



TEXAS METHODIST FOUNDATION

Financial Statements
With Independent Auditor's Report

December 31, 2025 and 2024

TEXAS METHODIST FOUNDATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Texas Methodist Foundation
Austin, Texas

Opinion

We have audited the accompanying financial statements of Texas Methodist Foundation, which comprise the statements of financial position as of December 31, 2025 and 2024, 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 Texas Methodist Foundation as of December 31, 2025 and 2024, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Texas Methodist Foundation 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 these 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 Texas Methodist Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Texas Methodist Foundation
Austin, Texas

Auditor's 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 auditor's 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 Texas Methodist Foundation'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 Texas Methodist Foundation'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.

Capin Crouse LLC

Irving, Texas
June 4, 2026

TEXAS METHODIST FOUNDATION

Statements of Financial Position

	December 31,	
	2025	2024
ASSETS:		
Cash and cash equivalents	\$ 68,722,478	\$ 45,737,987
Investments	25,049,809	21,812,018
Accrued interest receivable	1,560,682	1,686,778
Prepaid expenses and other assets	4,786,830	3,393,083
Loans receivable	242,212,389	257,188,994
Allowance for credit losses	(3,563,106)	(3,000,000)
Assets held and managed for others	315,733,004	308,460,075
Investments held for endowment	51,104,090	46,080,009
Property and equipment—net	1,943,843	1,504,843
Total Assets	<u>\$ 707,550,019</u>	<u>\$ 682,863,787</u>
LIABILITIES AND NET ASSETS:		
Liabilities:		
Distributions, grants, and accounts payable	\$ 5,466,530	\$ 3,613,084
Deferred grant revenue	1,137,500	600,000
Certificates payable	246,362,827	245,804,992
Funds held for others	138,800,136	123,834,456
Funds managed for investors	176,932,868	184,625,619
Total liabilities	<u>568,699,861</u>	<u>558,478,151</u>
Net assets:		
Net assets without donor restrictions:		
Undesignated	82,855,218	73,077,955
Designated endowment for learning and innovation	11,057,662	10,120,724
	<u>93,912,880</u>	<u>83,198,679</u>
Net assets with donor restrictions:		
Restricted by purpose or time	23,009,852	20,101,736
Restricted in perpetuity	21,927,426	21,085,221
	<u>44,937,278</u>	<u>41,186,957</u>
Total net assets	<u>138,850,158</u>	<u>124,385,636</u>
Total Liabilities and Net Assets	<u>\$ 707,550,019</u>	<u>\$ 682,863,787</u>

See notes to financial statements

TEXAS METHODIST FOUNDATION

Statements of Activities

	Year Ended December 31,					
	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT, REVENUE AND RECLASSIFICATIONS:						
Interest income on loans	\$ 12,358,717	\$ -	\$ 12,358,717	\$ 13,394,038	\$ -	\$ 13,394,038
Investment income—net	17,409,095	5,997,585	23,406,680	8,368,078	4,641,131	13,009,209
Contributions	2,776,258	48,265	2,824,523	2,274,870	122,569	2,397,439
Administrative income	1,750,000	-	1,750,000	1,400,000	-	1,400,000
Other income	689,250	-	689,250	79,389	-	79,389
Net assets released from restrictions:						
Expiration of purpose restrictions	2,295,529	(2,295,529)	-	3,763,781	(3,763,781)	-
Total Support, Revenue and Reclassifications	37,278,849	3,750,321	41,029,170	29,280,156	999,919	30,280,075
EXPENSES:						
Programs:						
Loans and investor services	13,227,217	-	13,227,217	10,633,075	-	10,633,075
Charitable services	4,770,333	-	4,770,333	5,056,986	-	5,056,986
Leadership services	2,647,203	-	2,647,203	2,623,012	-	2,623,012
	20,644,753	-	20,644,753	18,313,073	-	18,313,073
Supporting activities:						
General and administrative	5,919,895	-	5,919,895	3,835,204	-	3,835,204
Total Expenses	26,564,648	-	26,564,648	22,148,277	-	22,148,277
Change in Net Assets	10,714,201	3,750,321	14,464,522	7,131,879	999,919	8,131,798
Net Assets, Beginning of Year	83,198,679	41,186,957	124,385,636	76,066,800	40,187,038	116,253,838
Net Assets, End of Year	\$ 93,912,880	\$ 44,937,278	\$ 138,850,158	\$ 83,198,679	\$ 41,186,957	\$ 124,385,636

See notes to financial statements

TEXAS METHODIST FOUNDATION

Statement of Functional Expense

Year Ended December 31, 2025

	Program Services				General and	
	Loans and Investor Services	Charitable Services	Leadership Services	Total Program Services	Administrative	Total
Salaries, wages and benefits	\$ 2,116,729	\$ 1,128,333	\$ 1,253,338	\$ 4,498,400	\$ 3,646,104	\$ 8,144,504
Interest expense	10,382,078	-	-	10,382,078	-	10,382,078
Grants and distributions	-	3,263,012	-	3,263,012	-	3,263,012
Office expenses	311,885	218,621	1,275,086	1,805,592	1,297,863	3,103,455
Provision for credit losses	-	-	-	-	563,106	563,106
Travel	32,685	94,555	42,307	169,547	49,807	219,354
Building and occupancy	18,122	10,873	10,873	39,868	32,621	72,489
Insurance	72,172	36,966	42,247	151,385	24,644	176,029
Professional fees	-	17,973	-	17,973	91,868	109,841
Scholarships	-	-	23,352	23,352	-	23,352
Depreciation	-	-	-	-	213,882	213,882
Miscellaneous	293,546	-	-	293,546	-	293,546
Total expenses	<u>\$ 13,227,217</u>	<u>\$ 4,770,333</u>	<u>\$ 2,647,203</u>	<u>\$ 20,644,753</u>	<u>\$ 5,919,895</u>	<u>\$ 26,564,648</u>

See notes to financial statements

TEXAS METHODIST FOUNDATION

Statement of Functional Expense

Year Ended December 31, 2024

	Program Services				General and	
	Loans and Investor Services	Charitable Services	Leadership Services	Total Program Services	Administrative	Total
Salaries, wages and benefits	\$ 2,235,407	\$ 1,509,332	\$ 1,073,201	\$ 4,817,940	\$ 2,486,351	\$ 7,304,291
Interest expense	7,383,426	-	-	7,383,426	-	7,383,426
Grants and distributions	-	3,035,420	-	3,035,420	-	3,035,420
Office expenses	517,500	303,766	1,370,862	2,192,128	707,872	2,900,000
Travel	32,541	87,703	43,002	163,246	55,521	218,767
Building and occupancy	116,149	69,689	69,689	255,527	209,068	464,595
Insurance	68,126	34,894	39,878	142,898	23,262	166,160
Professional fees	-	16,182	-	16,182	80,886	97,068
Scholarships	-	-	26,380	26,380	-	26,380
Depreciation	-	-	-	-	126,412	126,412
Miscellaneous	279,926	-	-	279,926	145,832	425,758
Total expenses	<u>\$ 10,633,075</u>	<u>\$ 5,056,986</u>	<u>\$ 2,623,012</u>	<u>\$ 18,313,073</u>	<u>\$ 3,835,204</u>	<u>\$ 22,148,277</u>

See notes to financial statements

TEXAS METHODIST FOUNDATION

Statements of Cash Flows

	Year Ended December 31,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 14,464,522	\$ 8,131,798
Adjustment to reconcile change in net assets to net cash flows provided (used) by operating activities:		
Depreciation	213,882	126,412
Change in provision for credit losses	563,106	-
Contributions for long-term purposes	(23,956)	(104,262)
Interest reinvested by certificate holders	7,307,864	7,154,090
Net unrealized and realized gains on investments	(10,547,935)	(9,460,321)
Loss on disposal of fixed assets	13,560	361,467
Changes in assets and liabilities that provided (used) cash:		
Accrued interest receivable	126,096	164,672
Prepaid expenses and other assets	(1,393,747)	(2,191,616)
Distributions, grants, and accounts payable	1,853,446	(349,530)
Deferred grant revenue	537,500	(300,000)
Net Cash Provided by Operating Activities	<u>13,114,338</u>	<u>3,532,710</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(666,442)	(113,839)
Proceeds from sales of investments	9,392,172	6,292,343
Purchase of investments	(7,106,109)	(4,803,557)
Issuance of loans receivable	(30,729,327)	(20,334,521)
Payments on loans receivable	45,705,932	47,771,960
Net Cash Provided by Investing Activities	<u>16,596,226</u>	<u>28,812,386</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions for long-term purposes	23,956	104,262
Proceeds from issuance of investment certificates	66,176,997	49,307,865
Redemption of investment certificates	(72,927,026)	(69,573,612)
Net Cash Used by Financing Activities	<u>(6,726,073)</u>	<u>(20,161,485)</u>
Net Change in Cash and Cash Equivalents	22,984,491	12,183,611
Cash and Cash Equivalents, Beginning of Year	<u>45,737,987</u>	<u>33,554,376</u>
Cash and Cash Equivalents, End of Year	<u>\$ 68,722,478</u>	<u>\$ 45,737,987</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Matured investment certificates reinvested	<u>\$ 20,698,488</u>	<u>\$ 4,036,322</u>
Cash paid for interest	<u>\$ 10,380,164</u>	<u>\$ 7,383,426</u>

See notes to financial statements

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

1. NATURE OF 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 18th 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.

TMF's primary revenue streams are investment income, interest income from loans, and contributions from donors.

TMF is exempt from federal income taxes under the provisions of the Internal Revenue Code (IRC) Section 501(c)(3) and applicable state statutes and is not a private foundation under IRC Section 509(a)(1).

2. SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING

The financial statements of TMF have been prepared using the accrual basis of accounting, which gives recognition to income and related assets when earned and expenses and related liabilities when incurred. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates. Estimates that are particularly susceptible to significant change in the near term are related to allowance for credit losses on loans receivable and fair value of investments. The significant accounting policies followed are described below.

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. At December 31, 2025 and 2024, TMF's cash balances exceeded federally insured limits by approximately \$69,600,000 and \$46,000,000, respectively.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

INVESTMENTS

Investments with readily determinable fair values are reported at fair value, which is based on quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Investment income is reported in the statements of activities.

A large portion of TMF's investment portfolio is held and managed by Wespeth Institutional Investments, Inc. (WII) and are held in WII investment pools. Pro-rata ownership in the pools is determined under a system in which units of ownership are recorded to represent each member's share of the total market value of assets so TMF reports its interest in the pooled funds at fair value. The change in value of TMF's interest in pooled funds held by WII is included within investment income, net on the statements of activities. Investment interest, dividends, appreciation, or depreciation in market value are allocated based on each pool member's percentage of ownership represented by these units. Funds can generally be withdrawn same business day, with the exception of transaction requests of more than \$2 million, which may require up to 15 business days to process.

Investment income and realized and unrealized gains and losses are included in revenue with or without donor restrictions based on the presence or absence of donor restrictions.

LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Loans receivable are stated at the outstanding principal balances, less the related allowance for credit losses. 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 10-20 years, are secured by first mortgages on land and buildings, and bear interest at various rates ranging from 1.55% to 9.75%, with payment due monthly. The mortgagors generally rely on contributions to service their debt. Interest income on loans is accrued and credited to income based on the principal amounts outstanding. Loans receivable are written off when TMF determines that they are uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the statement of financial position date.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES, continued

Allowances for credit losses

TMF recognizes an allowance for credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset (contractual term) which includes consideration of prepayments. Assets are written off when TMF determines that such financial assets are deemed uncollectible. Write-offs are recognized as a deduction from the allowance for credit losses. Expected recoveries of amounts previously written off, not to exceed the aggregate of the amount previously written off, are included in determining the necessary reserve at the statement of financial position date.

TMF utilizes a loss rate approach in determining its lifetime expected credit losses on its loans. This method is used for calculating an estimate of losses based primarily on TMF's historical loss experience. In determining its loss rates, TMF evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that it can reasonably forecast. For the period of time beyond which it can reasonably forecast it applies immediate reversion based on the facts and circumstances as of the reporting date. TMF concludes that it can reasonably support a forecast period of all loan segments for two years after the statement of financial position date. TMF classifies loans based on the following portfolio segments: new customer loans, cash-secured loans, and existing customer loans. In situations where a loan does not share the same risk characteristics with other loans, TMF measures those loans individually.

Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider the following: current financial information, length of loan, presence or absence of a conference guarantee, collateral value, payment status, and the current and forecasted direction of the economic and business environment. Such forecasted information includes: GDP growth, unemployment rates, and church giving trends.

TMF also has off-balance sheet financial instruments. These include standby letters of credit and construction loans. TMF minimizes these risks through underwriting guidelines and prudent risk management techniques. An allowance has not been recorded for these off-balance sheet financial instruments as the estimated credit loss is considered to be immaterial.

TMF occasionally restructures loan terms to assist church borrowers that encounter financial hardships, when requested by the borrower. Long-term restructuring agreements are monitored by TMF as loans modified to borrowers experiencing financial difficulties. Long-term restructurings are identified in Note 5.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

LOANS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES, continued

Credit quality indicators

TMF categorizes its loans as performing or nonperforming. Status for performing and nonperforming loans is based on payment activity for the year. Payment activity is reviewed by management on a monthly basis to determine how loans are performing. Loans are considered to be nonperforming when days past due are greater than 60 days in the previous month. Loans are classified as delinquent when payments are 90 days overdue. TMF evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics and performance status change.

TMF elects to present the accrued interest receivable balance separately in the statements of financial position from the amortized cost of the loans receivable. TMF elected not to measure an allowance for credit losses for accrued interest receivable. For all classes of loans receivable, the accrual of interest is discontinued when the contractual payment of principal or interest has become 90 days past due and management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible within the stated term of the loan. All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on nonaccrual loans, generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured. TMF did not write off any loan accrued interest receivables during the years ended December 31, 2025 and 2024. Due to the nature of the relationship with its borrowers, TMF is willing to make accommodations with borrowers whose payments are not current, so long as such accommodations do not jeopardize the interests of TMF's investors.

TMF may also purchase participation interests in individual loans from third-party lenders. Under these loan participation agreements, the third-party lenders maintain all records, collect all payments and remit monthly the appropriate pro rata share of both interest and principal collected on the loans. All loan participations are purchased without recourse and are secured by real property.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 and improvements	37.5 years
Furniture and equipment	5-7 years
Vehicles	4 years

CERTIFICATES PAYABLE

Certificates payable consist of interest-bearing accounts with various term durations and are not insured by the FDIC or any other federal or state agency or private organization. A substantial portion of the investment certificates issued by TMF are demand instruments or will be maturing within the next two years. In addition, flexible demand certificates are payable upon 15 days written notice subject to availability of funds. IRA certificates are payable upon 30 days written notice subject to availability of funds. TMF would not have sufficient liquid assets to satisfy repayment of this amount if all of these investors were to request an immediate withdrawal. However, management anticipates, similar to past history, that a substantial portion of these certificates will be reinvested or rolled over into new certificates with TMF.

ASSETS HELD AND MANAGED FOR OTHERS

Assets managed for investors and assets held for others consist of those assets held on behalf of other organizations. These assets are valued the same as investments and comingled with other TMF assets. All activity related to these assets is recorded directly to assets and a corresponding liability account as they are accounted for as agency funds.

CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions are those currently available at the discretion of the board for use in TMF's operations, and those designated by the board for specific purposes.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

CLASSES OF NET ASSETS, continued

Net assets with donor restrictions are those contributed with donor stipulations for specific operating purposes or programs, those with time restrictions, undistributed endowment investment income, or those not currently available for use until commitments regarding their use have been fulfilled. These also include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for use with or without donor restrictions.

SUPPORT, REVENUE, EXPENSES AND DISTRIBUTIONS

Contributions to gift agreements, including donor advised funds, are reported as income when made, which may be when cash is received, unconditional promises are made or ownership of donated assets is transferred. Fees and other income includes management fees, and other miscellaneous income and is recognized as the performance obligation is met. Noncash gifts are recorded at their estimated fair market value at the date of donation. Investment income is recognized when earned. TMF reports gifts of cash and other assets as support with donor restriction if they are received with donor stipulations that limit the use of the donated amount. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Conditional contributions are not recognized in the financial statements until the conditions on which they depend have been substantially met. A conditional contribution contains a donor-imposed condition that represents a barrier that must be overcome before TMF is entitled to the assets transferred or promised. Additionally, the agreement must include a right of return of assets transferred or a right of release of the donor's obligation to transfer assets. Conditional contributions are recognized as contributions in the financial statements once the conditions have been met and are categorized with or without donor restriction based on their intended purpose.

Administrative income is recorded when performance obligations are met, which is as the services under the administration contract are performed over time. There are no contract assets or liabilities related to this or other income streams as of December 31, 2025, 2024, or 2023.

Grants to qualified organizations in accordance with various gift agreements are recognized when the grants are approved by TMF or upon maturity of the agreement at the donor's death. Expenses are recognized when incurred in accordance with the accrual basis of accounting and include certain costs associated with administration of gift agreements. The costs of providing various program services and supporting activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

3. INVESTMENTS:

Investments consist of the following:

	December 31,	
	2025	2024
At cost:		
Certificates of deposit	\$ 1,059,050	\$ 1,016,003
At contract value (cash surrender value):		
Life insurance policy	479,819	537,866
At fair value:		
Real estate	94,951	94,951
Oil and mineral interests	227,683	264,769
Stock	2,525,373	1,558,108
Mutual funds	-	1,221,205
Exchange traded funds	1,468,713	1,045,365
Interest in WII pooled funds:		
Fixed Income Fund–I Series	76,949,087	62,860,056
Inflation Protection Fund-I Series	14,123,722	20,624,892
International Equity Fund-I Series	105,828,161	119,712,151
U.S. Equity Fund-I Series	187,347,366	165,990,553
Multiple Asset Fund–I Series	1,782,978	1,426,183
Total at fair value	390,348,034	374,798,233
Total investments	\$ 391,886,903	\$ 376,352,102

Investments and related asset line items on the statements of financial position can be reconciled to total investments above as follows:

	December 31,	
	2025	2024
Investments	\$ 25,049,809	\$ 21,812,018
Assets held and managed for others	315,733,004	308,460,075
Investments held for endowment	51,104,090	46,080,009
	\$ 391,886,903	\$ 376,352,102

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

4. FAIR VALUE MEASUREMENTS:

TMF uses appropriate valuation techniques to determine fair value based on inputs available. When available, TMF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The valuations for each of these levels are determined as follows:

Level 1 - Quoted prices for identical instruments traded in active markets.

Level 2 - Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable.

Level 3 - Model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use. There were no purchases of sales in Level 3 investments during the years ended December 31, 2024 or 2023.

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2025 and 2024:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2025:				
Real estate	\$ 94,951	\$ -	\$ 94,951	\$ -
Oil and mineral interests	227,683	-	-	227,683
Stock	2,525,373	2,525,373	-	-
Mutual funds	-	-	-	-
Exchange traded funds	1,468,713	1,468,713	-	-
Interest in WII pooled funds:				
Fixed Income Fund-I Series	76,949,087	-	76,949,087	-
Inflation Protection Fund-I Series	14,123,722	-	14,123,722	-
International Equity Fund-I Series	105,828,161	-	105,828,161	-
U.S. Equity Fund-I Series	187,347,366	-	187,347,366	-
Multiple Asset Fund-I Series	1,782,978	-	1,782,978	-
	<u>390,348,034</u>	<u>\$ 3,994,086</u>	<u>\$ 386,126,265</u>	<u>\$ 227,683</u>
Reconciling items to total investments:				
At cost:				
Certificates of deposit	1,059,050			
At contract value:				
Life insurance policy	<u>479,819</u>			
Total investments	<u>\$ 391,886,903</u>			

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

4. FAIR VALUE MEASUREMENTS, continued:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
2024:				
Real estate	\$ 94,951	\$ -	\$ 94,951	\$ -
Oil and mineral interests	264,769	-	-	264,769
Stock	1,558,108	1,558,108	-	-
Mutual funds	1,221,205	1,221,205	-	-
Exchange traded funds	1,045,365	1,045,365	-	-
Interest in WII pooled funds:				
Fixed Income Fund-I Series	62,860,056	-	62,860,056	-
Inflation Protection Fund-I Series	20,624,892	-	20,624,892	-
International Equity Fund-I Series	119,712,151	-	119,712,151	-
U.S. Equity Fund-I Series	165,990,553	-	165,990,553	-
Multiple Asset Fund-I Series	1,426,183	-	1,426,183	-
	374,798,233	<u>\$ 3,824,678</u>	<u>\$ 370,708,786</u>	<u>\$ 264,769</u>
Reconciling items to total investments:				
At cost:				
Certificates of deposit	1,016,003			
At contract value:				
Life insurance policy	537,866			
Total investments	<u>\$ 376,352,102</u>			

The following methods and assumptions were used by TMF to estimate the fair value of each class of financial instruments at December 31, 2025 and 2024:

Real estate

The fair value of real estate was determined using the market approach, based on prices and other relevant information generated by similar transactions.

Oil and mineral interests

Oil and mineral interests are carried at fair value utilizing Level 3 inputs. The valuations are based on models of multiples of earnings for a period of time.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

4. FAIR VALUE MEASUREMENTS, continued:

Stock, mutual funds, and exchange traded funds

The fair value of equities and bond funds are based on quoted market prices and other relevant information generated by market transactions.

Pooled investment funds

The investments in the WII pooled funds are valued as reported by the investment managers at net asset value (NAV). TMF's interest is carried at approximated fair value and classified under Level 2 of the fair value hierarchy as TMF has the ability to redeem its investment in the pool at net asset value per share (or its equivalent) either at the reporting date or within a 15-day notice period. TMF is not able to apply the practical expedient for net asset value for interest in the pooled funds as Wespath Benefits and Investments is not considered an investment company as defined by topic 946 of the FASB ASC. There are no capital calls on the pooled funds.

There were no changes to valuation techniques during the years ended December 31, 2025 and 2024.

5. LOANS RECEIVABLE:

Loans receivable are generally approved for terms ranging from 10 to 20 years, but occasionally, to accommodate a particular situation, a term of up to 30 years may be approved. TMF's board may increase or decrease the interest rates of a loan when the loan contracts permit or decrease the rate without regard to the contractual rate where appropriate, in relation to the prevailing rates and economic conditions.

A summary of loans receivable classified by loan portfolio segment is as follows:

	December 31,	
	2025	2024
New customer loans	\$ 21,854,258	\$ 6,435,324
Cash-secured or conference-guaranteed loans	-	187,617
Existing customer loans:		
Low risk loans	181,014,137	213,431,435
Medium risk loans	79,426	89,140
Higher risk loans	39,264,568	37,045,478
	242,212,389	257,188,994
Allowance for credit losses	(3,563,106)	(3,000,000)
Total loans receivable	<u>\$ 238,649,283</u>	<u>\$ 254,188,994</u>

In the normal course of business, TMF makes commitments to extend loans to meet the financing needs of its customers. At December 31, 2025, TMF had outstanding commitments of approximately \$47,000,000 to fund construction in progress, undrawn lines of credit and real estate mortgages.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

5. LOANS RECEIVABLE, continued:

A summary of loans receivable, classified by interest rates, is as follows:

	December 31,	
	2025	2024
4.5% or less	\$ 49,965,806	\$ 94,104,211
Over 4.5% to 5.0%	17,133,501	24,027,510
Over 5.0% to 5.5%	30,350,501	18,247,597
Over 5.5% to 6.0%	76,500,824	21,161,466
Over 6.0% to 6.5%	21,553,397	29,021,036
Over 6.5% to 7.0%	21,692,942	22,181,656
Over 7.0% to 7.5%	14,232,311	26,407,178
Over 7.5% to 8.0%	5,577,253	17,562,826
Over 8.0% to 8.5%	2,754,065	714,787
Over 8.5%	2,451,789	3,760,727
	<u>242,212,389</u>	<u>257,188,994</u>
Allowance for credit losses	<u>(3,563,106)</u>	<u>(3,000,000)</u>
	<u>\$ 238,649,283</u>	<u>\$ 254,188,994</u>

TMF allows for modifications to existing loans based on the needs of their customers. Loan modifications can occur in the following ways:

- Rate modification- modification in which the interest rate is changed
- Term modification-modification in which the maturity date, timing payment, or frequency of payment is changed
- Payment modification-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

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

5. LOANS RECEIVABLE, continued:

During the year ended December 31, 2025, seventeen loans were approved for rate modifications. The following table shows the total amortized cost basis of the four loans modified for borrowers experiencing financial difficulty.

	<u>Amortized Cost</u>	<u>Financial Effect</u>
Loans	<u>\$ 3,116,671</u>	Restructured loans by placing them on non-accrual status, which is a loan modification that creates an other-than-insignificant payment delay
Loans	<u>\$ 13,982,686</u>	Combination modification by lowering the interest rate from a range of 7.50%-8.95% to 4%-6%, and by making the loans interest-only for at least a year

There are no commitments for future funding for any of the seventeen loans modified during the year ended December 31, 2025. In the 12 months after loan modification, as of the date of this report, the loans remain as performing loans and are not considered past due. Based on the loan modifications and other factors, these seventeen loans are considered to be watchlist loans and are included in the high risk loan pool within TMF's allowance calculation. The loans on non-accrual status are not considered to be in default as the terms were agreed to in the modification.

During the year ended December 31, 2024, seven loans were approved for rate modifications. The following table shows the total amortized cost basis of the four loans modified for borrowers experiencing financial difficulty.

	<u>Amortized Cost</u>	<u>Financial Effect</u>
Loans	<u>\$ 7,418,486</u>	Combination modification by lowering the interest rate from a range of 3.60% - 6.00% to 3.25% - 4.00%, and by making the loans interest-only for at least a year
Loans	<u>\$ 8,576,235</u>	Restructured loans by placing them on non-accrual status, which is a loan modification that creates an other-than-insignificant payment delay

There are no commitments for future funding for any of the seven loans modified during the year ended December 31, 2024. In the 12 months after loan modification the loans remain as performing loans and are not considered past due. Based on the loan modifications and other factors, these seven loans are considered to be watchlist loans and are included in the high risk loan pool within TMF's allowance calculation. The loans on non-accrual status are not considered to be in default as the terms were agreed to in the modification.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

5. LOANS RECEIVABLE, continued:

The following summarizes the activity related to the allowance for credit losses for the years ended December 31, 2025 and 2024, under the CECL methodology:

	New Customers	Cash-Secured or Conference- Guaranteed	Existing Customers	Total
Balance, December 31, 2023	\$ 621,821	\$ 425	\$ 2,377,754	\$ 3,000,000
Transfer	(310,945)	7	310,938	-
Balance, December 31, 2024	310,876	432	2,688,692	3,000,000
Transfers	387,768	(432)	175,770	563,106
Balance, December 31, 2025	<u>\$ 698,644</u>	<u>\$ -</u>	<u>\$ 2,864,462</u>	<u>\$ 3,563,106</u>

The following table presents loans by credit quality indicator:

	December 31,	
	2025	2024
Performing	\$ 235,409,428	\$ 5,886,312
Non-performing	<u>6,802,961</u>	<u>251,302,682</u>
	<u>\$ 242,212,389</u>	<u>\$ 257,188,994</u>

Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date. Loans are classified as delinquent when payments are 90 days overdue.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

5. LOANS RECEIVABLE, continued:

An aging analysis of the principal of past due loans receivable by portfolio segment as of December 31, 2025, is as follows:

	<u>New Customers</u>	<u>Cash-Secured or Conference- Guaranteed</u>	<u>Existing Customers</u>	<u>Total</u>
Past due:				
30-60 days *	\$ -	\$ -	\$ 556,932	\$ 556,932
61-89 days	-	-	-	-
90 days or greater	-	-	6,246,029	6,246,029
Total past due	-	-	6,802,961	6,802,961
Current *	21,854,258	187,617	213,367,553	235,409,428
	<u>\$ 21,854,258</u>	<u>\$ 187,617</u>	<u>\$ 220,170,514</u>	<u>\$ 242,212,389</u>

An aging analysis of the principal of past due loans receivable by portfolio segment as of December 31, 2024, is as follows:

	<u>New Customers</u>	<u>Cash-Secured or Conference- Guaranteed</u>	<u>Existing Customers</u>	<u>Total</u>
Past due:				
30-60 days *	\$ -	\$ -	\$ 232,042	\$ 232,042
61-89 days	-	-	1,276,971	1,276,971
90 days or greater	-	-	4,377,299	4,377,299
Total past due	-	-	5,886,312	5,886,312
Current *	6,435,324	187,617	244,679,741	251,302,682
	<u>\$ 6,435,324</u>	<u>\$ 187,617</u>	<u>\$ 250,566,053</u>	<u>\$ 257,188,994</u>

* Loans with payments less than 60 days past due are considered to be performing loans.

** Loans with payments more than 60 days past due are considered to be nonperforming loans.

As of December 31, 2025 and 2024, the balances of loans on nonaccrual status were \$3,116,671 and \$8,576,235, respectively. Interest income earned on these loans totaled \$0 for both years ended December 31, 2025 and 2024. There are no specific allowances recorded for these loans in either 2025 or 2024.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

5. LOANS RECEIVABLE, continued:

Loans receivable at December 31, 2025, are expected to mature as follows:

<u>Year</u>	<u>Amount</u>
2026	\$ 21,358,540
2027	4,336,350
2028	3,835,996
2029	1,778,045
2030	4,608,744
Thereafter	<u>206,294,714</u>
	<u><u>\$ 242,212,389</u></u>

At December 31, 2025, TMF had 313 outstanding loans with balances as follows:

<u>Loan Balance</u>	<u>Number of Loans</u>	<u>Principal Outstanding</u>	<u>Percent of Loan Portfolio</u>
\$250,000 and less	146	\$ 12,357,435	5%
\$250,000 - \$500,000	58	20,972,290	9%
\$500,001 - \$1,000,000	38	27,468,356	11%
\$1,000,001 - \$2,000,000	36	49,917,001	20%
\$2,000,001 - \$5,000,000	29	93,509,604	39%
Over \$5,000,000	<u>6</u>	<u>37,987,703</u>	<u>16%</u>
	<u><u>313</u></u>	<u><u>\$ 242,212,389</u></u>	<u><u>100%</u></u>

TMF has no geographic restrictions within the United States on where loans are made; however, the majority of loans are made within the state of Texas. At December 31, 2025, approximately 98% of the loan portfolio was in Texas. This accounted for 279 loans for a total of \$236,593,012 in outstanding loans receivable.

Collateral dependent loans, in the commercial real estate loan segment, as of December 31, 2025, totaled \$15,403,657, and had a recorded allowance for credit loss of \$770,183.

Concentrations of credit risk exist with respect to individually significant borrowers, which are defined as those exceeding five percent of the total loan portfolio. At December 31, 2025, there were no borrowers which met the definition of individually significant borrowers.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

6. PROPERTY AND EQUIPMENT-NET:

Property and equipment-net consisted of the following:

	December 31,	
	2025	2024
Land	\$ 245,826	\$ 245,826
Building and improvements	4,560,832	4,050,531
Furniture and equipment	515,189	458,629
Vehicles	58,840	94,064
	5,380,687	4,849,050
Less accumulated depreciation	(3,436,844)	(3,344,207)
Total property and equipment-net	<u>\$ 1,943,843</u>	<u>\$ 1,504,843</u>

7. CERTIFICATES PAYABLE:

Interest on certificates accrues daily, paid or reinvested monthly, and is subject to forfeiture under certain circumstances for early redemption. Certificates are redeemable at end of terms ranging from one to five years or on demand and earn interest at variable rates (from 1.00% to 5.50% at December 31, 2025).

Certificates may be held by individual investors and may also be an investment option for managed funds held for others. In addition, funds held for others may also be invested in certificates as part of TMF's investment strategy. The disclosures in Note 7 include all certificate holdings as follows:

	December 31,	
	2025	2024
Demand certificates, including individual retirement accounts:		
Flexible demand certificates	\$ 84,338,081	\$ 97,543,939
Special rates (term varies)	148,407	5,871,927
Term:		
One year	94,546,186	65,060,410
Two year	12,379,542	21,815,854
Three year	13,386,572	15,900,059
Four year	4,895,087	3,983,320
Five year	36,668,952	35,629,483
	<u>\$ 246,362,827</u>	<u>\$ 245,804,992</u>

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

7. CERTIFICATES PAYABLE, continued:

Amounts are presented in the schedule below based on the year in which the investment certificates are scheduled to mature. Notwithstanding the foregoing, the demand certificates shown below are payable upon 15 days written notice subject to availability of funds.

<u>Year of Maturity</u>	<u>Amount</u>
Demand	\$ 84,338,081
2026	113,876,650
2027	19,621,766
2028	16,165,835
2029	7,076,515
2030	5,283,980
	<u>\$ 246,362,827</u>

At December 31, 2025, TMF had 515 certificates with balances of \$100,000 or more as follows:

<u>Certificate Balances</u>	<u>Number of Certificates</u>	<u>Amount</u>	<u>Percent of Certificate Balances Outstanding</u>
\$100,000 - \$200,000	270	\$ 35,151,947	14%
\$200,001 - \$300,000	115	27,638,219	11%
\$300,001 - \$500,000	57	22,265,173	9%
Greater than \$500,000	73	112,507,809	46%
	<u>515</u>	<u>\$ 197,563,148</u>	<u>80%</u>

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

8. LINE OF CREDIT AND TERM LOAN:

TMF has a \$20,000,000 revolving line of credit with a financial institution which bears interest at the Daily Simple Secured Overnight Financing Rate (3.87% at December 31, 2025) plus 1.75%. There were no advances outstanding at December 31, 2025 and 2024. The maturity date on this line of credit is June 30, 2027. The line of credit is secured by substantially all of TMF's assets, including investments and loans receivable, and requires TMF to meet certain financial covenants, including unrestricted tangible net assets and interest coverage ratio.

As part of this same agreement, TMF also has a \$20,000,000 term loan available for use. The loan had a \$0 balance at December 31, 2025 and 2024. The loan bears interest at the Daily Simple Secured Overnight Financing Rate plus 1.85% and matures June 30, 2027. Similar to the line of credit, any balance on the term loan would be secured by TMF's assets, primarily cash and investments.

TMF was in compliance with all covenants as of December 31, 2025.

9. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions consisted of the following:

	December 31,	
	2025	2024
Restricted for time and purpose, other than endowment	\$ 4,890,850	\$ 5,227,672
Restricted for time and purpose, earnings on endowed funds	18,119,002	14,874,064
Restricted in perpetuity for endowment	21,927,426	21,085,221
	<u>\$ 44,937,278</u>	<u>\$ 41,186,957</u>

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

10. 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, 2024 and 2023, 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 \$0 and (\$49,656) as of December 31, 2025 and 2024, respectively, with aggregate original value of \$424,752 for the year ended December 31, 2024. The deficit amount is reflected in net assets with donor restrictions and is caused by prior market losses.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

10. ENDOWMENTS, continued:

Endowment net asset composition by type of fund as of December 31, 2025, was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 11,057,662	\$ -	\$ 11,057,662
Donor-restricted endowment funds	-	40,046,428	40,046,428
Total endowment	<u>\$ 11,057,662</u>	<u>\$ 40,046,428</u>	<u>\$ 51,104,090</u>

Changes in endowment net assets during the year ended December 31, 2025, were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 10,120,724	\$ 35,959,285	\$ 46,080,009
Net investment income	936,938	5,565,192	6,502,130
Contributions	-	23,956	23,956
Appropriations	-	(1,502,005)	(1,502,005)
Endowment net assets, end of year	<u>\$ 11,057,662</u>	<u>\$ 40,046,428</u>	<u>\$ 51,104,090</u>

Endowment net asset composition by type of fund as of December 31, 2024, was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-designated endowment funds	\$ 10,120,724	\$ -	\$ 10,120,724
Donor-restricted endowment funds	-	35,959,285	35,959,285
Total endowment	<u>\$ 10,120,724</u>	<u>\$ 35,959,285</u>	<u>\$ 46,080,009</u>

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

10. ENDOWMENTS, continued:

Changes in endowment net assets during the year ended December 31, 2024, were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 9,824,035	\$ 33,866,274	\$ 43,690,309
Net investment income	620,498	4,202,075	4,822,573
Contributions	-	104,262	104,262
Appropriations	(323,809)	(2,213,326)	(2,537,135)
Endowment net assets, end of year	<u>\$ 10,120,724</u>	<u>\$ 35,959,285</u>	<u>\$ 46,080,009</u>

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

11. LIQUIDITY AND FINANCIAL ASSET AVAILABILITY:

The following reflects TMF's financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, donor-restricted funds restricted by purpose or time, liquidity reserve limits required for church extension funds, assets held for others, or because the board has set aside funds for specific purposes. These board designations could be drawn upon if the board approves that action.

	December 31,	
	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 68,722,478	\$ 45,737,987
Investments	25,049,809	21,812,018
Accrued interest receivable	1,560,682	1,686,778
Loans receivable (gross)	242,212,389	257,188,994
Less allowance for credit losses	(3,563,106)	(3,000,000)
Assets held and managed for others	315,733,004	308,460,075
Investments held for endowment	51,104,090	46,080,009
Financial assets, at year-end	700,819,346	677,965,861
Less those unavailable for general expenditure within one year, due to:		
Loans receivable collectible beyond one year	(220,853,849)	(239,260,212)
Assets held and managed for others	(315,733,004)	(308,460,075)
Board-designated for endowment	(11,057,662)	(10,120,724)
Donor-restricted funds, including funds held for endowment	(44,937,278)	(41,186,957)
Church extension fund required liquidity reserves *	(14,781,769)	(14,748,299)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 93,455,784</u>	<u>\$ 64,189,594</u>

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

11. LIQUIDITY AND FINANCIAL ASSET AVAILABILITY, continued:

*The North American Securities Administrators Association's statement of policy regarding church extension fund securities states that at the end of its most recent fiscal year as reported in its audited financial statements, the church extension fund's cash, cash equivalents, readily marketable securities and available lines of credit shall have a value of at least 8% of the principal balance of its total outstanding certificates, except that the value of available lines of credit for meeting this standard shall not exceed 2% of the principal balance of its total outstanding certificates.

TMF structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. TMF also has a \$20,000,000 line of credit agreement and a \$20,000,000 term loan as noted in Note 8, of which \$20,000,000 was available on the line of credit and \$20,000,000 was available on the term loan as of December 31, 2025.

12. RELATED PARTY TRANSACTIONS:

Certain board members of TMF are also board members of WII; however, they do not represent a majority of the board. As such, investments held with WII are considered to have a related party element. Total investments at WII for the years ended December 31, 2025 and 2024, are approximately \$386,000,000 and \$371,000,000, respectively.

Certain board members of TMF are also board members or in senior management positions at organizations who have a loan from TMF and/or also invest in the certificates program. Loans to such organizations total approximately \$7,366,000 and \$19,376,000 as of December 31, 2025 and 2024, respectively. Certificates held by such organizations totaled approximately \$3,994,000 and \$8,037,000, as of December 31, 2025 and 2024, respectively.

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, 2025 and 2024, TMF earned \$1,750,000 and \$1,400,000, respectively, of administrative income from WI primarily for services rendered by TMF under agreement with WI. As of December 31, 2025 and 2024, TMF has investments in WI certificates totaling approximately \$16,800,000 and \$15,520,000, respectively.

TEXAS METHODIST FOUNDATION

Notes to Financial Statements

December 31, 2025 and 2024

13. CONCENTRATIONS OF CREDIT RISK:

Financial instruments that potentially subject TMF to concentrations of credit risk consist principally of cash and cash equivalents, marketable securities and loans receivable. From time to time TMF may have deposits in excess of federal deposit insurance limits. See Note 2 for amounts in excess of these insurance limits. At December 31, 2025 and 2024, the majority of TMF's investment portfolio was held by WII. TMF has not experienced any losses on these accounts.

TMF provides loans solely to churches which draw their origin from the Wesleyan Reform movement as expressed through several denominations. A church borrower's ability to repay their mortgage obligation is dependent on their parishioners' financial support of the local church. Factors such as unemployment, aging congregations, and declining church attendance can result in a reduction in a borrower's contribution income, which could impair their ability to repay their loan obligation.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 4, 2026, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.