

**Texas Methodist Foundation**

**Financial Statements as of and for the  
Years Ended December 31, 2023 and 2022  
and Independent Auditors' Report**



# Texas Methodist Foundation

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## Independent Auditors' Report

To the Board of Directors of  
Texas Methodist Foundation:

### Opinion

We have audited the accompanying financial statements of Texas Methodist Foundation (a nonprofit organization) (“TMF”), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TMF as of December 31, 2023 and 2022, 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 Financial Statements section of our report. We are required to be independent of TMF 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.

### Responsibilities of Management for the Financial Statements

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

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

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 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 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 TMF'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about TMF'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.

*Maxwell Locke & Ritter LLP*

Austin, Texas  
April 19, 2024

# Texas Methodist Foundation

## Statements of Financial Position December 31, 2023 and 2022

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 33,554,376	\$ 21,188,346
Investments	364,729,832	334,220,656
Accrued interest receivable	2,455,558	2,005,428
Prepaid expenses and other assets	418,906	606,832
Loans receivable, less allowance for loan losses of \$3,000,000 (Note 6)	281,626,433	287,959,336
Property and equipment, net	1,878,883	1,696,515
Intangible assets, net	178,453	214,304
Total assets	<u>\$ 684,842,441</u>	<u>\$ 647,891,417</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Distributions, grants, and accounts payable	\$ 3,903,613	\$ 4,185,283
Deferred revenue	59,001	3,500
Deferred grant revenue	900,000	1,166,667
Funds held as agent	121,230,968	110,601,555
Funds managed for investors	442,495,021	429,952,593
Total liabilities	568,588,603	545,909,598
Net assets:		
Without donor restrictions:		
Undesignated endowment	66,242,717	58,128,551
Designated endowment for Learning and Innovation	9,824,035	9,025,090
Total net assets without donor restrictions	76,066,752	67,153,641
With donor restrictions	40,187,086	34,828,178
Total net assets	116,253,838	101,981,819
Total liabilities and net assets	<u>\$ 684,842,441</u>	<u>\$ 647,891,417</u>

See notes to financial statements.

# Texas Methodist Foundation

## Statement of Activities

Year Ended December 31, 2023 (with summarized comparative totals for the year ended December 31, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, gains, and other support:				
Unrealized and realized gains (losses) on investments	\$ 10,345,184	4,575,902	14,921,086	(20,838,124)
Interest income	14,360,755	371,750	14,732,505	13,020,947
Contributions and bequests	134,448	2,875,344	3,009,792	1,630,393
Administrative income	1,400,000	-	1,400,000	1,200,000
Dividends	71,138	491	71,629	161,552
Oil and gas royalties	-	64,702	64,702	82,046
Consulting fees income	-	-	-	7,175
Change in actuarial liability	-	(2,781)	(2,781)	2,428
Other	499,519	-	499,519	458,138
Net assets released from restrictions-				
Expiration of time restrictions	2,526,500	(2,526,500)	-	-
Total revenues, gains (losses), and other support	29,337,544	5,358,908	34,696,452	(4,275,445)
Expenses:				
Programs:				
Loans and investor services	8,863,084	-	8,863,084	6,795,787
Charitable services	5,367,477	-	5,367,477	6,684,092
Leadership services	3,188,258	-	3,188,258	3,460,911
General and administrative	2,831,464	-	2,831,464	2,753,891
Depreciation and amortization	174,150	-	174,150	214,267
Total expenses	20,424,433	-	20,424,433	19,908,948
Change in net assets	8,913,111	5,358,908	14,272,019	(24,184,393)
Net assets, beginning of year	67,153,641	34,828,178	101,981,819	126,166,212
Net assets, end of year	\$ 76,066,752	40,187,086	116,253,838	101,981,819

See notes to financial statements.

# Texas Methodist Foundation

## Statement of Activities Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Unrealized and realized losses on investments	\$ (14,340,399)	(6,497,725)	(20,838,124)
Interest income	12,772,292	248,655	13,020,947
Contributions and bequests	146,260	1,484,133	1,630,393
Administrative income	1,200,000	-	1,200,000
Dividends	161,525	27	161,552
Oil and gas royalties	-	82,046	82,046
Consulting fees income	7,175	-	7,175
Change in actuarial liability	-	2,428	2,428
Other	449,223	8,915	458,138
Net assets released from restrictions-			
Expiration of time restrictions	3,529,735	(3,529,735)	-
Total revenues, gains (losses), and other support	3,925,811	(8,201,256)	(4,275,445)
Expenses:			
Programs:			
Loans and investor services	6,795,787	-	6,795,787
Charitable services	6,684,092	-	6,684,092
Leadership services	3,460,911	-	3,460,911
General and administrative	2,753,891	-	2,753,891
Depreciation and amortization	214,267	-	214,267
Total expenses	19,908,948	-	19,908,948
Change in net assets	(15,983,137)	(8,201,256)	(24,184,393)
Net assets, beginning of year	83,136,778	43,029,434	126,166,212
Net assets, end of year	\$ 67,153,641	34,828,178	101,981,819

See notes to financial statements.

# Texas Methodist Foundation

## Statement of Functional Expenses

Year Ended December 31, 2023 (with summarized comparative totals for the year ended December 31, 2022)

	2023					2022 Total
	Programs			Support	Total Expenses	
	Loans and Investor Services	Charitable Services	Leadership Services	General and Administrative		
Salaries, wages, and benefits	\$ 2,332,463	1,403,153	1,786,406	1,804,579	7,326,601	7,503,763
Interest expense	5,712,568	-	-	-	5,712,568	3,264,140
Grants and distributions	-	3,464,911	-	-	3,464,911	4,849,343
Office	321,764	169,343	1,192,452	715,939	2,399,498	2,432,474
Travel	92,504	227,714	59,232	83,976	463,426	402,679
Building	60,202	36,121	36,121	108,364	240,808	210,186
Insurance	64,801	33,191	37,932	22,127	158,051	147,916
Professional fees	-	33,044	-	96,479	129,523	102,623
Scholarships	-	-	76,115	-	76,115	7,185
Provision for loan losses	-	-	-	-	-	500,000
Other	278,782	-	-	-	278,782	274,372
Total expenses before depreciation and amortization	8,863,084	5,367,477	3,188,258	2,831,464	20,250,283	19,694,681
Depreciation and amortization	-	-	-	174,150	174,150	214,267
Total expenses	<u>\$ 8,863,084</u>	<u>5,367,477</u>	<u>3,188,258</u>	<u>3,005,614</u>	<u>20,424,433</u>	<u>19,908,948</u>

See notes to financial statements.



# Texas Methodist Foundation

## Statement of Functional Expenses Year Ended December 31, 2022

	Programs			Support	Total Expenses
	Loans and Investor Services	Charitable Services	Leadership Services	General and Administrative	
Salaries, wages, and benefits	\$ 2,077,093	1,417,714	2,114,409	1,894,547	7,503,763
Interest expense	3,264,140	-	-	-	3,264,140
Grants and distributions	-	4,849,343	-	-	4,849,343
Office	504,924	239,433	1,116,152	571,965	2,432,474
Travel	62,066	103,318	156,137	81,158	402,679
Building	52,546	31,528	31,528	94,584	210,186
Insurance	60,646	31,062	35,500	20,708	147,916
Professional fees	-	11,694	-	90,929	102,623
Scholarships	-	-	7,185	-	7,185
Provision for loan losses	500,000	-	-	-	500,000
Other	274,372	-	-	-	274,372
Total expenses before depreciation and amortization	6,795,787	6,684,092	3,460,911	2,753,891	19,694,681
Depreciation and amortization	-	-	-	214,267	214,267
Total expenses	\$ 6,795,787	6,684,092	3,460,911	2,968,158	19,908,948

See notes to financial statements.

# Texas Methodist Foundation

## Statements of Cash Flows Years Ended December 31, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 14,272,019	\$ (24,184,393)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	174,150	214,267
Provision for loan losses	-	500,000
Change in actuarial liability	2,781	(2,428)
Net unrealized and realized losses (gains) on investments	(14,921,086)	20,838,124
Gain on disposal of fixed assets	(56,867)	(52,357)
Contributions and bequests for permanent donor-restricted endowments	(1,204,894)	(581,441)
Investment income (loss) reinvested into corpus of permanent donor-restricted endowments	(1,417,142)	3,206,375
Changes in assets and liabilities that provided (used) cash:		
Investments	(15,588,090)	45,849,652
Accrued interest receivable	(450,130)	(119,967)
Prepaid expenses and other assets	187,926	(47,105)
Loans receivable	6,382,348	(1,078,281)
Distributions, grants, and accounts payable	(281,670)	620,201
Deferred revenue	55,501	(74,067)
Deferred grant revenue	(266,667)	216,667
Funds held as agent	10,626,632	(27,505,718)
Funds managed for investors	12,542,428	(35,581,629)
Net cash provided by (used in) operating activities	10,057,239	(17,782,100)
<b>Cash Flows from Investing Activities:</b>		
Purchases of property and equipment	(356,547)	-
Proceeds from sales of property and equipment	92,747	91,071
Net cash provided by (used in) investing activities	(263,800)	91,071
<b>Cash Flows from Financing Activities:</b>		
Contributions and bequests for permanent donor-restricted endowments	1,204,894	581,441
Investment income (loss) reinvested into corpus of permanent donor-restricted endowments	1,417,142	(3,206,375)
Repayments of loan participations	(49,445)	(42,263)
Net cash provided by (used in) financing activities	2,572,591	(2,667,197)
Net change in cash and cash equivalents	12,366,030	(20,358,226)
Cash and cash equivalents, beginning of year	21,188,346	41,546,572
Cash and cash equivalents, end of year	<u>\$ 33,554,376</u>	<u>\$ 21,188,346</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Interest paid on line of credit	<u>\$ 84,607</u>	<u>\$ 3,661</u>

See notes to financial statements.

# Texas Methodist Foundation

## Notes to Financial Statements Years Ended December 31, 2023 and 2022

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### Note 1 - Organization

Texas Methodist Foundation (“TMF”), headquartered in Austin, Texas, is a nonprofit corporation that supports those churches, related entities, and individuals, primarily in Texas and New Mexico, which make up the United Methodist Church; those churches which draw their origins from the Wesleyan/Episcopal movement of the 18<sup>th</sup> Century; and those churches and non-profits which share values in common with these churches and movement (hereafter, “Constituent Churches and Entities”). 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.

### Note 2 - 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.

**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 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 9) and Learning and Innovation.

**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, except for short-term investments held by TMF's investment managers as part of a long-term strategy.

**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.

**Change in Accounting Principle for Recently Adopted Accounting Pronouncement** - In June 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, requiring the measurement and recognition of expected credit losses for financial assets held at amortized cost, including loan receivables and accrued interest receivable. TMF adopted ASU No. 2016-13 on January 1, 2023 using a modified retrospective approach. The adoption did not have a significant impact on TMF’s statement of financial position or statement of activities.

**Loans Receivable and Interest Income** - Loans receivable are stated at the outstanding principal balances, less the allowance for loan losses, and are held within TMF’s Loan Fund (“LF”). TMF extends loans primarily to its Constituent Churches and Entities and may participate in loans with other churches and entities 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 1.90 - 10.25%, 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 may be transferred to TMF’s undesignated endowment thereby removing or reducing the risk of loss to the MLF. As of December 31, 2023 and 2022, there were no defaulted loans.

**Allowance for Credit Losses** - An allowance for credit losses is established to reflect management’s best estimate of the losses inherent in the loan receivable portfolio (Note 6). Management establishes the allowance based on a variety of factors, such as loan payment history, current financial information and market conditions, reasonable and supportable forecasts, geographic location, demographic changes, and other relevant factors. In establishing the adequacy of the allowance for credit losses, management performs periodic reviews of the mortgage portfolio.

**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
Office furniture and equipment	5-7 years
Automobiles	4 years

**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 Ministry group registration and consulting fees. Fees will be recognized when the events take place as the services are performed and are included with other revenues in the statements of activities. Deferred grant revenue is primarily comprised of private grants that management has deemed are 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 \$109,141,864 and \$98,455,520 as of December 31, 2023 and 2022, 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 fair value of these annuity balances are also included in funds held as agent and investments in the statements of financial position and totaled \$12,089,104 and \$12,146,035 as of December 31, 2023 and 2022, respectively. 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:

	<u>2023</u>	<u>2022</u>
Beginning of year	\$ 12,146,035	\$ 19,514,935
Additions	20,543	-
Transfers/terminations	(536,722)	(3,812,579)
Actuarial adjustment	<u>459,248</u>	<u>(3,556,321)</u>
End of year	<u>\$ 12,089,104</u>	<u>\$ 12,146,035</u>

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, 2023 and 2022, the assets and liabilities under split-interest agreements were not significant to the financial statements. 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, 2023 and 2022 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, 2023 or 2022. 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.



### Note 3 - Liquidity and Availability of Financial Assets

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 33,554,376	\$ 21,188,346
Accrued interest receivable	2,455,558	2,005,428
Total financial assets available within one year	36,009,934	23,193,774
Less amounts unavailable for general expenditure within one year-		
Annuity obligations for life income accounts	<u>(115,000)</u>	<u>(470,000)</u>
Total financial assets available to management for general expenditure within one year	35,894,934	22,723,774
Available Line of Credit and Term Loans (Note 8)	<u>40,000,000</u>	<u>30,000,000</u>
Adjusted total financial assets available to management for general expenditure within one year	<u>\$ 75,894,934</u>	<u>\$ 52,723,774</u>

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. Long-term investments are not included in liquidity calculations as they are directly related to TMF endowments and funds held and/or managed for others, and therefore are not available for operating liquidity purposes. As of December 31, 2023, TMF has access to a \$20,000,000 Revolving Line of Credit and \$20,000,000 in Term Loans (Note 8) with a commercial bank as a secondary source if needed, which mature in June 2025. TMF's endowments without donor restrictions also have approximately \$76,000,000 available for liquidity, if necessary.

#### **Note 4 - 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 Constituent Churches and Entities 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 Constituent Churches and Entities 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, 2023, one donor's gift comprised 60% of contributions and bequests revenue. During the year ended December 31, 2022, one donor's gift comprised 10% of contributions and bequests revenue.

## Note 5 - Investments

Investments were classified as follows under the fair value hierarchy as of December 31, 2023:

	Fair Value	Fair Value Measurements Using:		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Stocks	\$ 3,365,324	\$ 3,365,324	\$ -	\$ -
Certificates of deposit	747,000	-	747,000	-
Cash surrender value of life insurance policies	468,117	-	468,117	-
Land and buildings	424,951	-	-	424,951
Oil and gas interests	301,855	-	-	301,855
Corporate bonds	20,028	-	20,028	-
	<u>5,327,275</u>	<u>\$ 3,365,324</u>	<u>\$ 1,235,145</u>	<u>\$ 726,806</u>
Wespath funds (1):				
U.S. equities (“USEF-I”)	155,250,254			
International equities (“IEF-I”)	120,251,840			
Fixed income (“FIF-I”)	62,018,111			
Inflation protection (“IPF-I”)	20,694,741			
Multi-asset (“MAF-I”)	1,187,611			
Total investments	<u>\$ 364,729,832</u>			

Investments were classified as follows under the fair value hierarchy as of December 31, 2022:

	Fair Value	Fair Value Measurements Using:		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Stocks	\$ 3,149,061	\$ 3,149,061	\$ -	\$ -
Certificates of deposit	747,000	-	747,000	-
Cash surrender value of life insurance policies	480,228	-	480,228	-
Land and buildings	424,951	-	-	424,951
Oil and gas interests	338,941	-	-	338,941
Corporate bonds and government securities	271,144	-	271,144	-
	<u>5,411,325</u>	<u>\$ 3,149,061</u>	<u>\$ 1,498,372</u>	<u>\$ 763,892</u>
Wespath funds (1):				
USEF-I	136,068,246			
IEF-I	108,728,173			
FIF-I	60,378,328			
IPF-I	22,603,618			
MAF-I	<u>1,030,966</u>			
Total investments	<u>\$ 334,220,656</u>			

(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.

There were no purchases or sales of Level 3 investments during the years ended December 31, 2023 and 2022. There were no transfers in or out of Level 3 investments during the years ended December 31, 2023 and 2022.

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 1.10% to 5.25% in 2023. These certificates are purchased with a maximum of one-year terms, and all certificates are fully insured through the Federal Deposit Insurance Corporation.

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.

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.

Corporate Bonds and Government Securities - Corporate bonds 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 attain long-term capital appreciation by investing in a broadly diversified portfolio that primarily 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) per year, net of Annual Fund Operating Expenses, averaged over a market cycle of five to seven years.

The investment objective of IEF-I is to attain long-term capital appreciation from a diversified portfolio of primarily non-U.S. domiciled companies 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) per year, net of Annual Fund Operating Expenses, averaged over a market cycle of five to seven years.

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. The performance objective of FIF-I is to outperform the investment returns of its Benchmark, the Bloomberg U.S. Universal Index (excluding Mortgage-Backed Securities [ex-MBS]), by 50 basis points (0.50 percentage points) per year, net of Annual Fund Operating Expenses, averaged over a market cycle of five to seven years.

The investment objective of IPF-I is to earn current income, while preserving capital, and to protect principal from long-term loss of purchasing power due to inflation through investments such as inflation-linked securities, inflation-sensitive commodities Derivatives, Senior Secured Floating Rate Loans, Securitized Products, Real Assets, Alternative Investments, and 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) per year, net of Annual Fund Operating Expenses, averaged over a market cycle of five to seven years. The IPF-I Benchmark is a blended index based on 80% of the investment returns of the Bloomberg World Government Inflation Linked Bond Index (Hedged), 10% of the investment returns of the Bloomberg 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 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 6 - 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:

	<u>2023</u>	<u>2022</u>
Foundation loans	\$ 284,082,787	\$ 290,401,500
Designated loans	1,205,151	1,268,786
Participations	<u>(661,505)</u>	<u>(710,950)</u>
	284,626,433	290,959,336
Allowance for loan losses	<u>(3,000,000)</u>	<u>(3,000,000)</u>
Total	<u><u>\$ 281,626,433</u></u>	<u><u>\$ 287,959,336</u></u>

Foundation loans are loans that TMF has made with the pool of funds invested in the LF. 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:

	<u>2023</u>	<u>2022</u>
Term loans	\$ 162,861,791	\$ 160,491,042
Interest only loans	<u>121,220,996</u>	<u>129,910,458</u>
Total	<u><u>\$ 284,082,787</u></u>	<u><u>\$ 290,401,500</u></u>
Fixed rate	\$ 193,848,695	\$ 197,968,510
Variable rate	<u>90,234,092</u>	<u>92,432,990</u>
Total	<u><u>\$ 284,082,787</u></u>	<u><u>\$ 290,401,500</u></u>

### Credit Quality Indicators

TMF measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. Loans are risk-weighted based upon a past due (aging) schedule. All loans which are at least 90 days past due are considered high risk. This generally results in an allocation of the allowance for these loans. TMF considers new customers and cash secured loans separately. Other risk factors considered by management in determining the credit quality include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

The following table presents church loan receivables, at amortized cost, as of December 31, by credit quality indicator and year of origination:

	<u>2023</u>	<u>2022</u>
New customer loans	\$ 20,094,601	\$ 21,699,058
Secured loans	187,617	1,673,818
Existing customer loans:		
Low risk loans	235,181,423	246,408,203
Medium risk loans	97,798	15,226,120
Higher risk loans	29,064,994	5,952,137
Total	<u>\$ 284,626,433</u>	<u>\$ 290,959,336</u>

During the years ended December 31, 2023 and 2022, changes in the allowance for credit losses were as follows:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 3,000,000	\$ 2,500,000
Change in expected allowance for credit losses	-	500,000
Balance, end of year	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>

The following table presents an aging analysis of TMF's loans receivable as of December 31:

	<u>2023</u>	<u>2022</u>
31-60 days past due	\$ -	\$ 1,335,648
60-89 days past due	-	4,347,426
Recorded investment > 90 days	4,347,426	269,063
Total past due	4,347,426	5,952,137
Current	280,279,007	285,007,199
Total loans receivable	<u>\$ 284,626,433</u>	<u>\$ 290,959,336</u>



As of December 31, 2023 and 2022, there were no loans on a nonaccrual status.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. The allowance for credit losses is adjusted regularly and outside of loan modifications.

The modification categories offered can generally be described in the following categories:

**Rate Modification** - A modification in which the interest rate is changed.

**Term Modification** - A modification in which the maturity date, timing of payment, or frequency of payment is changed.

**Payment Modification** - A modification in which the dollar amount of the payment is changed.

**Combination Modification** - Any other type of modification, including the use of multiple categories above.

The following table shows the amortized cost basis of the loans modified to borrowers experiencing financial difficulty during the year ended December 31, 2023:

	<u>Amortized Cost</u>	<u>Financial Effect</u>
Loans	<u>\$ 23,053,907</u>	<u>Restructured by modifying the interest rate range of 3.70% to 5.25% to a range of 1.90% to 6.00%</u>

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable TMF would be unable to collect all amounts due in accordance with the original contractual terms of the loan. Impaired loans include loans on nonaccrual status and accruing troubled debt restructurings. When determining if TMF would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, TMF considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value.

The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

The following presents TMF's impaired loans as of December 31, 2022:

	<u>Recorded Investment</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With no related allowance recorded- Loans	\$ 6,059,600	\$ 6,059,600	\$ -	\$ 6,070,012	\$ 169,640
With an allowance recorded- Loans	<u>11,095,302</u>	<u>11,095,302</u>	<u>2,132,802</u>	<u>8,551,235</u>	<u>175,835</u>
Total	<u>\$ 17,154,902</u>	<u>\$ 17,154,902</u>	<u>\$ 2,132,802</u>	<u>\$ 14,621,247</u>	<u>\$ 345,475</u>

Troubled debt restructurings were not significant and there were no troubled debt restructurings on a nonaccrual basis as of December 31, 2022. TMF has no commitments to lend additional funds to borrowers whose loans have been modified, as of December 31, 2022. There were no restructured loans with a payment default which occurred within 12 months of the restructuring date during the years ended December 31, 2023 and 2022.

## Note 7 - Property and Equipment

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

	<u>2023</u>	<u>2022</u>
Building and tenant improvements	\$ 3,995,533	\$ 3,988,634
Office furniture and equipment	808,276	458,629
Automobiles	<u>94,316</u>	<u>261,161</u>
	4,898,125	4,708,424
Less accumulated depreciation	(3,265,068)	(3,257,735)
Land	<u>245,826</u>	<u>245,826</u>
Property and equipment, net	<u><u>\$ 1,878,883</u></u>	<u><u>\$ 1,696,515</u></u>

Depreciation expense totaled \$138,299 and \$174,112 during the years ended December 31, 2023 and 2022, respectively.

## Note 8 - Borrowing Arrangements

TMF had an available Revolving Line of Credit (the “First Line of Credit”) for \$30,000,000 with a bank, which bore interest at the AMERIBOR rate plus 1.75% as of December 31, 2022. There were no advances outstanding as of December 31, 2022. The First Line of Credit would have matured on June 30, 2024 and was replaced by a Revolving Line of Credit (the “Second Line of Credit”) for \$20,000,000 with a bank, which bears interest at the AMERIBOR rate plus 1.75% as of December 31, 2023. There were no advances outstanding as of December 31, 2023. The Second Line of Credit matures on June 30, 2025.

TMF had a term note with a bank (the “First Term Note”), which bore interest at the LIBOR rate plus 1.5%. The First Term Note matured during the year ended December 31, 2022 and was replaced by a term note for \$20,000,000 with a bank (the “Second Term Note”), which bears interest at the AMERIBOR rate plus 1.75% as of as of December 31, 2023. There were no outstanding advances due on the Second Term Note as of December 31, 2023. The Second Term Note matures on June 30, 2025.

The Second Line of Credit and Second Term Note are secured by substantially all of TMF’s investments and loans receivable and requires TMF to meet certain financial covenants, including unrestricted tangible net assets and interest coverage ratios.

## Note 9 - 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, 2023 and 2022 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 \$72,768 and \$130,402 as of December 31, 2023 and 2022, respectively, with aggregate original values of \$470,054 and \$3,521,439, respectively. The deficient amount is reflected in net assets with donor restrictions.

Endowment net asset composition by type of fund as of December 31, 2023 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment	\$ 66,242,717	\$ -	\$ 66,242,717
Board-designated endowment funds	9,824,035	-	9,824,035
Donor-restricted endowment funds	-	40,186,441	40,186,441
Total funds	<u>\$ 76,066,752</u>	<u>\$ 40,186,441</u>	<u>\$ 116,253,193</u>

Changes in endowment net assets during the year ended December 31, 2023 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 67,153,641	\$ 34,748,661	\$ 101,902,302
Interest and dividend income	14,481,895	369,079	14,850,974
Net unrealized and realized gain	10,345,184	4,560,435	14,905,619
Other investment income	1,849,519	64,702	1,914,221
Contributions and bequests	134,448	2,875,344	3,009,792
Grants and distributions	(1,526,371)	(1,846,037)	(3,372,408)
Other expenses	(16,371,564)	(585,743)	(16,957,307)
Endowment net assets, end of year	<u>\$ 76,066,752</u>	<u>\$ 40,186,441</u>	<u>\$ 116,253,193</u>

A description of amounts classified as net assets with donor restrictions (endowment only) as of December 31, 2023 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	\$ 23,402,736
The portion of donor perpetual endowment funds subject to a time restriction under TUPMIFA:	
Without donor-imposed purpose restrictions	15,470,359
With donor-imposed purpose restrictions	<u>1,313,346</u>
Total donor-restricted endowment funds classified as net assets with donor restrictions	<u>\$ 40,186,441</u>

Endowment net asset composition by type of fund as of December 31, 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Undesignated endowment	\$ 58,128,551	\$ -	\$ 58,128,551
Board-designated endowment funds	9,025,090	-	9,025,090
Donor-restricted endowment funds	-	34,748,661	34,748,661
Total funds	<u>\$ 67,153,641</u>	<u>\$ 34,748,661</u>	<u>\$ 101,902,302</u>

Changes in endowment net assets during the year ended December 31, 2022 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 83,136,778	\$ 42,884,761	\$ 126,021,539
Interest and dividend income	12,933,817	244,418	13,178,235
Net unrealized and realized loss	(14,340,399)	(6,448,975)	(20,789,374)
Other investment income	1,656,396	90,961	1,747,357
Contributions and bequests	146,261	1,484,133	1,630,394
Grants and distributions	(1,893,040)	(2,936,319)	(4,829,359)
Other expenses	(14,486,172)	(570,318)	(15,056,490)
Endowment net assets, end of year	<u>\$ 67,153,641</u>	<u>\$ 34,748,661</u>	<u>\$ 101,902,302</u>

A description of amounts classified as net assets with donor restrictions (endowment only) as of December 31, 2022 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	\$ 20,780,700
The portion of donor perpetual endowment funds subject to a time restriction under TUPMIFA:	
Without donor-imposed purpose restrictions	12,623,336
With donor-imposed purpose restrictions	<u>1,344,625</u>
Total donor-restricted endowment funds classified as net assets with donor restrictions	<u>\$ 34,748,661</u>

**Note 10 - Net Assets with Temporary Donor Restrictions**

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

	<u>2023</u>	<u>2022</u>
Undistributed earnings on donor-restricted endowments	\$ 16,783,705	\$ 13,967,961
Charitable gift annuities and charitable remainder trust agreements	645	79,517
Total net assets with temporary donor restrictions	<u>\$ 16,784,350</u>	<u>\$ 14,047,478</u>

**Note 11 - Employee Benefit Plan**

TMF participates in a defined contribution plan which covers substantially all employees of TMF. TMF's contributions totaled \$385,979 and \$433,990 during the years ended December 31, 2023 and 2022, respectively.

**Note 12 - Commitments**

TMF had unfunded loan commitments outstanding to certain Constituent Churches and Entities of \$54,046,961 and \$39,552,493 as of December 31, 2023 and 2022, respectively. These unfunded loan commitments consisted of the following as of December 31, 2023: \$20,501,799 in revolving lines of credit TMF has made available to churches and \$33,545,161 in non-revolving construction loans which may take up to 36 months to fund. In addition, there were \$5,250,000 in loans that were approved but not yet closed as of December 31, 2023.

**Note 13 - Related Party Transactions**

TMF received \$413,813 and \$430,477 in Board contributions during the years ended December 31, 2023 and 2022, respectively. TMF holds investments from Board members totaling \$596,174 and \$698,240 as of December 31, 2023 and 2022, respectively.

**Note 14 - Agreement with Wesleyan Impact Partners Inc.**

In 2019, TMF and Wesleyan Impact Partners Inc. (“WI”) entered into two agreements whereby TMF’s officers and staff manage WI’s activities under the governance of the WI Board of Directors.

During the years ended December 31, 2023 and 2022, TMF earned \$1,400,000 and \$1,200,000 of administrative income from WI, respectively, primarily for services rendered by TMF under agreement with WI. As of December 31, 2023 and 2022, TMF has investments in WI money market funds totaling \$14,626,334 and \$9,805,361, respectively. As of December 31, 2023 and 2022, WI has investments in TMF money market funds totaling \$9,448,834 and \$9,172,255, respectively.

**Note 15 - Subsequent Events**

TMF has evaluated subsequent events through April 19, 2024, 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.