

IOWA UNITED METHODIST FOUNDATION, INC.
2301 Rittenhouse St. – Des Moines, IA 50321
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DISCLOSURE STATEMENT
June 2010

Introduction

This Disclosure Statement (~~%Statement+~~) provides information about the Iowa United Methodist Foundation (~~%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 and telephone number listed above.

The Foundation

The Foundation is a charitable not-for-profit corporation organized and existing under the Chapter 504 of the Code the State of Iowa pursuant to Section 504.39 of the Iowa Nonprofit Corporation Act. It is identified through its common religious faith with the United Methodist Church. The Foundation was established in 1952. The work of the Foundation is directed by a twenty member Board of Directors elected by the Iowa Annual Conference of the United Methodist Church.

The Foundation was formed for religious, educational, charitable and benevolent purposes. The general object for which this corporation is formed is to provide a legally constituted body to solicit, receive, administer and manage trust funds, devises and gifts of property of every kind and nature made to or for the use and benefit of any church, university, college, hospital, home, orphanage, missionary society or any other religious, educational, charitable or benevolent organizations, with primary emphasis being on organizations related to The United Methodist Church. 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 Iowa.

The Foundation manages certain long-term Pooled Investment Funds (~~%Funds+~~): the Equity Investment Fund (the ~~%Equity Fund+~~), the Balanced Investment Fund (the ~~%Balanced Fund+~~), and the Bond Investment Fund (the ~~%Bond Fund+~~).

The Foundation also manages a fixed-rate fund (the ~~%Fixed Fund+~~) and an income fund (the ~~%Short-Term Income Fund+~~) designed for shorter term investments. 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*:

- United Methodist churches;
- Tax-exempt institutions, organizations and agencies related to the United Methodist Church;
- 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 Pooled Investment Funds

The Foundation established the Balanced Fund (formerly called the ~~%~~Main Fund) in 1981, the Equity Fund (formerly called the ~~%~~Growth Fund) in 1996, and the Bond Fund in 2009. These 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 four 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
- Invest in accordance with the Social Principles of the United Methodist Church

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

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:

55% Equity: Common Stock, International Mutual Funds (up to 15% of equity investments), and Small Capitalization Companies Mutual Funds (up to 15% of equity investments)

45% Fixed Income: U.S. Government: Notes & Bonds, Mortgage & Asset Backed Securities, CDs, Corporate Bonds, and Municipal Bonds, with up to 15% of fixed income investments in Preferred Stock, Securities Convertible to Common Stock, Real Estate and other hybrid issues as approved by the Investment Committee.

Up to 10% Cash; Money Market Funds, Treasury Bills, and Money Market Equivalents

Equity Fund. The Equity Fund's investment objective is to seek long-term capital appreciation. Current income is a secondary objective. The Fund pursues its objectives by investing primarily in common stocks and securities convertible or exchangeable into common stocks, including warrants and rights. Under normal market conditions, this fund will be invested substantially in equity securities and to a lesser extent, in cash or cash-equivalents.

This fund has the following target allocation of investments:

Up to 100% Equity: Common Stock, International Mutual Funds (up to 15% of equity investments), and Small Capitalization Companies Mutual Funds (up to 15% of equity investments)
 Up to 10% Cash; Money Market Funds, Treasury Bills, and Money Market Equivalents

Bond 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. Rounding out the portfolio is a small allocation to cash and cash-equivalents.

This fund has the following target allocation of investments:

Up to 100% Fixed Income: U.S. Government: Notes & Bonds, Mortgage & Asset Backed Securities, CDs, Corporate Bonds, and Municipal Bonds, Mutual Funds, with up to 15% of fixed income investments in Preferred Stock, Securities Convertible to Common Stock, Real Estate and other hybrid issues as approved by the Investment Committee.

Up to 10% Cash; Money Market Funds, Treasury Bills, and Money Market Equivalents

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. The average maturity of the fixed income instruments will be 3 to 5 years and will be of Investment Grade, within the top four investment tiers as rated by Moody's, Standard & Poor's, or Fitch.

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. The Balanced Fund and the Equity Fund may also invest in securities of foreign issuers which are traded on major United States exchanges/markets

Rates of Return

The rate of return for each of the Funds is actual, net return.

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

	1 year	3 year	5 year	10 year	Since Inception	
Equity (former Growth Fund)	27.44%	(1.10%)	2.66%	(0.29%)	2.91%	1996
Balanced (former Main Fund)	17.94%	(0.32%)	2.60%	2.73%	6.71%	1981
Bond Fund	-	-	-	-	-	2009

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.)

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.

Risk

The risk inherent in investing in the Pooled 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 Short-Term Income Fund

Investment Objectives and Asset Allocation

This fund's primary objective is to provide an investment vehicle for shorter term funds seeking to earn a better rate than traditional savings account or money market funds. Under normal market conditions, this fund's holdings will consist primarily of fixed income securities in US Government, government backed obligations, CDs or similar types of investments with maturities of 3 years or less.

This fund has the following target allocation of investments:

100% Fixed Income: U.S. government backed bonds, treasury bills, CDs, mutual funds and cash or cash equivalents) with maturities of 3 years or less.

Rates of Return

The Short-Term Income Fund is a newly established fund in November 2009 and has no historical record.

Risk

Even though the Short-Term Income Fund is designed to have a fairly low volatility rate, the net asset value of the Funds can 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 Fund. 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 US Government and government backed securities, and CDs which limit risk. However, there is no guarantee of return from such investments.

The Fixed Fund

Notice:

The fixed fund is currently closed to new investors. Current Participants may continue to renew Certificates of Participation at published rates for terms of 1, 2 or 3 years.

Investment Objectives and Asset Allocation

This fund's primary objective is to provide a rate of return fixed at the time of the investment that is generally superior to similar certificates of deposits. Under normal market conditions, this fund's holdings will consist of cash or cash equivalents, corporate bonds, preferred stock and FDIC/US Government securities.

This fund has the following target allocation of investments:

Investment mix:

- up to 10% cash-equivalent
- up to 100% corporate bonds
- up to 20% preferred stock
- up to 100% FDIC/US Government backed

Maximum in any one issuer:

- no limit on US Government or Government backed securities
- 5% per issuer on Corporate Bonds
- 3% per issuer on Preferred Stocks
- 5% cumulative per issuer on Corporate Bonds & Preferred Stocks

Investment grade of BBB or better

Ladder maturity dates up to 5 years (up to 20% maturities in excess of 5 years)

Rates of Return

The rate of return is fixed on the date of the Participant's investment. Rates are updated on Monday of each week. Rates are listed for 1, 2 and 3 year terms at www.iumpf.org or are available by calling the Foundation office.

Risk

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 preserve the principal from loss.

The Certificates of Participation represent undivided beneficial interests in the Fixed Fund. The primary risks in this investment include, but are not limited to: 1) for investments backed by preferred stocks, corporate bonds, annuities, etc. the risk would be that the corporation could default on the obligation; and, 2) for investments backed by the U. S. Government or its agencies the risks would be that they could not meet their debt obligations, or that the insurer of the bond or FDIC could not pay.

In addition, investments have varying terms which do not necessarily match up with the terms of the Certificates of Participation. Therefore, the Fixed Fund may not have liquid assets to redeem Certificates at maturity if a large percentage of the purchasers elect not to renew their Certificates for additional one to three year terms. In this event, payment may be delayed beyond the expiration date of the Certificate.

THE POOLED INVESTMENT FUNDS, THE FIXED FUND, AND THE INCOME FUND 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.

UBS Financial Services, Inc. provides custodial services for the Foundation's investment brokerage accounts. (Refer to the section titled "Custodian"). The assets held in the investment pool are insured to the value of the account by UBS Financial Services, Inc. The insurance covers the following types of losses: 1) dishonest or fraudulent acts of any employee or servicing contractor; 2) robbery, theft, burglary, misplacement, mysterious unexplained disappearances, destruction of valuables (e.g., money, securities, etc.) loss of cash letter, ATM theft; 3) forgeries or alterations; 4) securities, counterfeit currency, fraudulent mortgages; 5) audit expense; and 6) kiting, teller shorts/overs, customer fraud, bank card fraud. Insurance does not protect against depreciation in the value of the portfolio.

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 nineteen voting members from throughout Iowa plus three nonvoting *ex-officio* members who are the presiding Bishop, Conference Treasurer and Conference Chancellor. New directors are nominated and appointed by the Board, then formally elected by the Conference at its annual meeting.

Investments are handled through an Investment Committee consisting of Foundation Board members so chosen because of their financial, and business experience and interest. The Committee recommends to the Foundation Board of Directors the policies and procedures that govern the Fund. In addition, the Committee hires and reviews investment counsel, with a formal evaluation of counsel and all policies at least every five years. All investments made by the Committee are in harmony with Foundation Board approved investment policies and the Social Principles of the United Methodist Church.

The Board employs a professional staff to implement and oversee the daily operations of the Foundation. Currently, the staff consists of an Executive Director and Accounting Manager. 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 or the staff.

Investment Consultant

Investment consulting services are provided to the Board and the Committee by UBS Financial Services, Inc., located at 5465 Mills Civic Pkwy . Ste 301, West Des Moines, IA 50266. UBS is registered as an investment adviser with the Securities and Exchange Commission and has provided services to the Foundation since 2006.

Under an agreement between the Foundation and UBS, subject to such policies as the Foundation and the Committee may determine, UBS provides 6 basic investment consulting services. These are:

- Assisting in the constant monitoring and updating of the investment policy statement when necessary;
- Assisting in the adoption of the proper asset allocation for your portfolio;
- Assisting in the search of the proper money managers for each investment sector of the asset allocation;
- Providing ongoing due diligence of the money managers that are hired by the Foundation;
- Monitoring the performance of those managers on a quarterly basis as well as monitoring current market conditions; and
- Providing quarterly reports and other custom research as requested by the Investment Committee.

UBS does not accept commissions or other remuneration (either soft-dollar or otherwise) from any third-party sources.

Portfolio Managers

Equities. Davis Advisors manages the equities portfolios. Davis Advisors is an independent, employee-owned money management firm that was founded in 1969. The firm is organized as a limited partnership with main offices in New York and Tucson. As of March 31, 2009, Davis Advisors managed over \$50 billion primarily in U.S. Large Cap Equities, U.S. All Cap Equities, Real Estate (REITs), Global Equities, Financial Services and Convertible Securities.

Fixed Income: Beacon Asset Management manages the fixed income portfolios. Beacon Asset Management was established as an independent Registered Investment Adviser in May of 1982. In December of 2006, Telemus Capital Partners purchased Beacon Asset Management and Beacon is now a wholly owned subsidiary of Telemus Capital Partners, LLC. The firm manages millions of dollars for individuals and institutions such as foundations, endowments, trust and charitable organizations.

Custodian

UBS Finance Services, Inc., 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.

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 0.6 percent (60 basis points) on the balance of all pooled investment accounts and 0.3 percent (30 basis points) on the balance of the Short-Term Income Fund account. The administrative fee is deducted monthly (1/12 of the annual amount) from each account. The Foundation is largely a self-supporting service agency of the Church, with over 87% of its operational income coming from service fees.

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 thirty (30) days prior to such change or addition.

Investment Costs

The investment costs include all costs associated with the holdings of the Funds. 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:

<u>Fund</u>	<u>Investment Cost</u>
Equity Fund	1.05%
Balanced Fund	0.9825%
Bond Fund	0.90%
Short Term Income Fund	0.60%

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.

UBS Costs

The Investment Consultant & Custodian (UBS) charges no ongoing or regularly recurring fee. The only expenses that are related to the Custodian are transaction costs incurred whenever Fund assets are bought or sold. This activity generally occurs when the portfolios require rebalancing. The Custodian receives 4 cents per share on all trades.

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:

Funds	Admin Fee		Investment Costs		Total Expenses
Equities	0.60	+	0.45	=	1.05%
Balanced	0.60	+	0.3825	=	0.9825%
Bond	0.60	+	0.30	=	0.90%
Short Term Income	0.30	+	0.30	=	0.60%

Pooled Fund & Short-Term Income Fund Investments and Withdrawals

Investments

Participants in the Pooled Fund Investments may elect to invest in one or more of the three Funds. Or, a Participant may elect to determine their own mix by initially dividing an account between the Equities Fund, Balanced Fund and the Bond Fund on a percentage basis to equal 100%. The monitoring of the ratio is the responsibility of the Participant. If a Participant does not indicate a choice, the Balanced Fund will be the default investment.

Participants in the Short-Term Income Fund have only one option; 100% in the Short-Term Income Fund.

At the present time, there is no minimum investment required to open accounts. Participants in the Pooled Fund Investments who wish to invest less than \$2,500, however, are encouraged to make no withdrawals until the account reaches a market value of at least \$2,500 and then to maintain a balance in the account of at least \$2,500.

All investments by Participants must represent assets of the Participants and not assets of any non-Participant entity or individual. In general, investments will be made 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 deposited in the Participant's account and will be non-interest bearing until the next valuation date.

Special Instructions

The Investment Application and Agreement (the "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.

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.

For the Pooled Funds, it is the policy of the Foundation to process withdrawals following the next Valuation Date pursuant to written notice received from Participants at least 10 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.

Pooled Fund 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.

For the Short-Term Income Fund, it is the policy of the Foundation to process withdrawals on the calendar quarter system (end of March, June, September, and December) pursuant to written notice received from Participants at least 10 calendar days prior to the end of the quarter. Within the sole discretion of the Foundation, withdrawals may be made on shorter notice and may be accompanied by an interest penalty.

Short-Term Income Fund 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. At the end of the subsequent calendar quarter, the Foundation shall pay over to the Participant all sums then remaining in the account, including all undistributed earnings plus any capital appreciation or minus any capital depreciation that may have been gained or lost by the principal.

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, and market value. The information contained in the quarterly statement of each account is net of the investment costs (refer to the section titled "Fees and Expenses").

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 Accounting Manager. 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 (*audited figures*) as of December 31, 2009 are as follows:

Foundation Unrestricted Assets	\$	565,387
Foundation Temporarily Restricted	\$	1,783,209
Foundation Permanently Restricted	\$	2,385,229
Agency Accounts (Custodial Funds)	\$	20,259,991
Total	\$	24,993,816

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.