

# IOWA UNITED METHODIST FOUNDATION

*2nd Quarter Report 2020*

## GROWING FORWARD IN GRACE

**Grace Ottumwa purchased a new building, which they foresee being a focal point for community outreach.**

Pages 1-3

## CARMA MOHLER GRANTS OPEN

**The Foundation has food assistance grants to give out for projects addressing hunger.**

Page 10



Photo courtesy of Grace Ottumwa

## GROWING FORWARD IN GRACE

Grace was established last July when three United Methodist congregations in Ottumwa came together to form a new church. They decided that it would be best to find a new building to make their own, as Grace Ottumwa, instead of using one of the three original churches. This new place of worship would offer a new beginning, as one church, to fulfill their ministry.

Grace had been meeting in the cafeteria of Ottumwa High School and in the chapel of one of the funeral homes in town as they continued to look for a building. A building became available that fit their needs so they decided to purchase it. Pastor Chris Childs of Grace said, "One of the things that was important from the beginning was that we wanted to be a church that would reach new people and reach kids and families. When we heard that this property was available, we saw it as an opportunity to be one of the first places people see when they come into town."

The purchased building is around 10,000 square feet on 13.7

# GROWING FORWARD IN GRACE

## CONTENTS

Growing Forward in Grace	<b>1-3</b>
Building Fund Trust Loans	<b>3</b>
Foundation Updates	<b>4</b>
Investment Report	<b>5</b>
Fund Performance Report	<b>6</b>
Balanced Fund	<b>7</b>
Bond Fund	<b>8</b>
Equity & Short-Term Income Fund	<b>9</b>
Loans & Grants Available	<b>10</b>
Summer Stewardship	<b>11</b>
Our Gift to You—Planned Giving	<b>12</b>

***"We see this as more than just building in the traditional sense. We see this as the centerpiece for our outreach to the community."***

acres of land. It is located just off Highway IA-149 in an open area so it is very visible to people entering town.

The church holds funds with the Foundation, that were set aside for instances such as these, but when the market fell in late March; they decided to explore other options. Treasurer for Grace, Eldon Hunsicker, said, "As opposed to taking out our investments and taking a gigantic hit, we came to the Foundation to see about borrowing to purchase the building. And it seems that the Foundation probably has, without question, a better understanding of what churches need and are looking for and are able to service and accommodate those needs."

Childs agreed with this sentiment and shared, "We chose the Foundation because we trust the Foundation. We trust the Foundation to work ethically; we trust that the Foundation is looking out for what is best for the churches and we are on the same team and we have the same goals."

They are taking a private business structure and turning it into a house of worship, which could mean having to make significant changes, but Childs does not see this being a challenge. They closed on the building at the end of May and are now looking into making updates. "Our next step is to raise the funds for the renovations for the inside of the building. This summer we are conducting a capital campaign to raise money for the first phase of our remodel project and then we will be in construction," Childs said.

They had initially planned to start a capital campaign earlier in the year, but suspended it because of coronavirus. "Now we're looking to get going on that again and once we have a chance to run the campaign and see where we are on funds, we can make determinations about what parts of the building we can work on," Hunsicker said with the anticipation that they might be looking at doing different phases for renovations.

Childs explained that they want to put in a kitchen, a multi-purpose space for youth activities and fellowship dinners, a reception area, youth classrooms and a nursery and toddler area. "We have gone through so many changes and there is more to come, but they [the congregants] are excited. They are

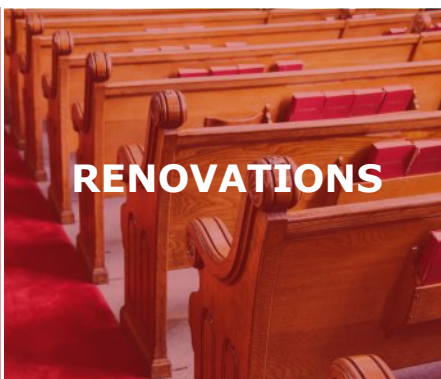
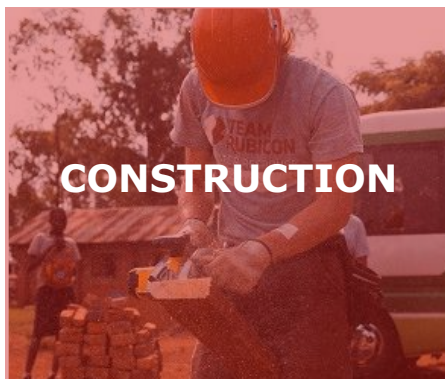
# BUILDING FUND TRUST LOANS

excited to have a spiritual home,” he said.

They will be running a series of tours of the building in July and are even doing virtual tours so everyone can be a part of it. “We see this as more than just a building in the traditional sense. We see this as the centerpiece for our outreach to the community,” Hunsicker said. [Follow along online for progress updates and information on Grace’s building project \(https://graceottumwa.org/forward/\)](https://graceottumwa.org/forward/). There is also an option to give to the Growing Forward in Grace capital campaign.

The Iowa United Methodist Church Building Fund Trust provides loans to help local churches finance their missional dreams. [Learn more about the Iowa United Methodist Church Building Fund Trust program \(https://iumf.org/church-building-loans/\)](https://iumf.org/church-building-loans/).

Churches can get a loan for several different purposes, including some options listed below. The Trust also has refinancing options for high-interest loans.



**Q: What types of loans, terms and rates does the Foundation offer?**

A: We offer construction loans with terms up to one year. Short-term, unsecured loans starting at \$5,000 and less than \$50,000 are offered upon board approval. We also offer permanent loans with an amortization of up to 15 years with a five-year rate reset.

**Q: What sets the Foundation apart from other lending institutions?**

A: Our loans are generally less restrictive with lower costs than other lenders, we make loans only to churches and church-related entities, we are flexible with terms. Overall, we understand church needs and finances better.

**Q: Is there a penalty for prepaying or paying off the loan?**

A: No, there is no penalty for prepayments or early payoff.

**Q: Where does the Foundation get money to lend to churches?**

A: Our Building Fund Trust certificate program, which offers 1-, 3-, and 5-year fixed rate investments provides funding for loans to churches.

# FOUNDATION UPDATES

## COVID-19 & General Conference information

### COVID-19 OFFICE UPDATE

The Iowa United Methodist Foundation has temporarily moved to a remote work model for our staff. We are following socially responsible behavior and limiting interactions and the use of shared spaces per recommendations from the CDC to create social distancing.

As of now, the Foundation office is closed, but we will continue to evaluate the situation week by week depending on recommendations. At this time, no Foundation staff have tested positive for coronavirus.

All phones and emails will be monitored during regular office hours (Mon—Thurs: 7:30 a.m.—3:30 p.m.; Fri: 7:30 a.m.—12:30 p.m.). Thank you for your patience as we continue to navigate this season.

We are available for Zoom and online workshops, and can attend virtual Finance, Endowment, or other leadership committee meetings.



### GENERAL CONFERENCE POSTPONEMENT STATEMENT

With the General Conference postponed until August 29-September 7, 2021, there have been concerns about the Foundation's role in investing funds if congregations or individuals change their membership from the Iowa Annual Conference.

- Your investments are **secure**. No action taken by the General Conference will affect ANY church's or individual's ability to utilize the Foundation.
- The Foundation is **independent** of the General Conference, the Iowa Annual Conference, the Council of Bishops, the GCFA, Wespeth, and any other United Methodist denominational entity. We are registered as an Iowa Nonprofit Organization, and we hold an independent IRS 501(c)(3) tax-exempt ruling.
- **No** apportionment funds are received by the Foundation.
- The **mission** remains. The Foundation continues to serve as prudent investors for ALL non-profit ministries, *regardless of denomination* and will continue to be a partner with individuals and congregations for the **long-term financial support** of the ministries they love.

With the Board of Directors, we continue to pray for the mission and ministry of all congregations. If you have any questions about the impact the General Conference may have on your relationship with the Foundation, please contact Katharine Yarnell at [katharine.yarnell@iumf.org](mailto:katharine.yarnell@iumf.org) or 515-974-8928.

# INVESTMENT REPORT

## STOCK MARKET AND ECONOMY

The stock market and the economy, while closely related, measure different things.

The **economy** is a measure of the recent past. How many people filed for unemployment, how many businesses closed, how much less money was spent on gasoline, consumer goods, tourism, and restaurants?

The **stock market** measures the predicted future. How many more Netflix subscriptions and iPhones will be purchased, how many new cars will be bought? While there has been a quick “bounce” up since the record lows of the first quarter, there are concerns whether earnings justify the higher prices.

Currently, there are a lot of concerning signs in the economy – the record unemployment in such a short span of time, social unrest and concerns of long-term improvements in racial equality. With the work-from-home trend, office vacancies, rent payment delays, and a drop in real-estate values are all current and continuing concerns.

### Equities

The stock market, while somewhat recovering from the March low values, is still volatile due to concerns over the difficulty in developing a vaccine for the COVID-19 virus. A predicted second wave of virus cases in the fall is a significant risk. Continuing trade tensions between the US and China, and the additional protests in Hong Kong, remains a factor. A seven-year record high in gold describes investment concerns about stock market risk.

### Bonds

The central banks and US government responded quickly to the economic downturn. This reaction may be considered extreme and impossible to get out of or change. The extremely low interest rates remain a concern for the bond market.

The Foundation continues to focus on long-term investments, which are proving resilient in the face of adverse conditions.



# FUND PERFORMANCE REPORT

Investments were made according to the Social Principals (Book of Discipline Paragraph 717) and were focused on high quality bonds and value stocks. Please feel free to contact us if you would like to review your investments.

## The actual net returns for each of the funds as of June 30, 2020:

	June	QTD	YTD	Trailing 12
Balanced	+1.81%	+13.07%	-3.97%	+1.65%
Bond	+0.43%	+3.20%	+1.57%	+2.82%
Equity	+2.58%	+18.19%	-9.43%	-1.75%
STI	+0.27%	+1.79%	+3.25%	+4.79%

## Benchmark average gross returns for each of the funds as of June 30, 2020:

*(Please note—The benchmark includes higher risk/junk bonds and growth/higher risk stocks, so we aren't quite comparing "apples to apples." This also does not include management or administration fees.)*

	June	QTD	YTD	Trailing 12
Balanced <sub>1</sub>	+1.78%	+12.97%	-3.46%	+2.49%
Bond <sub>2</sub>	+0.61%	+4.33%	+3.67%	+5.98%
Equity <sub>3</sub>	+2.57%	+18.95%	-8.72%	-0.78%
STI <sub>4</sub>	+0.04%	+1.13%	+2.47%	+3.22%

<sup>1</sup>24% MSCI EAFE / 24% S&P 500 / 12% S&P 1000 / 30% Barclay's Government Credit / 10% ML US High Yield BB 1-10 yr.

<sup>2</sup>75% Barclay's Government Credit / 25% ML US High Yield BB 1-10 yr.

<sup>3</sup>40% MSCI EAFE / 40% S&P 500 / 20% S&P 1000

<sup>4</sup>Barclay's 1-3 year Gov. Index

## Average annual calendar returns (2015-2019):

PERFORMANCE (Net Returns)	2019	2017-2019	2015-2019	BENCHMARK	2019	2017-2019	2015-2019
Balanced	+17.20%	+6.70%	+5.40%	Balanced	+19.45%	+8.76%	+6.75%
Bond	+5.27%	+1.10%	+1.32%	Bond	+8.68%	+3.97%	+3.40%
Equity	+25.09%	+10.27%	+7.59%	Equity	+26.71%	+11.96%	+8.99%
STI	+4.90%	+3.04%	+1.73%	STI	+3.22%	+1.87%	+1.40%

# BALANCED FUND

*As of June 30, 2020*

This fund seeks to balance the objectives of long-term capital appreciation and present income. Therefore, the Balanced Fund is invested 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. The Product Mix and Diversification shall strive for a 40/60 balance between equity and fixed income investments, within the following ranges:

- 30% to 50%** **Fixed income:** U.S. Government notes and bonds, mortgage and asset backed securities, C.D's, corporate bonds, municipal bonds and international mutual funds with up to 15% of fixed income investments in preferred stock, securities convertible to common stock, real estate and other hybrid issues approved by the Investments committee.
- 50% to 70%** **Equity:** 40% large cap domestic stocks, 20% small/mid cap domestic stocks, 40% international stocks.
- Up to 10%** **Cash:** Money market funds, treasury bills and money market equivalents. *\*All funds allow a variance of +/- 10% from the stated "Strategic Allocation"*

## RATE OF RETURN—2020

	June	QTD	YTD	Trailing 12
<b>Actual*</b>	+1.81%	+13.07%	-3.97%	+1.65%
<b>Benchmark</b>	+1.78%	+12.97	-3.46%	+2.49

## RATE OF RETURN—2015-2019

	2019	2017-2019	2015-2019
<b>Actual*</b>	+17.20%	+6.70%	+5.40%
<b>Benchmark</b>	+19.45%	+8.76%	+6.75%

## BALANCED FUND BOND CHARACTERISTICS:

<b>Duration</b>	2.54
<b>Average Credit Quality</b>	BBB+

## BALANCED FUND BOND:

Sector	% of Portfolio
Treasury	9.74%
Corporate (IG)	60.16%
Corporate (HY)	26.64%
Mortgages	0.00%
Cash	3.46%

BALANCED FUND EQUITY:	% of Allocations
Large Cap	21.00%
Mid Cap	16.21%
Small Cap	7.68%
International	37.21%
Cash	0.39%

\*Net of fees

# BOND FUND

*As of June 30, 2020*

This fund's primary investment objective is to maximize present income. The 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 and bonds, mortgage and asset backed securities, C.D.'s, corporate bonds, mutual funds and municipal bond 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 all money market equivalents.

*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 three to five years with an average investment grade ranking as ranked by S&P or Moody's. *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 for 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 U.S. exchanges/markets.

## RATE OF RETURN—2020

	June	QTD	YTD	Trailing 12
<b>Actual*</b>	+0.43%	+3.20%	+1.57%	+2.82%
<b>Benchmark</b>	+0.61%	+4.33%	+3.67%	+5.98%

## RATE OF RETURN—2015-2019

	2019	2017-2019	2015-2019
<b>Actual*</b>	+5.27%	+1.10%	+1.32%
<b>Benchmark</b>	+8.68%	+3.97%	+3.40%

**\*Net of fees**



# EQUITY & SHORT-TERM INCOME

*As of June 30, 2020*

**EQUITY:** This 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. This fund has the following target allocations:

**Up to 100% Equity:** 40% large cap domestic stocks, 20% small/mid cap domestic stocks and 40% international stocks

**Up to 10% Cash:** Money market funds, treasury bills and money market equivalents

## RATE OF RETURN—2020

	June	QTD	YTD	Trailing 12
<b>Actual*</b>	+2.58%	+18.19%	-9.43%	-1.75%
<b>Benchmark</b>	+2.57%	+18.95%	-8.72%	-0.78%

## RATE OF RETURN—2015-2019

	2019	2017-2019	2015-2019
<b>Actual*</b>	+25.09%	+10.27%	+7.59%
<b>Benchmark</b>	+26.71%	+11.96%	+8.99%

**SHORT-TERM INCOME:** This fund's primary objective is to provide an investment vehicle for shorter term funds seeking to earn a better rate of return than a traditional savings account or money market fund. Under normal market conditions, this fund's holdings will consist primarily of fixed income securities in the U.S. Government, government backed obligations, C.D.'s or similar types of investments with average maturities of three years or less.

The fund has the following target allocations:

**100% Fixed Income:** U.S. Government backed bonds, corporate bonds, treasury bills, C.D.'s, mutual funds and cash equivalents. The fund shall have an average maturity of 3 years or less.

## RATE OF RETURN—2020

	June	QTD	YTD	Trailing 12
<b>Actual*</b>	+0.27%	+1.79%	+3.25%	+4.79%
<b>Benchmark</b>	+0.04%	+1.13%	+2.47%	+3.22%

## RATE OF RETURN—2015-2019

	2019	2017-2019	2015-2019
<b>Actual*</b>	+4.90%	+3.04%	+1.73%
<b>Benchmark</b>	+3.22%	+1.87%	+1.40%

\*Net of fees

# SUMMER STEWARDSHIP

*This summer may be different, but the basics of financial stewardship remain*

This year continues with unexpected challenges both to the health of people around the world, and with an increased emphasis on human rights and equality.

The role of technology has been key in the last few months, with many churches sharing worship, devotions, children's activities, Bible Studies, and small group ministries via Zoom calls or another video calling service.

However, one of the secondary effects of Zoom calls has been a decline in trust.

- a) Without the larger, whole body communication of in-person presence, our subconscious mind is less trusting. Another result is "Zoom fatigue"
- b) When there are multiple meetings throughout the day; our brains work harder to understand and interpret meaning, but without the physical non-verbal cues (For example, is the person relaxing their hands? Now their picture has frozen on the screen in a weird face! We're trying to patiently wait for the connection to start up again.)

Despite this change in how we gather, the basics of financial stewardship remain. **Justice**, **empathy**, and **focus on mission** remain key. You are helping your parishioners become heroes (Ephesians 3:7-12). Our prayer is for curiosity in what God will be doing in and through us in this season.

- Katharine Yarnell, Executive Director

In Him and through  
*faith in Him*  
we may approach God with  
**FREEDOM** and **CONFIDENCE**.

Ephesians 3:12



# LOANS & GRANTS AVAILABLE

*We have two awesome programs for you this summer!*

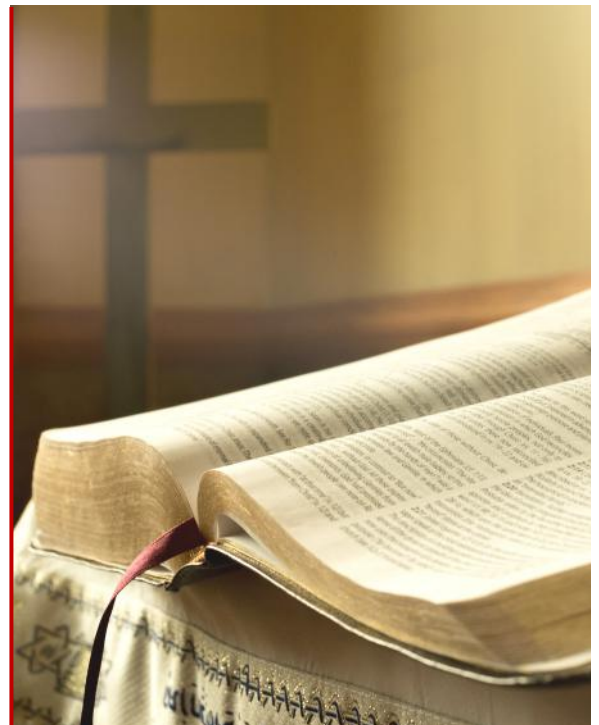
## H.E.L.P. PROGRAM

The Higher Education Loan Partners (H.E.L.P.) program is open now for pastors seeking a lower interest rate on their seminary loans.

The average federal student loan interest rates for graduate students is 6.22%\*, but the Foundation is offering to refinance student loans at only 1.5%!

Applications will be accepted until September 1, 2020. Check out the criteria on our website (<https://iumf.org/help-loans/>).

\* Average federal student loan rates from 2006-2021 from *Credible*



## CARMA MOHLER GRANTS

Carma Mohler established this fund because she wanted to alleviate the problem of hunger. Do you fit the following criteria?

- A United Methodist affiliated group or nonprofit organization
- Using systemic interventions or programs to provide relief from hunger
- Based in Iowa

If so, you should apply for these food assistance grants!

Applications will be accepted until October 1, 2020. Learn more on our website (<https://iumf.org/carma-mohler-grant/>).



Sheridan Park UMC Garden (2019)



Klemme UMC Summer Lunch Program (2018)

# OUR GIFT TO YOU

*We are offering free values-based estate planning*

There are so many tax-savvy ways to make ministry happen. You can help so many people and transform so many lives through the generosity of planned gifts.

Life is in constant, ever-changing motion. Creating or reviewing your estate plan is important to ensure that your documents appropriately reflect your current situation. The Foundation is providing free, confidential assistance to review or develop your plan.

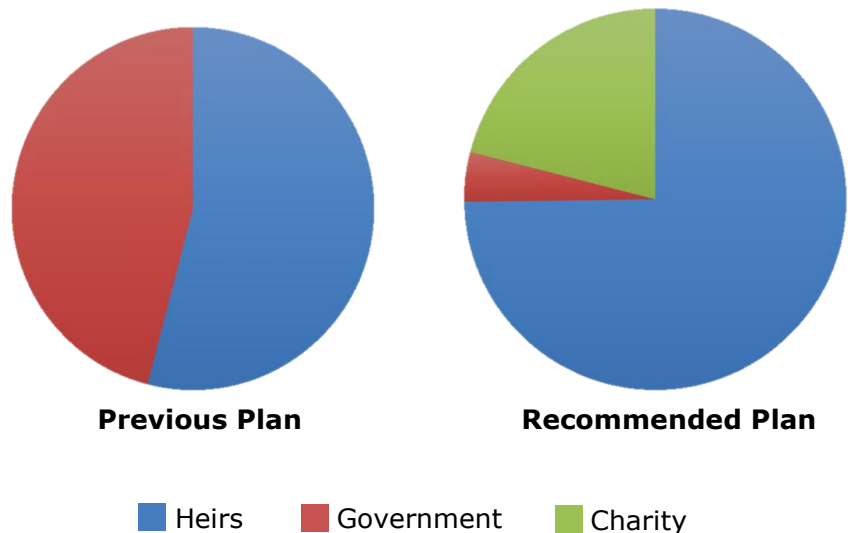
This can provide clarity, peace of mind and an incredible sense of significance. Your comprehensive estate plan tells your story, reflects your values and encourages your loved ones.



For more information on giving options, or to request our FREE Guide to Planning your Will, please contact us at [info@iumf.org](mailto:info@iumf.org) or 515-974-8927. [You can learn more about planned giving on our website \(https://iumf.giftlegacy.com/\)](https://iumf.giftlegacy.com/).

We also provide **Our Gift to You** – a confidential, values-based estate planning service – free and complimentary, with no hidden agendas, no pressure, no obligations and no time constraints.

The illustration to the right shows a demonstration of what values-based estate planning can accomplish. The goal is to help you create a thoughtful estate plan that transfers assets to the people you love and the causes you care about that otherwise would have been collected as tax.



**Partners in  
Stewardship**

**2301 Rittenhouse St., Des Moines, IA 50321**  
**515.974.8927 | [info@iumf.org](mailto:info@iumf.org) | <https://iumf.org>**