

MISSOURI UNITED METHODIST FOUNDATION, INC.
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DISCLOSURE STATEMENT

January 1, 2010

Introduction

This Disclosure Statement (“Statement”) provides information about the Missouri United Methodist Foundation, Incorporated, (“Foundation”) and the material terms concerning the Investment Funds in which assets are deposited for investment purposes. Please read the following carefully and retain it for your future reference. For more information about the Foundation and the Investment Funds, please contact the Foundation office at the address or telephone number listed above.

The Foundation

The Foundation is a charitable not-for-profit corporation organized and existing under the laws of the State of Missouri. It is identified through its common religious faith with the United Methodist Church. The Foundation was established in 1967 and authorized by the Missouri East and Missouri West Conferences of the United Methodist Church. The Missouri East and Missouri West Conferences officially merged into a single entity known as The Missouri Conference (“Conference”) effective January 1, 2003. The work of the Foundation is directed by a twenty-three member Board of Directors elected by the Conference.

The Foundation was chartered for the general purpose of soliciting and receiving gifts, donations and bequests of money and property to be used for the furtherance of the religious, charitable and educational efforts and activities of the United Methodist Church in Missouri. The Foundation is a qualified public charity and has established its exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Foundation also acts as custodian and investment manager for various funds that have been donated to or accumulated by local churches and other tax-exempt organizations associated with the United Methodist Church in Missouri.

The Foundation manages certain Investment Funds (“Funds”): the Aggressive Investment Fund (the “Aggressive Fund”), the Balanced Investment Fund (the “Balanced Fund”), and the Conservative Investment Fund (the “Conservative Fund”). The Funds are not separately incorporated or established organizations, but represent segregated accounts established by the Foundation for the investment of funds held by the Foundation.

Pursuant to the Philanthropy Protection Act of 1995, enacted on December 8, 1995, the Foundation is not required to register under the Investment Company Act of 1940, as amended, and, as a charitable organization that maintains charitable income funds, is exempt from registration under Federal and state securities laws. Accordingly, neither the Funds nor the interests therein are registered under the Securities Act of 1933, as amended, or any state securities laws, and neither the Securities and Exchange Commission nor any state securities commission has reviewed or approved the Funds or interests therein.

Participants

The Foundation may act as investment agent and custodian for *only*:

- i) United Methodist churches
- ii) tax-exempt institutions, organizations and agencies related to the United Methodist Church; and
- iii) tax-exempt sub-units of the United Methodist Church or related institutions, organizations and agencies

The entities listed above, hereinafter referred to as “Participants,” must be charitable not-for-profit organizations exempt from federal income tax under Section 501(c)(3) or other applicable sections of the Internal Revenue Code of 1986, as amended. Participants may place assets with the Foundation for investment in any of the Funds. The Foundation’s custodial duties include physical safekeeping, investment and distribution of Fund assets in accordance with the directions of the Participants. All investments by Participants must represent assets of the Participants only.

Although the Foundation may receive assets from individuals or other parties who are creating or contributing to permanent charitable endowments, donor advised funds, charitable remainder trusts, or charitable gift annuities, such individuals or other parties are not Participants as defined in this Statement. For information regarding these services please contact the Foundation.

The Funds

The Foundation established the Balanced Fund in 1990, the Aggressive Fund in 1994, and the Conservative Fund in 1997. The Funds were established for the purpose of investing the assets held by the Foundation as custodian, agent, trustee, fiduciary or owner. Each of these three diversified investment pools is tailored to meet a particular long-term investment goal, and each pool maintains a strategic allocation among a variety of asset types and markets.

The Foundation’s investment philosophy reflects three fiscal objectives:

- Preserve capital
- Earn competitive total returns within risk tolerances established by the Foundation
- Preserve purchasing power by striving for long-term returns which either match or exceed recommended annual distribution requirements, fees and inflation

All Foundation investments have a long-term investment time horizon. Therefore, all Participants are strongly encouraged to consider an initial investment commitment of at least five years.

Investment Objectives and Asset Allocation

Aggressive Fund. The Aggressive Fund’s investment objective is to seek long-term capital appreciation. Under normal market conditions, this fund will be invested substantially in equity securities (including those of foreign issuers and small capitalization companies) and, to a lesser extent, in fixed income securities, cash and other alternative investments.

This fund has the following target allocation of investments:

68% equity securities; 21% fixed income investments (bonds, Treasury Inflation Protected Securities, cash and cash equivalents); 11% alternative investments (hedge funds, private equity, and real assets including real estate and natural resources).

Balanced Fund. As the name suggests, this fund seeks to balance the objectives of long-term capital appreciation and present income. Therefore, the Balanced Fund is invested, under normal market conditions, in a diversified portfolio of fixed income securities, equity securities (including those of foreign issuers and small capitalization companies), cash and cash-equivalents, and other alternative investments.

This fund has the following target allocation of investments:

48% equity securities; 45% fixed income investments (bonds, Treasury Inflation Protected Securities, cash and cash equivalents); 7% alternative investments (hedge funds and real assets including real estate and natural resources).

Conservative Fund. This fund's primary investment objective is to maximize present income. Under normal market conditions, this fund's holdings will consist primarily of fixed income securities. A modest allocation of equity securities is included in the portfolio to allow for some capital appreciation. Rounding out the portfolio is a small allocation to cash and cash-equivalents, and may include other alternative investments (real estate, natural resources).

This fund has the following target allocation of investments:

70% fixed income investments (bonds, Treasury Inflation Protected Securities, treasury bills, and cash or cash equivalents); 25% equity securities; 5% alternative investments.

The following chart summarizes the asset types and current policy asset allocations of the Funds:

ASSET	AGGRESSIVE (%)	BALANCED (%)	CONSERVATIVE (%)
US Large-cap Stocks			
US Large-cap Quality Stocks			
US Large-cap Growth Stocks			
US Mid-cap Stocks			
US Small-cap Stocks			
Int'l Large-cap Stocks			
Int'l Small-cap Stocks			
Emerging Market Stocks			
Total US & Int'l Stocks	68	48	25
US Fixed Income			
Global Fixed Income			
US Inflation Protected			
Cash			
Total Fixed Income	21	45	70
Real Estate			
Natural Resources			
Private Equity			
Hedge Funds			
Total Alternatives	11	7	5
Grand Total	100	100	100

Fixed income securities. Fixed income securities in which the Funds may invest include debt securities of all types, including but not limited to obligations of the U.S. Government, Federal Agency obligations, corporate bonds and notes, sovereign debt of non-U.S. countries, and mutual funds whose underlying assets

are primarily fixed income securities. All convertible securities are classified as equity securities. There are no limitations as to the quality rating of debt securities in which the Funds may invest.

Equity securities. Equity securities in which the Funds may invest include common stocks, securities convertible into equity securities, and mutual funds investing primarily in equity securities. As to individual common stocks, the Funds are limited to investing in companies whose shares are traded on the New York Stock Exchange, Inc., the American Stock Exchange, Inc., or the National Association of Securities Dealers, Inc., National Market System. All three Funds may also invest in securities of foreign issuers.

Alternative investments. Alternative investments in which the Funds may invest include real assets (such as real estate, commodities, and natural resources), a variety of investment vehicles categorized as hedge funds, and private equity. Typically, the Foundation will seek participation in real assets through mutual funds and exchange-traded index funds. The hedge fund and private equity allocations may include participation with a single manager or a fund-of-funds (FOFs) in order to achieve maximum diversification among managers and investment strategies.

Social Principles. Currently, the Foundation invests in a diversified portfolio of mutual funds with the goal of achieving the desired returns with a minimal cost of investment and acceptable levels of risk. This investment strategy is considered to be relatively “passive” in that we do not actively pick individual stocks and many of the mutual funds held by the Foundation are “indexed” (i.e., the mutual fund holds a percentage of the stocks in a particular market index and is not actively managed). This passive strategy entails far less cost, yet comparable projected returns, compared to many more active strategies. The Foundation recognizes that many of the large diversified mutual funds that fit our investment criteria have some holdings from time to time in stocks or equities of companies whose business is not necessarily congruent with the Social Principles of the United Methodist Church. Thus, the Foundation has taken a practical stance in response to the complexities of the modern marketplace. Given the number and diversification of the mutual funds we hold, there should be, typically, no more than a nominal holding (i.e., less than one percent) in stocks or equities of such companies in a given mutual fund. The most recent Foundation portfolio review indicated less than one percent exposure to such companies in the entire pool of funds. The Foundation, however, remains sensitive to this issue. More mutual funds continue to be created with an emphasis on socially responsible investing, and the Foundation will continue to evaluate its options in this regard.

Rates of Return

The rate of return for each of the Funds is calculated on a time-weighted basis which includes current income (interest and dividends) and capital appreciation and depreciation (realized and unrealized) adjusted for cash flow.

THE FUNDS ARE DESIGNED PRIMARILY FOR LONG TERM INVESTMENT AND NOT AS SHORT TERM INVESTMENT OR TRADING VEHICLES. THERE IS NO ASSURANCE THAT ANY OF THE FUNDS WILL ACHIEVE ITS INVESTMENT OBJECTIVE.

The historic annualized returns for each of the Funds as of December 31, 2009 were as follows:

	1 year	3 year	5 year	10 year	Since Inception
Aggressive Fund	24.4%	(2.2%)	3.4%	5.5%	8.9% (June 1994)
Balanced Fund	21.2%	0.8%	4.0%	5.9%	8.2% (Dec. 1990)
Conservative Fund	16.9%	3.6%	4.1%	5.5%	5.9% (April 1997)

Past returns do not indicate or predict future performance. These returns are calculated **net** of all investment costs and fees. (Refer to the section titled “Fees and Expenses.”)

A Portfolio Appraisal Report (“Report”) is prepared monthly for each of the Funds. Included in the Report is an analysis of the current asset allocation, rate of return and growth for the specific Fund. A copy of the most recent analysis for each Fund as contained in the Report may be obtained at no charge from the Foundation office.

Risk

The risk inherent in investing in the Funds is the risk common to any security: the net asset value of the Funds will fluctuate in response to changes in economic conditions, interest rates and the perceptions of the national securities markets of the underlying securities held by the Funds. There can be no assurance that a Fund will achieve its investment objective since there is uncertainty in every investment. **The Funds will invest in securities that will increase and decrease in value. Only Participants able to tolerate short-term, possibly substantial fluctuations in the value of their investment brought about by declining stock or bond prices should contemplate investment in the Funds.**

Although the Funds seek to reduce risk by investing in diversified portfolios of various types of investments, such diversification does not eliminate all risks. There is no assurance that such diversification will reduce the variability of the return or preserve the assets from loss.

THE FUNDS ARE NOT GUARANTEED BY THE FOUNDATION, THE UNITED METHODIST CHURCH, NOR ANY ORGANIZATION ASSOCIATED WITH IT, NOR BY ANY GOVERNMENTAL AGENCY OR ORGANIZATION.

Insurance

The Foundation maintains insurance against fraudulent acts committed by Foundation employees in the amount of \$1,000,000 per occurrence per employee. Also, the Foundation maintains coverage in the amount of \$1,000,000 which insures against any error, omission, neglect, or breach of duty committed by Foundation employees while performing investment services.

Hammond Associates, Institutional Fund Consultants, provides investment consulting services to the Foundation (refer to the section titled “Investment Consultant”). The Investment Consultant maintains coverage in the amount of \$1,000,000 which insures against any error, omission, neglect, or breach of duty they commit while performing investment advisory services.

The brokerage firm Charles Schwab & Co., Inc. provides custodial services for the Foundation’s investment brokerage accounts (refer to the section titled “Custodian”). The Securities Investor Protection Corporation (SIPC) provides up to \$500,000 of protection for the Foundation’s brokerage accounts, with a limit of

\$100,000 for claims in cash balances. This protection replaces missing stocks and other securities in the event of theft by the broker or the failure of the brokerage firm. The SIPC does not insure against fluctuation in the market value of securities.

Management of the Funds

Foundation

The Board of Directors of the Foundation (“Board”) is responsible for the management and supervision of the Funds. The Board consists of twenty-one voting members from throughout Missouri plus two non-voting *ex-officio* members who are the presiding Bishop and Treasurer of the Conference. New directors are nominated and appointed by the Board, then formally elected by the Conference at its annual meeting.

The Board appoints an Investment Management Committee (“Committee”) to administer the Funds. The Committee consists of board members and ad hoc members as deemed appropriate by the Committee Chair. The duties of the Committee include investing assets held by the Foundation, either as owner or fiduciary, hiring or dismissing an investment consultant, monitoring the performance of invested assets, securing the services of a custodian of assets, setting investment policies and reporting its activities to the Board and the Executive Committee.

The Board employs a professional staff to implement and oversee the daily operations of the Foundation. Currently, the staff consists of an Executive Director, a Director of Operations, a Grants & Publications Administrator, a part-time administrative assistant, and two part-time Associate Directors of Planned Giving. The staff works closely with the Board and the Committee. In addition, the staff maintains records and accounting for each account managed by the Foundation. Please contact the Foundation office for a current listing of the membership of the Board, the Committee and the staff.

Investment Consultant

Investment consulting services are provided to the Board and the Committee by Hammond Associates, Institutional Fund Consultants, located at 101 South Hanley Road, Third Floor, St. Louis, Missouri 63105-3406 (“Hammond”). Hammond is registered as an investment advisor with the Securities and Exchange Commission and has provided services to the Foundation since 1990.

Under an agreement between the Foundation and Hammond, subject to such policies as the Foundation and the Committee may determine, Hammond provides five basic investment consulting services. These are: (1) Design of Investment Objectives; (2) Asset Allocation Study & Report; (3) Manager Search and Selection; (4) Performance Measurement and Evaluation; and (5) Cost Monitoring. More specifically, Hammond:

1. Assists the Foundation in defining Fund investment objectives and articulating these objectives in a written statement.
2. Conducts a formal written study to identify appropriate asset classes to be used in each portfolio, together with the amount of money to be allocated to each class and subclass, based on the Foundation’s objectives.
3. Searches for and assists in selecting portfolio managers from its manager databases, utilizing over 30 criteria in its search process.
4. Measures and evaluates portfolio performance on a monthly and quarterly basis. The quarterly evaluation is contained in an extensive written report. The report is presented and discussed in a quarterly meeting with the Foundation Investment Management Committee. Less comprehensive written reports are provided monthly.
5. Monitors, on a regular basis, the investment management fees, trading activity and commission rates paid by the Foundation.

6. Monitors policy allocations and assists in rebalancing the portfolios pursuant to policies adopted by the Committee.
7. Provides quarterly research reports and other custom research as requested by the Committee.

In addition, Hammond provides an operational interface with the Custodian (see “Custodian” below). The agreement with Hammond may be terminated at any time by either party.

Hammond is a fee-only investment consulting firm. As a fee-based firm, Hammond does not accept commissions or other remuneration (either soft-dollar or otherwise) from any third-party sources.

Custodian

Charles Schwab & Co., Inc., with the principal business address of 101 Montgomery Street, San Francisco, California 94104, currently serves as custodian (“Custodian”) of the assets of the Funds, pursuant to a custodial agreement with the Foundation. The custodial agreement may be terminated by either party at any time and the Foundation may appoint a new custodian.

The assets of the Funds are deposited with the Custodian and, in accordance with the instructions of the Committee, the Custodian acquires and disposes of investments and collects the income therefrom. The Custodian does not make investment decisions concerning the Funds.

Fees and Expenses

Fees and expenses associated with investment in the Funds are as follows:

Administrative Fee

The Foundation assesses an annual administrative fee of 0.65 percent (65 basis points) on the balance of all accounts. The administrative fee is deducted quarterly (1/4 of the annual amount) from each account. The Foundation is a self-supporting service agency of the Church, and the administrative fee partially underwrites all Foundation services (e.g., ministry grants, free workshops, free brochures, free donor consultations, all administrative overhead).

The administrative fee may be changed from time to time and additional fees may be imposed. Written prior notice of any change in the administrative fee, or of any additional fee imposed will be provided to Participants at least ninety (90) days prior to such change or addition.

Investment Costs

The investment costs include all costs associated with the holdings of the Funds (i.e., mutual fund expense ratios) and investment advisory services. Investment costs are charged directly to the Funds and do not appear on individual account statements. The total annual investment costs for each of the Funds are projected to be as follows:

Fund	Investment Costs
Aggressive Fund	0.70%
Balanced Fund	0.58%
Conservative Fund	0.52%

Although the Foundation strives to minimize costs, unforeseen costs may arise and portfolio holdings may change resulting in alteration of these projections. All accounts share pro rata in the investment costs (i.e., mutual fund expenses and investment advisory fees).

Custodial Costs

The Custodian charges no ongoing or regularly recurring fee. The only expenses that are related to the Custodian are occasional transaction costs incurred whenever Fund assets are bought or sold. This activity generally occurs only when the portfolios require rebalancing. The resulting annualized costs are nominal (typically, less than 0.05%). All accounts share pro rata in the Custodial costs.

Participant Transaction Expenses

Participants pay no transaction fees, charges or expenses to either make deposits in, or withdraw assets from, the Funds.

Fee and Expense Summary

To summarize, the total annual fees and costs projected for the accounts within each Fund are as follows:

<u>Fund</u>	<u>Admin. Fee</u>		<u>Investment Costs</u>		<u>Total Expenses</u>
Aggressive	.65	+	.70	=	1.35%
Balanced	.65	+	.58	=	1.23%
Conservative	.65	+	.52	=	1.17%

Investments and Withdrawals

Investments

Participants may elect to invest in one or more of the Funds. Typically, a single account is placed in a single Fund for investment. If a Participant elects to divide an account among the Funds, the allocation to each must be in multiples of at least \$10,000. For example, an account of less than \$10,000 may be invested in only one of the Funds, an account of \$20,000 may be invested in up to two of the Funds, and an account of \$30,000 or more may be invested in all three Funds, assuming an investment of at least \$10,000 in each Fund.

At the present time, there is no minimum investment required to open an account. Participants who wish to invest less than \$1,000, however, are encouraged to make no withdrawals until the account reaches a market value of at least \$1,000 and then to maintain a balance in the account of at least \$1,000.

All investments by Participants must represent assets of the Participants and not assets of any non-Participant entity or individual. In general, investments may be made only in the form of cash. Investments made and accepted by the Foundation in any other form (e.g., stock, real estate) will, typically, be liquidated and reinvested in the Funds.

As of each Valuation Date, the Foundation determines the market value of each Fund. Currently, a Valuation Date is the last business day (Monday through Friday except holidays when the New York Stock Exchange (“NYSE”) is closed) of each month. The Foundation may designate other business days as additional Valuation Dates as may be reasonably required for any purpose.

To open an account, a Participant must complete a signed agreement with the Foundation at the time of deposit. Investments are made into the Funds on the Valuation Date. Participants may make a deposit to their account at any time; however, deposits received by the Foundation from Participants for new or existing accounts other than on a Valuation Date will be temporarily invested in Money Market assets. Participants will be credited with the return at the rate earned by the Money Market assets for the period from the date of receipt of the deposit until the next Valuation Date when the deposit is invested into the designated Fund. Unless otherwise withdrawn by a Participant, any funds held for a Participant in the Foundation’s Money Market assets on the Valuation Date will be invested in the designated Fund at that time.

Special Instructions

The Investment Application and Agreement (“Agreement”) must be completed at the time a new account is created. In addition to the information that is specifically requested on the Agreement, there is a space provided for Special Instructions. A Participant can use the special instructions line to include instructions for special handling of the account. For example, a common special instruction is to suspend distributions if the account value reaches a specified minimum value.

Spending rate policy

A spending policy percentage or “spending rate” is a recommended alternative to a net income distribution on charitable endowment funds. The distribution is determined by multiplying the average of the account’s balance as measured at the end of the previous three years by the policy percentage. A spending rate is recommended only for accounts that have accumulated significant appreciation (e.g. 120% or more of original value). The spending rate recommended by the Foundation for 2010 for permanent endowments is five percent (5.0%). The spending rate should be reviewed annually to determine whether spending goals are being achieved and fund value is being appropriately maintained. Such a policy is beneficial because it:

- Provides a predictable income stream which is computed at the beginning of each year;
- Maintains reasonable inflation-adjusted spending into the future; and
- Allows investment for total return, including appropriate use of equities. This investment stance helps the fund keep pace with inflation while maintaining a reasonable annual distribution.

Withdrawals, Reallocation and Cancellation

Participants may withdraw funds as provided for in the Agreement between the Foundation and the Participant. Unless withdrawn by a Participant, the earnings and realized gains, if any, will be reinvested in the account. It is the policy of the Foundation to process withdrawals following the next Valuation Date pursuant to written notice received from Participants at least 15 calendar days prior to the Valuation Date. Within the sole discretion of the Foundation, withdrawals may be made on shorter notice. Accounts may be moved or reallocated among the Funds in keeping with the policies of the Foundation and the direction of the Participants.

Accounts may be canceled at any time by the Participant or the Foundation as provided for in the Agreement and following the receipt of appropriate written notice. Within sixty days of the effective date of any such cancellation, the Foundation shall pay over to the Participant all sums then remaining in the account, including capital appreciation, if any, and any earnings remaining unpaid.

Reporting

A quarterly statement is sent to the designated representative of each Participant which reflects all activity in the Participant’s account, including contributions, withdrawals, market value, appreciation and administrative fees. The information contained in the quarterly statement of each account is net of the investment costs (refer to the section titled “Fees and Expenses”). If the designated representative of the Participant is someone other than the Pastor or Chief Executive Officer of the Participant, a copy of the quarterly statement will be provided to the Pastor or Chief Executive Officer upon request.

Notice

Any written notice that is required by the policies of the Foundation to be sent to the Foundation shall be addressed as shown at the beginning of this Disclosure Statement to the attention of the Director of

Operations. Any notice required to be sent to the Participant shall be addressed as indicated on the Agreement or subsequent authorized amendments.

All written notices required of the Participant shall be signed by two officers of the Participant and comply with any other requirements of the Agreement. The date of postmark shall indicate the date of receipt.

Assets Under Management

An independent audit of Foundation assets is performed annually. Audits for current and prior years are available for review.

Total assets under management (*unaudited figures*) as of December 31, 2009 are as follows:

Foundation Unrestricted Assets	\$ 10,197,864
Foundation Temporarily Restricted	\$ 787,095
Foundation Permanently Restricted	\$ 5,709,139
Agency Accounts	\$ 36,873,429
Charitable Gift Annuities	\$ 2,401,805
Charitable Remainder Trusts	\$ 2,218,893
Total	\$ 58,188,225

Acceptance Policy

All assets that are presented to the Foundation for investment, or as a gift or contribution, are subject to acceptance or rejection by the Foundation within its sole discretion. The Foundation reserves the right to refuse any type of investment, gift or contribution and to establish the terms of any acceptance. The Foundation may appoint an independent trustee to take legal title to certain types of property for the benefit of the Foundation. If an asset other than cash is accepted, within the sole discretion of the Foundation, such asset may be converted into cash prior to deposit into any of the Funds. It is the general practice of the Foundation to liquidate accepted non-cash investments, gifts and contributions as soon as possible.

General Disclaimer

The information supplied to individuals and organizations by the Foundation is intended for general informational, educational and illustrative purposes only. The Foundation does not provide legal, estate planning, accounting or tax advice. All individuals and organizations should consult with their own appropriate professional advisors regarding relevant legal, estate planning, accounting and tax matters.

The information in this Statement is current as of the date shown on page one. The Statement is updated at least annually. The information and policies described herein are subject to change from time to time at the discretion of the Foundation.