repayments to be made in 2021 and 2020.

The Board has established a policy to monitor and maintain adequate liquidity for TMF. This policy directs staff to maintain sufficient sources to meet anticipated as well as unanticipated demands. The primary needs for cash pertain to funding loans which have been approved by the loan committee, withdrawal of maturing notes sold to investors, possible reductions in variable rate (demand) notes, early redemption of notes, as well as general operating needs. Tracking of these needs are monitored on a monthly basis using procedures which have been established by staff. Sources available to meet these needs include cash, money market accounts, certificates of deposit, and other short-term investments. In addition, payments received on the outstanding loan portfolio as well as new note sales to investors are available to meet liquidity needs. TMF also maintains a $30,000,000 Revolving Line of Credit (Note 10) with a commercial bank as a secondary source if needed. The maturity date is May 2022. Other sources of cash include TMF's undesignated endowment, to the extent not already invested in property and equipment or loan fund investment notes.

TMF will utilize the collections from the current portion of loans receivable to make additional loans to qualifying entities. Fixed and variable interest investments have less than 10% redemption rates annually and are not included in the calculation. TMF's undesignated endowment also has approximately $67,000,000 available for liquidity if necessary.

Note 5 - Concentrations of Credit Risk

Financial instruments that potentially subject TMF to credit risk consist of cash and cash equivalents, investments, and loans and other receivables. TMF places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. TMF approves loans to Methodist churches and other organizations throughout the states of Texas and New Mexico. Although TMF has a diversified portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon United Methodist churches and their congregations. Investments, other than loans, do not represent a significant concentration of credit risk due to diversification of TMF's portfolio among instruments and issues. TMF may also be subject to risk in the concentration of contributions and bequests from certain donors. During the year ended December 31, 2019, one donor's 2019 gifts comprised 74% of contributions and bequests revenue.

Note 6 - Investments

Investments were classified as follows under the fair value hierarchy as of December 31, 2020:

		Fair Value Measurements Using:		
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Stocks	$ 3,531,030	$ 3,531,030	$ -	$ -
Certificates of deposit	747,000	-	747,000	-
Land and buildings	671,135	-	-	671,135
Oil and gas interests	413,113	-	-	413,113
Cash surrender value of life insurance policies	391,547	-	391,547	-
Corporate bonds, bond funds and government securities	27,175	-	27,175	-
	5,781,000	$ 3,531,030	$ 1,165,722	$ 1,084,248
Wespath funds (1):				
U.S. equities ("USEF-I")	148,544,769			
International equities ("IEF-I")	124,325,435			
Fixed income ("FIF-I")	66,416,553			
Inflation protection ("IPF-I")	25,055,923			
Multi-asset ("MAF-I")	734,274			
Total investments	$ 370,857,954			

Investments were classified as follows under the fair value hierarchy as of December 31, 2019:

	Fair Value	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Stocks	$ 3,002,315	$ 3,002,315	$ -	$ -
Certificates of deposit	6,474,000		6,474,000	
Land and buildings	667,376	-	-	667,376
Oil and gas interests	450,199	-	-	450,199
Cash surrender value of life insurance policies	403,287	-	403,287	-
Corporate bonds, bond funds and government securities	3,305,302	-	3,305,302	-
	14,302,479	$ 3,002,312	$ 10,182,589	$ 1,117,575
Wespath funds (1):				
U.S. equities ("USEF-I")	127,739,776			
International equities ("IEF-I")	106,389,847			
Fixed income ("FIF-I")	53,516,498			
Inflation protection ("IPF-I")	17,900,893			
Multi-asset ("MAF-I")	547,212			
Total investments	$ 320,396,705			

(1) In accordance with U.S. GAAP, certain investments that are measured at fair value using the net asset value per share ("NAV") (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

TMF purchased land and buildings totaling $13,230 and $353,045 during the years ended December 31, 2020 and 2019, respectively. There were no transfers in or out of Level 3 investments during the years ended December 31, 2020 and 2019.

All investments have been valued using a market approach. Valuation techniques used in the fair value measurement of Level 2 and Level 3 investments are based on the following:

Certificates of Deposit **-** Certificates of deposit are presented at cost, which approximates fair value, and bear interest at rates ranging from 1.45% to 1.80% in 2020 and 1.55% to 2.80% in 2019. These certificates are purchased with a maximum of one-year terms, and all certificates are fully insured through the Federal Deposit Insurance Corporation.

Land and Buildings **-** The value of the land and buildings was based on appraised value.

Oil and Gas Interests **-** Oil and gas interests are reported at estimated fair values based upon cash flow generation and property tax appraisals.

Cash Surrender Value of Life Insurance Policies **-** Cash surrender value of life insurance policies is presented at cost, which approximates fair value, based upon policy statement values.

Corporate Bonds, Bond Funds and Government Securities **-** Corporate bonds, bond funds and government securities are valued based upon quotations as listed in various online investment services for comparable instruments.

Additional information about investments measured at NAV follows:

	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Wespath funds:			
USEF-I	None	No limits	Up to 15 days
IEF-I	None	No limits	Up to 15 days
FIF-I	None	No limits	Up to 15 days
IPF-I	None	No limits	Up to 15 days
MAF-I	None	No limits	Up to 15 days

The investment objective of USEF-I is to obtain long- term capital appreciation by investing primarily in a broadly diversified portfolio that includes Equities of companies domiciled in the U.S. and traded on a regulated U.S. stock exchange, and to a lesser extent, U.S. Private Equity and U.S. Private Real Estate. The performance objective of USEF-I is to outperform the investment returns of its Benchmark, the Russell 3000 Index, by 35 basis points (0.35 percentage points), on average, per year over a market cycle (five to seven years) and net of Annual Fund Operating Expenses.

The investment objective of IEF-I is to attain long- term capital appreciation from a diversified portfolio of primarily non-U.S. domiciled companies which are traded on a stock exchange, non-U.S. Equity index Futures and, to a lesser extent, non-U.S. Private Equity and Private Real Estate. The performance objective of IEF-I is to outperform the investment returns of its Benchmark, the MSCI All Country World Index (ACWI) ex USA Investable Market Index (IMI) Net, by 75 basis points (0.75 percentage points), on average, per year over a market cycle (five to seven years) and net of Annual Fund Operating Expenses.

The investment objective of FIF-I is to earn current income while preserving capital by primarily investing in a diversified mix of Fixed Income securities. FIF-I seeks to achieve its investment objective by investing primarily in Fixed Income securities such as U.S. and non-U.S. government bonds, agency bonds, corporate bonds, and Securitized Products. The corporate bonds held are primarily of companies that are domiciled in the U.S. and Investment Grade. FIF-I also holds Loan Participation interests secured by mortgages and other types of Loan Participations originated through the PSP Lending Program, which invests in affordable housing and community development facilities in the U.S., as well as institutions focused on microfinance opportunities in developing countries.

The investment objective of IPF-I is to provide investors with current income and to protect principal from long-term loss of purchasing power due to inflation through investment such as inflation protected securities, inflation-sensitive commodities through Futures, Senior Secured Floating Rate Loans, Securitized Products, Real Assets, and Alternative Investments, as well as cash and Cash Equivalents. The performance objective of IPF-I is to outperform the investment returns of its Benchmark by 25 basis points (0.25 percentage points) on average, per year over a market cycle (five to seven years) and net of Annual Fund Operating Expenses. The IPF-I benchmark is a blended index based on 80% of the investment returns of the Bloomberg Barclays World Government Inflation Linked Bond Index (Hedged), 10% of the investment returns of the Bloomberg Barclays Emerging Market Tradeable Inflation Linked Bond Index (Unhedged), and 10% of the investment returns of the Bloomberg Commodity Index.

The investment objective of MAF-I is to attain current income and capital appreciation by investing in a broad mix of different types of investments. MAF-I is a fund of funds which seeks to achieve its investment objective by holding an allocation primarily among four other I Series Funds (including U.S. Equity Fund–I Series, International Equity Fund–I Series, Fixed Income Fund–I Series, Inflation Protection Fund–I Series) in accordance with pre-specified allocation targets.

Note 7 - Loans Receivable

Loans receivable are generally divided into two major groups, Foundation-originated loans ("Foundation loans") and designated loans. Amounts outstanding in each category were as follows as of December 31:

	2020	2019
Foundation loans	$ 306,257,442	$ 318,670,372
Designated loans	1,594,479	8,969,996
Participations	(796,874)	(1,013,003)
	307,055,047	326,627,365
Allowance for loan losses	(1,750,000)	(500,000)
Total	$ 305,305,047	$ 326,127,365

Foundation loans are loans that TMF has made with the pool of funds invested in the Methodist Loan Fund. TMF approves these loans based on specific Board approved criteria. Foundation loans can generally be divided into two groups. The two distinctions are: 1) interest only loans that may include construction loans that are typically tied to three-year capital campaigns, and 2) term real estate loans. Designated loans are managed by TMF according to the conditions specified by investors. These loans receivable are assets of the investors fund and the underwriting as well as any potential loss is the responsibility of the investors. In order for TMF to generate cash to fund other loans, TMF, under terms and limits established by the Board, may sell portions of loans to other lending institutions in the form of participations. Fixed rate loans typically are established for one to three-year terms. Variable rate loans are subject to change on a monthly basis. Interest rates on loans originated by TMF are established at the time of closing based on the prime lending rate.

Foundation loans receivable consisted of the following as of December 31:

	2020	2019
Interest only loans	$ 153,665,395	$ 145,242,174
Term loans	152,592,047	173,428,198
Total	$ 306,257,442	$ 318,670,372
Fixed rate	$ 191,108,948	$ 203,788,280
Variable rate	115,148,494	114,882,092
Total	$ 306,257,442	$ 318,670,372

As of December 31, 2020 and 2019, fixed rate loans include loans totaling $104,999,816 and $55,295,722, respectively, which will be re-priced within their respective following twelve-month period.

As discussed in Note 3, TMF individually reviews its loan receivable balance where all or a portion of the balance exceeds 90 days past due or where there are circumstances occurring in the church that may result in a future loss. Based on the assessment of the borrower's current creditworthiness, TMF estimates the portion, if any, of the balance that will not be collected. Additionally, on the aggregate remaining loan receivables, TMF estimates an additional allowance covering those amounts not specifically identified.

During the years ended December 31, 2020 and 2019, changes in the allowance for loan losses were as follows:

	2020	2019
Balance, beginning of year	$ 500,000	$ -
Increase in allowance for loan losses	1,250,000	500,000
Balance, end of year	$ 1,750,000	$ 500,000

It is TMFs practice to work with churches and organizations under certain circumstances, which may include lowering the interest rate charged on the loan receivable. No interest amounts were charged off on loans during the years ended December 31, 2020 and 2019. Impaired loan receivables were not significant to the financial statements.

Note 8 - Property and Equipment

Property and equipment consisted of the following as of December 31:

	2020	2019
Building and tenant improvements	$ 3,974,889	$ 3,974,889
Automobiles	544,533	573,891
Office furniture and equipment	448,659	448,659
	4,968,081	4,997,439
Less accumulated depreciation	(3,069,755)	(2,834,171)
Land	245,826	245,826
Property and equipment, net	$ 2,144,152	$ 2,409,094

Depreciation expense totaled $272,714 and $303,991 during the years ended December 31, 2020 and 2019, respectively.

Note 9 - Intangible Assets

Intangible assets consisted of the following as of December 31:

	2020	2019
Customer relationships	$ 1,265,000	$ 1,265,000
Less accumulated amortization	(965,765)	(916,053)
Intangible assets, net	$ 299,235	$ 348,947

Amortization expense totaled $49,712 and $54,947 during the years ended December 31, 2020 and 2019, respectively.

Estimated aggregate future amortization expense was as follows as of December 31, 2020:

2021	$ 44,776
2022	40,154
2023	35,851
2024	31,864
2025	28,187
Thereafter	118,403
Total	$ 299,235

Note 10 - Borrowing Arrangements

TMF has an available Revolving Line of Credit (the "Line of Credit") for $30,000,000 with a bank, which bears interest at the LIBOR rate plus 1.75% and 2.25% as of December 31, 2020 and 2019, respectively (2.25% and 3.96% as of December 31, 2020 and 2019, respectively). There were no advances outstanding as of December 31, 2020 and 2019. The Line of Credit matures on May 28, 2022.

TMF has a Term Note with a bank, which bears interest at the LIBOR rate plus 1.5% (1.65% and 3.21% as of December 31, 2020 and 2019, respectively). As of December 31, 2020 and 2019, outstanding advances due on the Term Note totaled $6,250,000 and $13,750,000, respectively. The Term Note requires quarterly principal payments and monthly interest payments through maturity on September 5, 2022.

Both the Line of Credit and the Term Note are secured by substantially all of TMF's investments and loans receivable and require TMF to meet certain financial covenants, including unrestricted tangible net assets and interest coverage ratios.

Future maturities under the term note were as follows as of December 31, 2020:

2021	$	5,000,000
2022		1,250,000
Total	$	6,250,000

Note 11 - Endowments

The Board has interpreted the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring that a portion of a donor restricted endowment of perpetual duration be classified as permanently restricted in net assets with donor restrictions. The amount of the endowment that must be retained permanently in accordance with explicit donor stipulations or, in the absence of such stipulations, the amount to be permanently restricted, shall be determined by TMF's Board. TMF's Board determined that in the absence of explicit donor stipulations, TMF shall classify donor-restricted endowment assets as 55% permanently restricted and 45% temporarily restricted. TMF classifies as net assets with donor restrictions the original value of gifts donated to donor-restricted endowments and all additional gifts received thereafter. Investment income from donor-restricted endowments is likewise classified as net assets with donor restrictions until those amounts are appropriated for expenditure by TMF in a manner consistent with the donors' stipulated purposes within the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, TMF considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of TMF, and (7) TMF's investment policies.

The primary objective of these donor-restricted endowments is to provide a balance between capital appreciation, preservation of capital, and current income. This is a long-term goal designed to maximize returns without undue risk. The Finance Committee of the Board establishes the annual distribution rate. The annual distribution rate as of December 31, 2020 and 2019 was 4.0% of the endowment's average ending balance of the previous twelve quarters. Unless otherwise stated in the donor agreement, the Finance Committee shall select the investment portfolio where the endowments will be invested as described in TMF's investment policy, which outlines the asset allocations, permissible investments, and objectives of the portfolios.

TMF considers an endowment to be deficient if its fair value is less than the sum of: (a) the original value of initial and subsequent gifts donated to the endowment and (b) any donor-imposed accumulations to the endowment that must be maintained in perpetuity. TMF complies with TUPMIFA and has interpreted it to permit spending from deficient endowments in accordance with the prudent measures required under the law. The aggregate amount of deficiencies for all donor-restricted endowment funds for which the fair value of the assets at the reporting date is less than the level required by donor stipulation was $27,695 and $89,482 as of December 31, 2020 and 2019, respectively, with aggregate original values of $368,569 and $680,933, respectively. The deficient amount is reflected in net assets with donor restrictions.

Endowment net asset composition by type of fund as of December 31, 2020 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment	$ 67,377,678	$ -	$ 67,377,678
Board-designated endowment funds	10,449,772	-	10,449,772
Donor-restricted endowment funds	-	40,968,291	40,968,291
Total funds	$ 77,827,450	$ 40,968,291	$ 118,795,741

Changes in endowment net assets during the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 67,162,831	$ 36,324,163	$ 103,486,994
Interest and dividend income	14,219,412	278,424	14,497,836
Net unrealized and realized gain	10,404,046	5,575,285	15,979,331
Other investment income	1,549,902	57,556	1,607,458
Contributions and bequests	1,225,391	1,063,028	2,288,419
Grants and distributions	(2,198,257)	(1,769,649)	(3,967,906)
Other expenses	(14,535,875)	(560,516)	(15,096,391)
Endowment net assets, end of year	$ 77,827,450	$ 40,968,291	$ 118,795,741

A description of amounts classified as net assets with donor restrictions (endowment only) as of December 31, 2020 follows:

Net Assets With Donor Restrictions:	
The portion of donor perpetual endowment funds that is required to be retained permanently either by explicit donor-stipulation or by TUPMIFA	$ 22,361,400
The portion of donor perpetual endowment funds subject to a time restriction under TUPMIFA:	
Without donor-imposed purpose restrictions	15,427,270
With donor-imposed purpose restrictions	3,179,621
Total donor-restricted endowment funds classified as net assets with donor restrictions	$ 40,968,291

Endowment net asset composition by type of fund as of December 31, 2019 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment	$ 57,986,110	$ -	$ 57,986,110
Board-designated endowment funds	9,176,721	-	9,176,721
Donor-restricted endowment funds	-	36,324,163	36,324,163
Total funds	$ 67,162,831	$ 36,324,163	$ 103,486,994

Changes in endowment net assets during the year ended December 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 45,838,846	$ 26,794,655	$ 72,633,501
Interest and dividend income	16,355,256	442,118	16,797,374
Net unrealized and realized loss	9,203,263	5,557,339	14,760,602
Other investment income	1,624,869	8,601	1,633,470
Contributions and bequests	5,965,615	2,323,631	8,289,246
Grants and distributions	(1,104,209)	(2,080,595)	(3,184,804)
Net assets acquired from Heartspring	6,040,271	3,621,861	9,662,132
Other expenses	(16,761,080)	(343,447)	(17,104,527)
Endowment net assets, end of year	$ 67,162,831	$ 36,324,163	$ 103,486,994

A description of amounts classified as net assets with donor restrictions (endowment only) as of December 31, 2019 follows:

Net Assets With Donor Restrictions:	
The portion of donor perpetual endowment funds that is required to be retained permanently either by explicit donor-stipulation or by TUPMIFA	$ 20,585,209
The portion of donor perpetual endowment funds subject to a time restriction under TUPMIFA:	
Without donor-imposed purpose restrictions	12,808,989
With donor-imposed purpose restrictions	2,929,965
Total donor-restricted endowment funds classified as net assets with donor restrictions	$ 36,324,163

Note 12 - Net Assets with Temporary Donor Restrictions

Net assets with temporary donor-restrictions were as follows as of December 31:

	2020	2019
Undistributed earnings on donor-restricted endowments	$ 18,606,891	$ 15,738,954
Charitable gift annuities and charitable remainder trust agreements	152,072	129,533
Total net assets with temporary donor restrictions	$ 18,758,963	$ 15,868,487

Note 13 - Two Agreements Providing for the Day to Day Operations of UMDF

During the year ended December 31, 2016, the Boards of Directors of TMF, UMDF, and the General Board of Global Ministries ("GBGM") unanimously agreed to enter into an agreement providing for the transfer of operations and administration of UMDF from GBGM to TMF. Following a due diligence and transition period (known as "Period 1") from approximately April 1, 2016 through December 31, 2016, GBGM and UMDF appointed TMF to be its sole and exclusive agent to manage and administer all operations of UMDF.

TMF began this role (known as "Period 2") effective January 1, 2017. With the commencement of Period 2 and TMF's management of UMDF, UMDF transferred $12,500,000 to TMF to be held and administered by TMF as the fiduciary for an endowment for the benefit of GBGM. The stream of income provided by the new endowment would be in lieu of the annual distributions previously made by UMDF to GBGM that were based on the annual change in net assets of UMDF.

The agreement further stipulated that Period 2 would end no later than July 1, 2020, when TMF would assume the operations and administration of UMDF and evaluate its corporate structure (known as “Period 3”). However, on November 19, 2017, on the recommendation of the GBGM cabinet, the Board advanced the end of the Period 2 date to January 1, 2019. For Period 3 to be made effective as January 1, 2019, the Board of Directors of GBGM approved revised Bylaws of UMDF during the year ended December 31, 2018. On January 1, 2019, an additional $12,500,000 of funding was transferred to TMF for the above-mentioned endowment to benefit GBGM. Additionally, TMF assumed the operations and administration of UMDF and UMDF changed its corporate structure to a Texas corporation.

Also on January 1, 2019, TMF entered into an Employee Sharing Agreement and an Administrative Services Agreement with UMDF on the basis of the actual costs incurred. Under the Administrative Services Agreement and the Employee Sharing Agreement, TMF causes its employees to conduct the day-to-day business of UMDF in the sale of UMDF’s investment obligations, the management of UMDF’s loan portfolio, the administrative procedure for reviewing loan applications and extending and documenting new loans, management of UMDF’s investments, investor relations, accounting, regulatory compliance, and marketing. The two agreements provide to TMF certain operational authority to discharge its management responsibilities. That authority includes, among other things, the authority to install and utilize new hardware and software computer systems, to develop new operational policies and procedures, and to establish and maintain reasonable accounting and reporting systems and internal controls designed to help UMDF protect its assets. Under the two agreements, TMF does not have authority to bind UMDF. UMDF retains its authority over matters handled by TMF and exercises decision-making authority with respect to the making of loans and raising of funds, including the sale of investment obligations.

The Boards of Directors of TMF and UMDF have determined that these two agreements, and the operational efficiencies they have achieved, advance the exempt purposes and missional priorities of the two entities.

Note 14 - Employee Benefit Plan

TMF participates in a defined contribution plan which covers substantially all employees of TMF. TMF contributes 9% of each employee’s salary, which vests over a period of five years. TMF’s contributions totaled $425,151 and $402,829 during the years ended December 31, 2020 and 2019, respectively.

Note 15 - Commitments and Contingencies

TMF had unfunded loan commitments outstanding to certain United Methodist churches of $69,991,938 as of December 31, 2020. These unfunded loan commitments consisted of $38,592,256 in revolving lines of credit TMF has made available to churches and $31,399,682 in non-revolving construction loans which may take up to 36 months to fund. In addition, there were $22,275,394 in loans that were approved but not yet closed as of December 31, 2020.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact TMF's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. TMF is actively managing the business to maintain its cash flow and management believes that TMF has adequate liquidity.

Note 16 - Related Party Transactions

TMF received $208,471 and $25,899 in Board contributions during the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, TMF has investments in UMDF money market funds totaling $11,327,671 and $6,091,499, respectively. During the years ended December 31, 2020 and 2019, TMF earned $1,185,000 and $972,000, respectively of administrative income from UMDF.

Note 17 - Subsequent Events

TMF has evaluated subsequent events through April 13, 2021, the date the financial statements were available to be issued, and no events have occurred from the statement of financial position date through that date that would impact the financial statements.