
FUNDS OFFERING CIRCULAR

UNITED METHODIST FOUNDATION OF NEW ENGLAND
(New Hampshire non-profit corporation)

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The United Methodist Foundation of New England, Inc. (“Foundation”) is a New Hampshire non-profit corporation with a mission to enhance the ministries of United Methodist churches and related United Methodist agencies by providing services that strengthen their fiscal base and promote faithful financial stewardship. The Foundation’s charter authorizes it to provide for the prudent administration and management of funds entrusted to the Foundation as Trustee by local churches, the New England Annual Conference (“NEAC”), United Methodist institutions, agencies, individuals, and ministries, whether within or outside the Boston Episcopal Area of The United Methodist Church, and institutions and agencies that are related to United Methodism and the work conducted by the Foundation whether within or outside this Episcopal Area.

Under its charter, the Foundation may accept, subject to the approval of the Board of Directors of the Foundation, funds for administration and management from any authorized entity or person, provided that the Foundation is named as trustee by such entity or person in a trust agreement in substantially the form attached to this Circular.

The Foundation has established and administers a number of collective investment funds (the “Funds”) for the investment and reinvestment of funds entrusted to it as Trustee. Any entity or person that designates the Foundation as Trustee, is eligible to participate in one or more of these Funds. The Funds consist of the Stock Fund, the Fixed Income Fund, the Balanced Growth Fund, the Balanced Income Fund, the Endowment Fund and the Money Market Fund. Each Fund is operated as a common trust fund established pursuant to Section 19, Chapter 292 of the New Hampshire Revised Statutes Annotated of which the Foundation is the Trustee. A participating entity or person shall receive one or more units of participation in each Fund in which it participates and such unit or units represent its investment in each Fund. These units are non-transferable.

The Foundation and the Funds are not subject to registration, regulation, or reporting under the Investment Company Act of 1940, the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisors Act of 1940, or state securities laws all in accordance with the Philanthropy Protection Act of 1995. Therefore, participants will not be afforded the protections of those statutes and regulatory provisions.

While the Foundation’s Board of Directors has the responsibility for overseeing the operation of each Fund, the Board has designated an Investment Committee to act on its behalf in this regard. The Investment Committee is a sub-committee of the Board and consists of members of the Board. The Investment Committee will establish the investment strategy for each Fund and is responsible to ensure that the assets of each Fund are being invested in a manner consistent with that strategy. Under current loan guidelines, which may be amended by the Investment Committee, loans may be made up to 10% of Fund assets under management when secured by

real estate or other assets, with an additional 5% available for loans secured by liquid financial assets held by the Foundation.

The Foundation will retain the services of one or more professional money managers to provide investment management of the assets in each Fund, all in accordance with the investment strategy for each Fund as established by the Investment Committee. Currently, the Foundation has retained the services of State Street Global Advisors to provide professional investment management of the assets for which the Foundation is Trustee. Pursuant to its agreement with the Foundation, State Street Global Advisors manages three separate asset pools - the Foundation Socially Responsible Stock Pool, the Foundation Socially Responsible Fixed Income Pool and the Foundation Money Market Pool. The assets of the several Funds maintained by the Foundation are pooled to facilitate superior, cost effective investment management in one or more of these three asset pools. Each Fund's proportional share of the various pools is represented by units of participation.

A description of each Fund, its stated objectives and associated risks, is described in this document.

No person has been authorized to give any information or make any representations in connection with participation in any of the Foundation's Funds other than those contained in this Offering Circular, and if given or made, such information or representations must not be relied upon as having been made or authorized by the Foundation.

PARTICIPATION IN THE FOUNDATION IS SUBJECT TO CERTAIN INVESTMENT
RISKS DESCRIBED HEREIN.

DATED: January 2, 2008

INCOME DISTRIBUTIONS

Each Fund periodically distributes its investment income; income distributions may be paid or reinvested at the option of the investors. The Money Market Fund distributes income net of expenses.

UNIT VALUE AND VALUATION DATE

Each Fund calculates the fair market value of a unit of participation in a Fund by dividing the net asset value of the Fund's investments and other assets by the number of outstanding units on the valuation date. The typical valuation date is the last business day of each month.

FEE AND EXPENSES

The Foundation's fee is based on the Fund vehicle selected; each fee is an annual, all-inclusive fee that covers investment management, custody, transaction costs and a portion of the Foundation's administrative expenses (see Appendix 1). This fee is computed at the given annual percentage rate of the market value of the assets of each Fund, charged at 1/12 of such rate of the market value on the last business day of each month. A portion of the Foundation's fee also supports the many services it provides local United Methodist churches and agencies.

OPENING AN ACCOUNT

In order to open an account and invest in one or more of the Funds, investors should complete and return to the Foundation, the application forms included in this Offering

Circular. Information on terms of entry, minimum investment requirements, expenses, distributions and transfer options, how to redeem units, reports, and authorized contact persons, is contained in the enclosed agreement forms.

UNITED METHODIST FOUNDATION OF NEW ENGLAND
Investing With A Vision

A summary of the investment objectives, principal investment strategies (including the types of securities held in each Fund) and principal risks of investing in each Fund is set forth below and is designed to help you choose the Funds that best fit your investment objectives and tolerance for risk.

The general investment objective of the Funds is to maintain the inflation-adjusted value of funds under management while achieving growth of income and observing the limitations and social concerns of the United Methodist Church.

No investment in any Fund is a deposit of a bank, is insured or guaranteed by the Foundation, or is insured or guaranteed by the Federal Deposit Insurance Corporation, the Securities Investor Protection Corporation, or any other government agency. Since the stock and bond markets fluctuate, when you sell your units in a Fund, they could be worth more or less than what you paid for them.

INVESTMENT STRATEGIES:

WHERE YOU INVEST MAKES A DIFFERENCE

The Socially Responsible Investment Strategy reflects an active, fundamental investment approach, which seeks to match or outperform the benchmark indices, while adhering to guidelines in the Social Principles of the *Book of Discipline* of The United Methodist Church.

The Socially Responsible Strategy will normally exclude from the Funds companies that derive significant revenues from the following industries:

- ❖ Manufacturers of military weapons, whether nuclear, biological, or chemical
- ❖ Manufacturers of alcohol and tobacco products
- ❖ Manufacturers of gambling devices or operators of casinos
- ❖ Companies whose presence in developing countries contributes to the support of governmental policies that are repressive or oppressive to the people and deny them their rights
- ❖ Companies lacking environmental systems designed to limit their damage to ecosystems

In addition, socially responsible investing also includes a positive screening element. The strategy seeks to identify and invest in companies that promote some of the following areas:

- ❖ Training and advancement programs for the economically, physically or socially disadvantaged
- ❖ Improving working conditions
- ❖ Family-friendly programs and policies
- ❖ Environmental problem-solving
- ❖ Clean and safe energy sources and conservation
- ❖ Charitable giving
- ❖ Active Proxy Voting to advocate for social justice, good corporate governance, responsible environmental behavior

RISKS OF INVESTING IN THE FUND

The following is a description of one or more of the risks that you will face as an investor in the Funds. It is important to keep in mind one of the main axioms of investing: the higher the potential reward, the higher the risk. The reverse is also generally true: the lower the potential reward, the lower the risk.

STOCK MARKET RISKS

In the long-term, stocks have generally produced returns that have exceeded other asset classes. However, stock markets tend to move in cycles with periods of rising prices and periods of falling prices. In recent years, the U.S. stock market has been characterized by high volatility with a decline in stock prices.

All of the Funds except the Money Market Fund and the Fixed Income Fund are subject to some level of stock market risk.

BOND MARKET RISK

Bonds also experience market risk, which is primarily attributable to changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise. These rules apply to government securities as well as to corporate securities.

A bond with a longer maturity (or a Fixed Income Fund investment with a longer average maturity) will be more volatile than shorter-term bonds. While the Money Market Fund is subject to this risk, because of their extreme short-term nature, money market instruments carry little market risk. Bonds and Fixed Income Funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, are generally considered to have virtually no credit risk. Corporate bonds rated Baa or above, such as some of the bonds held by the Fixed Income Fund, are generally considered to carry moderate credit risk. Corporate bonds rated Ba or lower are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors. It is the policy of the Foundation not to hold any bond with a rating below BBB.

STYLE RISK

All of the Funds are subject, in varying degrees, to style risk, which is the possibility that returns from a specific type of security in which a Fund invests or the investment style of State Street Global Advisors will trail the returns of the overall market.

In the past, different types of securities have experienced cycles of out-performance and under-performance in comparison to the market in general. Therefore, if you invest in a Fund with a specific style, you would be exposed to this risk.

OBJECTIVE RISK

Another risk that investors face is investing their assets in the wrong asset class. An example of this risk could be having endowment, or long-term money, in short-term investment vehicles such as certificates of deposits or money market funds, which would expose the investor to inflation risk. The endowment would lose purchasing power over a period of years, generating less money for ministry.

DIVERSIFICATION

Investing in multiple issues of securities across different sectors of the market will reduce risk. Most investors do not have enough capital, time, or expertise to properly diversify an investment portfolio. The Foundation's collective investment funds offer broad diversification.

STOCK FUND

INVESTMENT OBJECTIVE

The Stock Fund primarily seeks long-term growth of capital and also current income from dividends.

PRINCIPAL INVESTMENT STRATEGIES

The Stock Fund invests its assets in the Foundation Socially Responsible Stock Pool, for which State Street Global Advisors is currently the investment manager, and which is established and maintained for the benefit of the Foundation and its clients. The Stock Fund may hold cash in the Foundation Money Market Pool.

Strategies pursued as of October 1, 2005:

- ❖ Investing 80% of the equity portfolio in a customized Russell 3000 model,
- ❖ Investing 20% in International securities utilizing ADR's and targeting the EAFE Index as the International model,
- ❖ Maintaining active Socially Responsible Investment screens and oversight of the portfolio,
- ❖ Asset Allocation of portfolio: 49% large Cap, 23% Mid Cap, 8% Small Cap, 20% International,
- ❖ Investment style: divided equally between Growth and Value.

ENDOWMENT FUND

OVERVIEW

The Endowment Fund, established January 1, 2003, is designed for church endowment funds that, by definition, are long-term investments. This Endowment Fund follows the fundamental principles set forth by the *Uniform Management of Institutional Funds Act* of 1972 (which allows for distributions from capital appreciation) as a way to address the church trustees' fiduciary responsibility to invest endowed funds in a way so as to provide both income and a hedge against inflation. The Endowment Fund will have a payout amount that is determined annually by the Investment Committee; the rate of distribution will be a percentage, up to 7% but normally in the 4-5% range per year, of the market value of the Fund calculated using a 3-year (twelve quarters) rolling average. Distributions will accrue monthly, and be paid quarterly. Using the valuation of the Fund over a 3-year period smoothes out market volatility, helps maintain a predictable income stream for the church, and allows for the growth of the endowment.

TRUSTEE RESPONSIBILITIES (under the 1972 Uniform Management of Institutional Funds Act)

- It is the duty of church trustees to preserve the historic dollar value of the gift(s) made by donors or the original corpus of the endowment, as that may not be expended. The "historic dollar value" means the value of the assets when originally given or as determined "in good faith" by church trustees.
- Additionally, church trustees must use income in accordance with any restrictions that may apply to the given endowment. For example, an endowment created to provide scholarships may not be used to repair the church organ.

INVESTMENT OBJECTIVE

The Endowment Fund seeks capital growth with current income consistent with reasonable risk.

PRINCIPLE INVESTMENT STRATEGIES

Strategies pursued include:

- ❖ Investing sixty percent (60%)(+/-7%) of its assets in the Foundation Socially Responsible Stock Pool
- ❖ Investing forty percent (40%)(+/-7%) of its assets in the Foundation Socially Responsible Bond Pool
- ❖ Providing loans to qualified local churches or United Methodist related agencies of the NEAC, where such loans are normally for the purchase, construction and repair of the properties within NEAC boundaries. Under current loan guidelines, which may be amended by the Investment Committee, loans may be made up to 10% of assets of the Fund under management when secured by real estate or other assets, with an additional 5% available for loans secured by liquid financial assets held by the Foundation.
- ❖ The Endowment Fund may hold cash in the Foundation Money Market Pool.

DISTRIBUTION RATE

The Investment Committee of the Foundation will determine and publish a “fixed-rate” of distribution each October for the coming year. Distributions will be paid quarterly to each account based on the number of units of the Fund owned by the account. Additions or withdrawals to accounts will change the number of units owned by the account, and thereby affect the dollar amount of the distribution. If capital appreciation, dividends and interest fall short of the pre-set payout percentage in a given year during periods of market decline, the distribution may result in a return of principal.

Annually, the Foundation’s Investment Committee determines the distribution rate for the Endowment Fund. The Investment Committee set the 2008 distribution rate for the Endowment Fund at 4.5%.

BALANCED GROWTH FUND

INVESTMENT OBJECTIVE

The Balanced Growth Fund primarily seeks capital growth and also current income consistent with reasonable risk.

PRINCIPAL INVESTMENT STRATEGIES

Strategies pursued include:

- ❖ Investing sixty percent (60%)(+/-7%) of its assets in the Foundation Socially Responsible Stock Pool
- ❖ Investing forty percent (40%)(+/-7%) of its assets in the Foundation Socially Responsible Fixed Income Pool

- ❖ The Balanced Growth Fund may hold cash in the Foundation Money Market Pool
- ❖ Providing loans to qualified local churches or United Methodist related agencies of the NEAC, where such loans are normally for the purchase, construction and/or repair of properties within NEAC boundaries. Under current loan guidelines, which may be amended by the Investment Committee, loans may be made up to 10% of Fund assets under management when secured by real estate or other assets, with an additional 5% available for loans secured by liquid financial assets held by the Foundation.

BALANCED INCOME FUND

INVESTMENT OBJECTIVE

The Balanced Income Fund seeks current income and then capital growth consistent with reasonable risk.

PRINCIPAL INVESTMENT STRATEGIES

Strategies pursued include:

- ❖ Investing forty percent (40%)(+/-7%) of its assets in the Foundation Socially Responsible Stock Pool
- ❖ Investing sixty percent (60%)(+/-7%) of its assets in the Foundation Socially Responsible Fixed Income Pool
- ❖ The Balanced Income Fund may hold cash in the Foundation Money Market Pool
- ❖ Providing loans to qualified local churches or United Methodist related agencies of the NEAC, where such loans are normally for the purchase, construction and/or repair of properties within NEAC boundaries.

FIXED INCOME FUND

INVESTMENT OBJECTIVE

The Fixed Income Fund seeks to maximize current income while maintaining investments in high quality fixed income securities.

PRINCIPAL INVESTMENT STRATEGIES

The Fixed Income Fund invests a substantial portion of its assets in the Foundation Socially Responsible Fixed Income Pool, for which State Street is currently the investment manager, and which is established and maintained for the benefit of the Foundation. The Fixed Income Fund may include loans to United Methodist churches, subject to the limits established by the Investment Committee, and also may hold cash in the Foundation Money Market Pool.

Strategies pursued include:

- ❖ Investing primarily in U.S. dollar-denominated U.S. Government Agencies, corporate bonds and international securities, emphasizing high-quality, intermediate term securities, with a dollar-weighted average maturity between five and ten years
- ❖ Allocating assets across different market sectors and maturities

- ❖ Using a top-down approach for industry selection, and a bottom-up approach for issuer selection based on market research and analysis
- ❖ Providing loans to qualified local churches or United Methodist related agencies of the NEAC, where such loans are normally for the purchase, construction and/or repair of properties within NEAC boundaries. Under current loan guidelines, which may be amended by the Investment Committee, loans may be made up to 10% of Fund assets under management when secured by real estate or other assets, with an additional 5% available for loans secured by liquid financial assets held by the Foundation.

MONEY MARKET FUND

INVESTMENT OBJECTIVE

The Money Market Fund seeks as high a level of current income as is consistent with the preservation of capital and liquidity.

PRINCIPAL INVESTMENT STRATEGIES

The Money Market Fund invests all of its assets in the Foundation Money Market Pool, which in turn invests in the State Street Global Advisors Money Market.

Strategies pursued include:

- ❖ Investing in high quality U.S. dollar-denominated money market securities and repurchase agreements, and entering into reverse repurchase agreements
- ❖ Investing in compliance with industry-standard requirements for money market funds for quality, maturity and diversification of investments. Although the principal is not guaranteed, the short term maturities and high quality limit the possibility of loss of principal.

APPENDIX 1

Fee schedule is part of the Funds Offering Circular

	<u>Fee</u>
Money Market Fund	0.5%
Fixed Income Fund	1.00%
Balanced Income Fund	1.14% ¹
Balanced Growth Fund	1.21% ²
Endowment Fund	1.21%
Stock Fund	1.35%

¹Assumes a mix of 40% Stock – 60% Fixed Income

²Assumes a mix of 60% Stock – 40% Fixed Income