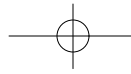


Faces of the Foundation





Friends of the Foundation,

Once again, in 2002, Americans found themselves facing many challenges concerning the U.S. economy. Ending December 31, 2002 the economic market completed a three-year cycle where it saw year-end fair market values less than those of the previous year. Compounded with the threat of war and the reality of corporate scandals, there was nowhere to hide when considering investing. Unfortunately, the United Methodist Foundation of Western North Carolina, Inc., was not immune to this phenomenon.

Although the past three years has not been encouraging, investment professionals remind us of two things: 1) Past performance is not an exact indicator of what will happen in the future - in other words, just because the market has been down does not mean it will stay down; and 2) The economy is cyclical - what goes up will come down and vice a versa. We encourage the clients of the Foundation to be mindful of this, especially considering the extraordinary circumstances of the more recent past.

Beginning January 1, 2002, the Foundation began implementing its new Investment Policy Statement introducing our five new fund options. Several things concerning our support systems happened prior to this. First, we began a relationship with Callan Associates, a nationally known investment consulting firm, that works with our Investment Committee in helping to determine which investment managers best meet the requirements set forth by the Foundation. Secondly, new investment managers were hired to manage the monies related to the different asset classes. When taking into consideration our new consultant and investment managers, and adding to them the expertise of the members of our Investment Committee, we feel that our clients are uniquely positioned for recovery once the market begins to climb. As a matter of fact, evidence of our success with our support systems could be seen in our year-end returns on our five fund options. Although the returns were not what we would have liked to have seen, in relation to the general market, we fared well.

Whether you are an existing client of the Foundation, or are exploring the possibility of allowing us to work with you in the future, it is our hope that you will consider us a partner in ministry. We are a non-profit organization of the church, for the churches throughout our conference. Without you, our sisters and brothers in Christ, we would not be in existence.

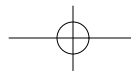
Following you will find valuable information related to the Foundation. Some of this information is unique to the financial status of the Foundation in calendar year 2002. Other information is included to give one a general idea of the services available. Please know that representatives from the Foundation are available to answer any questions you might have.

And once again, thank you for allowing us to be in ministry with you over the last 18 years. We look forward to many more years with you as we explore together the areas of ministry God has placed before us.

Yours in Christ,

Johnie H. Jones
Chairman Board of Directors

The Rev. David A. Snipes
President



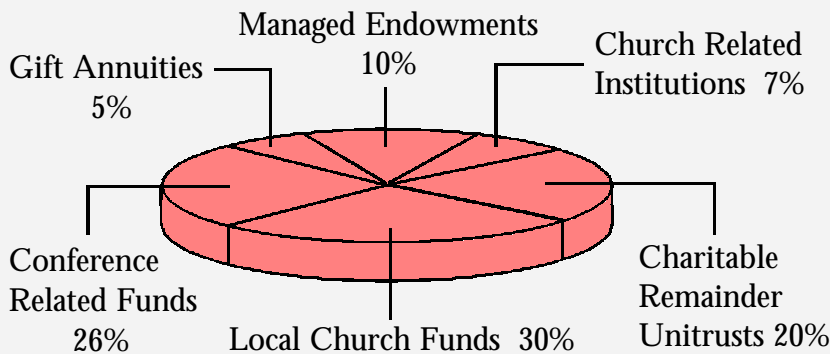
“From everyone who has been given much, much will be demanded; and from the one who has been entrusted with much, much more will be asked.” Luke 12:48 New International Versi

The United Methodist Foundation of Western North Carolina, Inc., considers it a privilege to share the goals of so many United Methodists throughout our conference who wish to participate in ministry for years to come.

Many individuals have chosen to work with the Foundation when establishing planned giving vehicles that will ultimately benefit their church or church-related organization. Also, churches and institutions have benefited from the fund management services of the Foundation as they struggle with the issues surrounding good stewardship with the blessings they have received.

Whatever the situation, the Foundation is here for you. Staff representatives are available to meet with you and/or members from your church. The United Methodist Foundation of Western North Carolina, Inc. is YOUR Foundation. Make it a resource to aid in the ministries of your church.

Fund Management at a Glance



Selected Financial Information

Current Financial Assets	\$727,122
Local Church Funds	\$20,940,506
Church related institutions	\$4,803,627
Conference related funds	\$18,054,200
Managed endowments	\$7,141,634
Gift annuities	\$3,533,096
Charitable Remainder Unitrusts	\$13,412,805
Other Assets	\$156,195
Total Assets	\$68,769,185

A financial audit is performed annually. Copies are available for

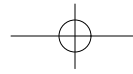
Mission Statement

The United Methodist Foundation is the institution for creating and enhancing the endowment of every aspect of United Methodism in the Western North Carolina Conference. While every institution, and most churches, have some potential to develop their own financial asset the Foundation is the one institution in the Conference seeking to develop resources for every church (small or large), at each Conference institution. We are well equipped to provide unique and important help, especially with endowment funds and planned gifts.

Pictured throughout this Report are ministries made possible through funds that are connected to the Foundation.



Using its endowment fund, Providence in Charlotte has become a partner in the Women in Transition program which provides transitional housing and opportunities for homeless or at-risk women at the YM



Endowment Funds: Ministering for Future Generations

Through the ministry of the United Methodist Foundation of Western North Carolina, Inc., financial resources are invested in socially responsible ways so that ministry may be carried out in perpetuity - all according to the donor's wishes.

Some Permanently Restricted Endowment Funds that benefit from the fund management of the Foundation include:

- **The Superannuate Endowment Fund** - Originated in 1916, recognizes retired clergy who have served The United Methodist Church. In 2002, \$165,396.45 was distributed bringing the total since the fund's inception to \$2,978,478.
- **The Womble Ministerial Scholarship Fund** - Since 1991, has provided scholarship monies to "...deserving students who are declared candidates for the ministry, including Directors of Christian Education, in the United Methodist Church." In 2002 \$5,000 was distributed to four seminary students representing two of our United Methodist accredited seminaries.
- **The Royce and Jane Reynolds Fund** - Designed to "promote evangelism and mission involvement in the world in the name of Jesus Christ," over the last 19 years this fund has aided ministries throughout the world by giving \$1,027,797 in grant monies.

■ **The Royce and Jane Reynolds Leadership Fund** - Created in November 2000, this fund provides monies that financially support pastoral development of clergy in North Carolina, South Carolina and Virginia. Upon satisfactory completion, participants are presented with a Certificate in Church Leadership.

Students from The Wesley Foundation at Appalachian State University in Boone provide an inner-city ministry at the Bethlehem Center in Charlotte. Campus ministries such as this one are an important part of the connection.



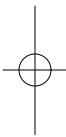
The Royce and Jane Reynolds Leadership Fund supports an annual program through Duke Divinity School and the Center for Creative Leadership for clergy in the West North Carolina, North Carolina, Virginia and South Carolina Conferences. The Reynolds Program in Church Leadership is a focused effort for renewal in the United Methodist Church through leadership development. The centerpiece of the program is a year-long, intensive course of study for 24 pastors resulting in a Certificate in Church Leadership.

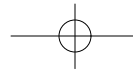
Donor Advised Funds

Many donors who give annually to several different charitable causes may choose this vehicle as an alternative to a private family foundation. Some tax benefits apply and the donor takes an active role in the disbursement of funds.

As a service to United Methodists throughout Western North Carolina Conference, all administrative tasks related to Donor Advised Funds are handled through the Foundation office. Our normal fee schedules apply to Donor Advised Funds that carry balances.

The United Methodist Foundation of Western North Carolina is not engaged in rendering legal or tax advisory services. Charitable and planned gifts involve complex federal and state laws. Professional advice from legal counsel or other personal tax or financial advisors should be sought. Be sure to consult your own professional advisors as it pertains to your individual situation.





Planned Giving: Leaving a Legacy

In our attempt to be good stewards while on earth, we often forget about the opportunities to be good stewards beyond our earthly lifetime. Sound financial planning, including planned giving, helps one provide a legacy for future generations while being a witness to good stewardship of financial resources. Careful planned giving can also take the burden off one's heirs and in most cases uses tax-advantaged ways to give extra value to a gift.

The two planned giving vehicles offered by the Foundation include:

■ **Charitable Gift Annuities:** These provide a lifetime income to the donor at a rate based on their age determined at the time the gift is made. The Foundation ascribes to annuity rates as suggested by the American Council on Gift Annuities. At the time of the gift, the donor receives a tax deduction, and the donor can take comfort in knowing the proceeds will ultimately benefit the charity of their choice.

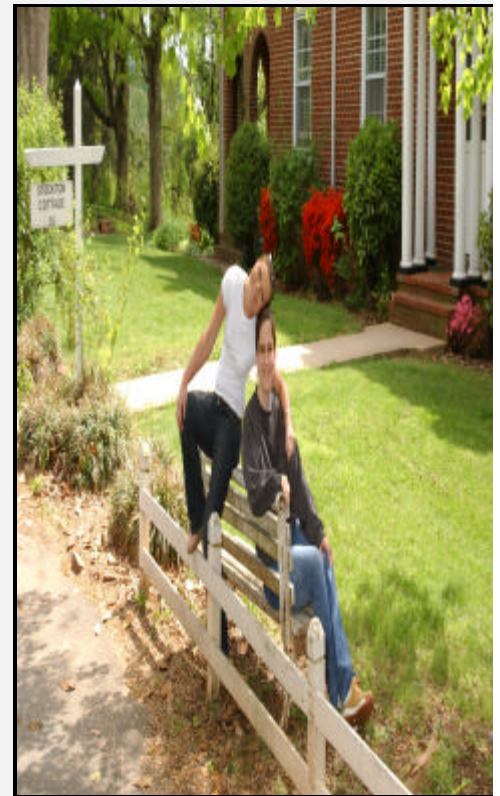
■ **Charitable Remainder Trusts:** The Charitable Remainder Annuity Trust provides a fixed rate of return to the donor while the Charitable Remainder Unitrust provides a hedge against inflation by determining the return based on the year-end fair market value of the trust. In both trusts, the Foundation serves as trustee while the donor receives tax benefits and a lifetime income.

There are other ways a donor's wishes can be fulfilled through careful planned giving. For instance, a charitable bequest through a will is an excellent way to remember those charities (including the church) that one has supported during one's lifetime. For those that have an Individual Retirement Account, leaving the proceeds to the Foundation and setting it up as a Permanent Fund, is an excellent way to continue ministries the donor enjoyed during his/her lifetime. Permanent Funds, Charitable Gift Annuities and Charitable Remainder Trusts can also be setup using appreciated stocks, bonds and/or real estate. Possible capital gains tax savings make this an attractive option to many donors and often helps to determine what gifts will be given to charity and what will be left to one's heirs.

Whatever your situation and desires may be, we consider it an honor and privilege to work with United Methodists throughout the Western North Carolina Conference. We encourage those considering planned giving as a way to fund ministry to consult their financial/tax advisor to see how their decisions will

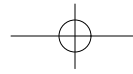


The Western North Carolina Conference expanding Hispanic ministries, like the Mission Adonai new church start in Asheville have been recipients of funds managed by the Foundation.



Another ministry of the Western North Carolina Conference, the Children's Home in Winston-Salem, has long been a beneficiary of support from endowments. The Children's Home provides professional services to serve young people and to families needing therapeutic assistance through a range of intervention, residential and day services.





Fund Management

Through the pooling of funds from throughout the conference, the Foundation makes it possible for clients to receive investment opportunities and services usually only available to larger accounts.

Being concerned with our social actions, the Foundation adheres to the Social Principles of the United Methodist Church when investing funds. Through careful and intentional work with our investment managers, one can be assured that funds managed through the Foundation are not invested in socially irresponsible ways.

The churches/church related organizations listed at right utilize the fund management services of the Foundation:

Abernethy Memorial UMC, Newon
 Abernethy UMC, Asheville
 Aldersgate UMC, Shelby
 Antioch UMC, Belews Creek
 Ardmore UMC, Winston Salem
 Asbury UMC, Asheville
 Asbury UMC, Greensboro
 Balfour UMC, Hendersonville
 Bethany UMC, Franklinville
 Bethany UMC, Lexington
 Bethel UMC, Sherrill's Ford
 Bethel UMC, Winston Salem
 Bethesda UMC, Madison
 Bright Hope UMC, Mars Hill
 Broad Street UMC, Statesville
 Bryson City UMC, Bryson City
 Bunker Hill UMC, Colfax
 Burkhead UMC, Winston Salem
 Camp Loy White, Lincolnton
 Cashiers UMC, Cashiers
 Celo UMC, Burnsville
 Centenary UMC, Greensboro
 Center UMC, Summerville
 Central UMC, Asheville
 Central UMC, Concord
 Central UMC, Monroe
 Central UMC, Mount Airy
 Central UMC, Shelby
 Charlotte District, Charlotte
 Crouse UMC, Lincolnton
 Davidson UMC, Cornelius
 Duncan Memorial UMC, Charlotte
 Emma UMC, Asheville
 First Street UMC, Albemarle
 Fletcher UMC, Fletcher
 Forest Hills UMC, Concord
 First UMC, Albemarle
 First UMC, Belmont

First UMC, Brevard
 First UMC, Elkin
 First UMC, Forest City
 First UMC, Hendersonville
 First UMC, Lexington
 First UMC, Maiden
 First UMC, Marion
 First UMC, Newton
 First UMC, Rutherfordton
 First UMC, Salisbury
 Gethsemane UMC, Greensboro
 Gibsonville UMC, Gibsonville
 Grace UMC, Greensboro
 Groce UMC, Asheville
 Harmony Grove UMC, Lewisville
 Hinshaw UMC, Greensboro
 Iotla UMC, Franklin
 Irving Park UMC, Greensboro
 Jamestown UMC, Jamestown
 Kingwood UMC, Rural Hall
 Lebanon UMC, Denver
 Madison UMC, Madison
 Maiden's Chapel, UMC Franklin
 Main Street UMC, Kernersville
 Maple Springs UMC, Winston-Salem
 Marvin UMC, Winston Salem
 Matthews UMC, Matthews
 Memorial UMC, High Point
 Memorial UMC, Thomasville
 Midway UMC, Kannapolis
 Mills River UMC, Horse Shoe
 Moore's Chapel UMC, Charlotte
 Morris Chapel UMC, Walkerton
 Mouzon UMC, Charlotte
 Mount Mitchell, Kannapolis
 Mount Pisgah UMC, Greensboro

Mount Pleasant UMC, Greensboro
 Mount Pleasant UMC, Tobaccoville
 Mount Pleasant UMC, Lill
 Muirs Chapel UMC, Gree
 New London UMC, New London
 Oak Forest UMC, Hayesv
 Oak Grove UMC, Charlot
 Patton UMC, Franklin
 Pineville UMC, Pineville
 Plains UMC, Canton
 Pleasant Grove UMC, Lir
 Pleasant Hill-Reeves Chap
 UMC, Candler
 Providence UMC, Charlote
 Providence UMC, Statesv
 Rhyne Heights UMC, Lin
 Rockwell UMC, Rockwel
 Salem UMC, Gastonia
 Sardis UMC, Asheville
 Sharon UMC, Charlotte
 Skyland UMC, Skyland
 Sparta UMC, Sparta
 Spindale UMC, Spindale
 St. Matthews UMC, Gree
 St. Paul's UMC, Asheville
 St. Paul's UMC, Charlotte
 St. Stephen's UMC, Charl
 Stallings UMC, Stallings
 Statesville District, States
 University City UMC, Ch
 Weaverville UMC, Weave
 Webbs Chapel UMC, Der
 Wentworth UMC, Reidsv
 West Macon UMC, Frank
 West Market UMC, Gree
 Wightman UMC, Polkton

Fund Management Structure and Process

December 31, 2002, marked the end of the first full year utilizing our new Investment Policy Statement and new Investment Managers. Our new investment options include:

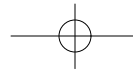
- Fund A: Low Risk
- Fund B: Conservative Growth & Income
- Fund C: Diversified
- Fund D: Long Term Growth
- Fund E: Aggressive Growth
- Income Only

For more detail concerning the above referenced funds and investment managers, please contact the Foundation office so that we can send out to you a copy of our Investment Policy Statement.

The United Methodist Foundation of Western North Carolina, Inc. is fortunate to have the knowledge and experience of many who know a understand fund management. Our Investment Committee, chaired by Christopher W. (Chris) D is comprised of committed United Methodists fr throughout our Conference that meet quarterly v our Investment Consultant, Jeanne Valcik of Cal Associates, to review the performance of our investment fund options.

The clients of the Foundation are afforded the opportunity to have multiple accounts while cho the investment style (investment fund option) th most suitable to their particular needs. Benefits s as these are usually only available to larger





Staff of the United Methodist Foundation of Western North Carolina: seated, from left, Sharon Conner and Claire Hunsucker; standing, Diana Kauserud, David Snipes, and Alleine McLean.

United Methodist Foundation Western North Carolina, In Staff Profiles

Rev. David Snipes, President of the Foundation, has an undergraduate degree in Business Administration and a Masters of Divinity from Candler School of Theology at Emory University. He previously served as Minister of Administration and Finance at Wesley Memorial UMC in High Point. David, his wife, Debbi, and their daughters, Lindsay and Grace, live in Cornelius.

Claire Hunsucker, Senior Financial Officer, is a certified public accountant with more than 20 years experience accounting. She has a Bachelor of Science degree in Accounting from the University of North Carolina at Charlotte. Claire is a member of Weddington UMC and has two children, Melanie and Mason.

Diana Kauserud, Administrative Assistant, worked in marketing with major insurance company before joining the Foundation in 2002. She is a member at Matthews UMC. Diana and her husband, Jack, have four sons and two grandchildren.

Sharon Conner, Assistant Financial Officer, brings valuable fiduciary accounting and taxation experience to her position. After receiving a BSBA from Pennsylvania State University, she became a CPA in 1982. She has two children and four grandchildren.

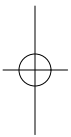
Alleine McLean, Financial Assistant, more than 20 years experience oversees in-house accounting for all church and church-related funds. Alleine and her husband, Larry, have one son and two grandchildren.

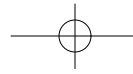
Advantages to using the services of the Foundation

Pooling funds from churches and church-related organizations from throughout western North Carolina allows the Foundation to provide services that are usually only available through larger financial/management institutions. More than 250 churches and institutions currently utilize the ministry of the Foundation.

Here are some advantages our clients consider to be important when dealing with the Foundation:

- Choice of Investment Fund Options for different goals - Diversification
 - Utilization of quality investment managers
 - Support of nationally known investment consultant firm, Callan Associates
 - Direction by experienced investment committee
 - Socially responsible investing which adheres to the Social Principles of the United Methodist Church
 - Performance reporting through Investment Scorecard™
 - State-of-the-art computer services such as Sungard™ Asset Management System
 - Service
 - Staff is located within conference boundaries and is available for on-site consultation/presentations
 - Flexibility of withdrawals and deposits
 - Accounting/record keeping done in-house





**United Methodist
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of Western
North Carolina,
Inc.**

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(800) 562-7929 ext. 146

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www.umfoundationwncc.org

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President
Claire Gary Hunsucker
Senior Financial Officer
Sharon L. Conner
Assistant Financial Officer
Alleine C. McLean
Financial Assistant
Diana T. Kauserud
Administrative Assistant

Board of Directors:

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Goldston F. Harris, *Vice-President*
J. Carlton Fleming, *Secretary*
John R. Sills, *Treasurer*
Charles M. Ambrose
Lacy G. Baynes
Charles E. Betts
Christopher W. Davis
Eddie N. Dalton
Telezee L. Foster
Royce O. Reynolds
Michael L. Robinson
James C. Smith
Richard Stockton
Ted B. Sumner, Jr.
James W. Thompson

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Charlene P. Kammerer, *Resident Bishop*
William T. Medlin, III, *Cabinet Representative*
Thomas R. Sigmon, *Conference Director of Connectional Ministries*
William C. Wyman, Jr., *Conference Treasurer*
James C. Windham, Jr., *Council on Finance & Administration*

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Lacy G. Baynes
Charles E. Betts
Robert B. Byrd, II
Goldston F. Harris
Johnie H. Jones
Ted B. Sumner, Jr.
John R. Sills
William C. Wyman, Jr., *Ex-Officio*
David Snipes, *Ex-Officio*
Claire Hunsucker, *Ex-Officio*

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**Royce & Jane Reynolds Fund
Committee:**

C. Harley Dickson, *Chair*
Tom Latimer
Leah Ensor
Doris Loomis
Richard Stockton
David Snipes, *Ex-Officio*
Jane R. Reynolds, *Advisory*
Royce Reynolds, *Advisory*

**Royce & Jane Reynolds Leadership
Fund Committee:**

C. Harley Dickson, *Chair*
Bob Biggerstaff
Robert E. Fuquay, Jr.
Johnie H. Jones
Dyeanne B. Jordan
David Snipes, *Ex-Officio*
Jane Reynolds, *Advisory*
Royce Reynolds, *Advisory*

Investment Consultants:

Callan Associates, *Atlanta*

Portfolio Custody:

Bank of New York, *New York*

Banking Relationship:

Branch Banking & Trust Co., *Charl*

Security Liquidation Services:

IJL Wachovia, *Charlotte*

Auditor:

Cherry, Bekaert, & Holland, L.L. P.
Charlotte

Legal Counsel:

R. Anthony Orsbon
Orsbon and Fenninger, *Charlotte*

Performance Reporting:

Investment Scorecard, Inc., *Nashvil*

Investment Managers:

Alliance Bernstein Institutional Mo
Management, *New York*
American Funds EuroPacific Growt
Angeles
Atlanta Capital Management Co., L
Atlanta
Banc of America Capital Managem
L.L.C., a division of Bank of Ameri
Corp., *Charlotte*
Batterymarch Financial Managemer
Inc., *Boston*