

## BENEFITS OF USING THE FOUNDATION

Investing through the Foundation offers many benefits to the churches, conferences, agencies, institutions mission projects and special ministries, which participate in the Foundation's investment funds.

- ◆ The pooling of funds for investment allows different investment vehicles that might not otherwise be available to individual investors, providing a higher level of service to the account holders, and more advantageous fee arrangements with money managers.
- ◆ Multiple professional money managers provide a variety of management styles and philosophies.
- ◆ The investment services provided by the Foundation allow church leaders and staff members to spend more time focusing on their programs and ministries, rather than the day-to-day financial transactions.
- ◆ The opportunity for investing in funds which seek to make a positive contribution towards the goals outlined in the Social Principles of The United Methodist Church.
- ◆ The Foundation provides additional oversight of investments for its account holders through its Investment Committee and Investment Advisor.
- ◆ Monthly, quarterly, semi-annual or year-end reports are issued to all account holders to provide adequate tracking of account transactions and investment history. Account holders select the frequency of their reports.
- ◆ Distributions are made by the Foundation to or for each account holder on a scheduled basis or as requested, reducing the burden on account holders to get funds disbursed in a timely manner.
- ◆ An annual financial audit process, which involves the Foundation's board and staff, and is conducted by a certified public accounting firm.
- ◆ A full-time professional staff, who handle all deposits and withdrawals, issue statements on managed funds accounts, provide quarterly financial reports to the

## OPENING AN ACCOUNT

Foundation's Investment Committee, and respond to the inquiries and customer service needs of all account holders.

United Methodist Churches and United Methodist Conferences in Kansas, and any institutions, agencies, mission projects and special ministries related to the Kansas East or Kansas West Annual Conferences of The United Methodist Church are eligible to establish managed funds accounts with the Foundation. There is no minimum investment amount required for any of the investment

funds offered by the Foundation. To open an account, contact the Foundation's office, and an Agreement to Manage Funds and Schedule A will be mailed to you. The Agreement must be signed by the proper officer of the depositor, and the Schedule A completed, designating how the funds are to be invested, and how distributions are to be made to the depositor. These documents along with a check or money order in U.S. dollars, payable to the Kansas Area United Methodist Foundation, Inc. to open the account, should then be sent to the Foundation's office.

## DEPOSIT/WITHDRAWAL POLICY

### Income Funds

Deposits to the Money Market Fund are made upon receipt of the funds by the Foundation. Deposits to the Short-Term Income Fund and the Current Income Fund shall be credited to the designated fund on the first day of the month following receipt by the Foundation. Funds received during the month will be temporarily placed in the Foundation's money market account, and the interest earned will be credited to the Depositor's account.

Withdrawals from the Money Market Fund may be made at any time upon written request by an authorized officer(s). Disbursements from these funds may be made by check or electronic transfer, at the election of the Depositor. Any expense charged to the Foundation for wire transfers will be charged against the depositor's account.

Withdrawals from the Short-Term Income Fund and the Fixed Income Fund may be made at the end of each month, with a request for withdrawal made at least 10 days prior to the end of the month.

### Growth Funds

Deposits to the Equity Fund shall be credited to the fund on or about the first day of the month following receipt by the Foundation. Funds received during the month will be temporarily placed in the Foundation's money market account, and the interest earned will be credited to the Depositor's account.

Withdrawals from the Equity Fund will normally be made on or about the first of the month following receipt by the Foundation.

## INVESTING THROUGH THE

### KANSAS AREA UNITED METHODIST FOUNDATION, INC.

The Foundation was established September 1, 1964 by the annual conferences in the State of Kansas to help maintain and further the programs and missions of The United Methodist Church in the State of Kansas.

The Foundation seeks to fulfill this mission in part by providing investment services to United Methodist Churches, the annual conferences, and agencies, institutions, mission projects and special ministries related to the annual conferences in the State of Kansas. Whether the funds are for short-term or long-term investment, the Foundation will provide investment services to meet the needs of each account holder and distribute funds directed by the account holder.

By working together to achieve responsible and effective investments of funds, the Church can fulfill its mission as stated by John Wesley:

"Do all the good you can,  
In all the ways you can,  
For all the souls you can,  
In every place you can,  
At all the times you can,  
With all the zeal you can,  
As long as ever you can."



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## INVESTMENT OPTIONS

The Kansas Area United Methodist Foundation, Inc. provides four investment funds for accounts established with the Foundation. Rather than offer a large number of funds, the Foundation offers a practical, well-defined selection of investment options that are appropriate for investments by churches and related conferences, agencies and institutions. In the Net Returns insert in this brochure, you will see the net returns and current income rates earned by these investment funds offered through the Foundation.

### Income Funds

Money Market Fund  
Short-Term Income Fund  
Fixed Income Fund

### Growth Funds

Equity Fund

Each fund has a specific asset allocation investment strategy as noted in this brochure. Accounts with the Foundation may be invested in any one or more of these funds, to provide a mix of investment strategies to meet the needs of each account.

The Foundation also provides additional investment options for any account holders through the following investment opportunities:

**Advised Investment Accounts**, for investment accounts containing other investment funds and securities, or other types of assets.

**Certificates of Participation**, paying an interest rate in excess of prevailing area bank rates, and available for one or two year maturities.

This brochure explains in more detail all of the available investment options available to account holders with the Foundation.

## INCOME FUNDS

### MONEY MARKET FUND

This fund seeks to provide a high level of current income from short-term securities. The key investment objectives are preservation of capital and liquidity. Deposits and withdrawals may be made at any time, with interest paid on the average daily balance for the month. Funds may be transferred by check or electronic transfer. The Goldman Sachs Financial Square Government Fund is currently used for the money market fund.

### SHORT-TERM INCOME FUND

Assets consist of short-term government securities and jumbo certificates of deposit, with maturities of 36 months or less and managed through The Commerce Trust Co. There is no market volatility in this fund. The objective of this fund is to provide current income with no risk to the principal.

### FIXED INCOME FUND

The objective of this fund is to provide a high level of current income and continuity of income. The assets purchased for this fund are subject to market fluctuations in value. The assets are allocated 95% to investment grade intermediate fixed-income securities and 5% to short-term bonds and cash. This fund is managed by The Commerce Trust Co. and Discretionary Management Services, LLC.

	<i>Money Market Fund</i>	<i>Short-Term Income Fund</i>	<i>Fixed Income Fund</i>
<b>Liquidity</b>	Daily	Monthly	Monthly
<b>Principal Fluctuation</b>	No	No	Yes
<b>Interest Accrues</b>	Daily	Last Day of Month	Last Day of Month

## SOCIALLY RESPONSIBLE INVESTMENTS

The Book of Discipline of The United Methodist Church (2008) asks all units of the Church to make a conscious effort to invest in institutions, companies, corporations or funds that make a positive contribution toward the realization of the goals outlined in the Social Principles of The United Methodist Church. In response to this charge, the Foundation screens the investments in its investment funds to make sure that investments are not made in companies that have a significant interest in distilled spirits, wine or other fermented juices, tobacco, gambling, pornography, firearms (unless provided for legitimate military or law enforcement organizations), or nuclear weapons, or that support racial discrimination, violation of human rights, or forced labor.

## GROWTH FUNDS

### THE EQUITY FUND

The objective of this fund is to provide long-term growth of capital. The majority of the portfolio is a 95% allocation target to equity securities, including a 65% allocation target to domestic equities, and a 30% allocation target to international equities. The remaining 5% allocation target of the portfolio includes cash and short-term bonds. The investment allocations are subject to a variance of plus or minus 5%.

### ASSET ALLOCATION OPTIONS

Clients of the Foundation may select their desired investment portfolio by allocations in the Equity Fund, the Fixed Income Fund, and the Short-Term Income Fund. Clients may wish to increase their exposure to the equity markets by increasing their participation in the Equity Fund, or seek to reduce the volatility of their investment portfolio by reducing their exposure to equity investments. The most common investment allocation for endowment funds is 60% Equity Fund and 40% Fixed Income Fund.

Discretionary Management Services LLC (DMS) is employed to manage the investments of the Foundation's investment funds. DMS has selected the

## INVESTMENT ADVISOR

following money managers for selected market allocations:

Large Cap Value: Westwood Management

Large Cap Growth: Columbus Circle Investors

Small Cap Core: Fiduciary Management

Domestic Fixed Income: The Commerce Trust Company

Investments for international equities are made through the GE International Equity Fund (GEIDX), an actively managed mutual fund.

## ADDITIONAL INVESTMENT OPTIONS

### ADVISED INVESTMENT ACCOUNTS

A depositor with or donor to the Foundation may wish to advise and choose the assets in which their account is invested, or desire a different investment strategy than is provided through the established funds. Upon receipt of specific assets and/or cash, the Foundation will manage the assets received and will invest all cash funds pursuant to an investment plan, as negotiated with the Foundation prior to the gift or deposit. This type of account may be useful when the depositor or donor wishes selected securities or other assets to remain in the account's investment portfolio, or a depositor wishes to retain some investments in a local financial institution. This type of account will also accommodate depositors and donors who desire a different investment strategy than is provided in the Foundation's established funds, such as tax-free securities or international equities.

### CERTIFICATES OF PARTICIPATION

The Foundation has established a Church Development Loan Fund, which provides loans to United Methodist Churches and agencies in the state of Kansas for capital improvements and operating expenses. The Church Development Loan Fund is financed primarily through investments in Certificates of Participation purchased by United Methodist Churches and members and participants of those churches in the state of Kansas.

The Certificates of Participation pay an interest rate which is generally .5% or more than the prevailing rate for Certificates of Deposit in this area. Certificates of Participation have maturities of one or two years. A minimum of \$1,000 is required to purchase a Certificate. This statement does not constitute an offer of sale. If you are interested in investing in a Certificate of Participation, please contact the Foundation's office for an Offering Circular. The current interest rates are stated in the Net Returns insert in this brochure, and available on the Foundation's website.



## MANAGEMENT FEES

### FOUNDATION FEES

The Foundation receives an administrative fee for its services as Trustee of endowment and charitable trust accounts, and as agent for the depositor in managed funds accounts. The administrative fee covers all services provided by and expenses incurred by the Foundation relating to each account, according to the Foundation's policies and procedures. There are no separate transaction fees for any accounts, unless otherwise specified. The management fees charged are as follows:

**Investments in Short Term Income Fund:** .3% (.003) per annum of the fair market value of the account, payable monthly, based on 1/12 of .3% of the account's fair market value at the end of each month.

**Investments in the Equity Fund and the Fixed Income Fund:** .75% (.075) per annum of the fair market value of the account up to \$1 million, payable monthly, based on 1/12 of .75% of the account's fair market value at the end of each month. The management fee for an account with more than \$1 million is .4% (.004) per annum on the fair market value of the account between \$1 million and \$2 million, and .35% (.0035) per annum of the fair market value of the account for \$2 million and above, also payable monthly, based on 1/12 of the applicable fees of the account's fair market value at the end of each month.

**Investments in Advised Investment Accounts:** a negotiated fee depending on the assets in the account, and payable monthly.

**Investments in Certificates of Participation:** no management fees.

### FEES OF MANAGERS AND BROKERS HIRED BY THE FOUNDATION

The Foundation hires investment brokers and managers for the various investment funds offered by the Foundation and for the Advised Investment Accounts. The fees and expenses of such investment brokers and managers are in addition to the administrative fees paid to the Foundation as described above. The net returns shown for the various funds in the Net Returns insert in this brochure reflect the deduction for the fees and expenses of such investment brokers and managers, but do not reflect the management fees of the Foundation charged to your account.