

*Annual
Report
2003*

LIVING Legacies



United Methodist Foundation
of Western North Carolina, Inc.



MESSAGE FROM THE CHAIRMAN OF THE BOARD

Dear Friends of the Foundation,

On behalf of the staff and Board of Directors of the United Methodist Foundation of Western North Carolina, Inc., I offer to you a heart-felt “thank you” for the support you have shown us over the last year. We are a Foundation of United Methodists for United Methodists in western North Carolina. Without you, we would not be in existence.

The year 2003 was a year of redemption concerning the stock market. Losses that were incurred in the previous two years were regained due to an improved economy that brought the Dow Jones Industrial Index back over the 10,000 mark by year’s end. For those of our clients who stayed with us through the down markets, we give you thanks and wish for you to know that our commitment is to help you be the best stewards you can possibly be with the financial resources God as given to you. Through the continued implementation of our Investment Policy Statement that was instituted two years ago, we feel that the clients of the Foundation are uniquely positioned to maximize returns and minimize losses while being socially responsible. As a matter of fact, returns for 2003 for our five fund options ranged from 7.3 percent to 24.9 percent.

MESSAGE FROM THE PRESIDENT

Dear Sisters and Brothers in Christ,

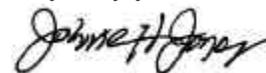
Our lifetimes are marked by “rights of passage” that forever change the way we go about doing things and, therefore, have a major positive influence on our lives. Foundations are not excluded from this phenomenon. Such is the case with the United Methodist Foundation of Western North Carolina, Inc.

Since 1995, Johnie Jones has faithfully served as Chairman of the Board of Directors of the Foundation. At his request, he will step-down from this most distinguished position at the 2004 Annual Conference. Although we are sad to see such a qualified leader move away from the chairmanship, we do rejoice over the positive influence he has had and changes he has helped to facilitate during his tenure. Over the last nine years, the total managed assets of the Foundation have more than doubled, a new Investment Policy Statement has been implemented with all new investment managers, the staff has grown to six full time members, and the services of the

For this we give thanks and hope that you rejoice with us in knowing that these exemplary returns translate to monies available to carry out ministry throughout our conference and the world. For those of you that have not participated in the services of the Foundation, we hope that when the need arises, you will turn to us knowing that our commitment is to you. Our proven track record will enable you to have increased funds that will help to carry out the ministries to which you have been called.

The following material is offered not only for informational purposes, but also to hold us accountable as the ones responsible for the investment of funds entrusted to us from throughout the Western North Carolina Conference. If you have any questions, I encourage you to contact the Foundation office. Otherwise, know that we look forward to being in ministry with you for years to come and welcome the opportunity to share with you the work of your Foundation.

Very truly yours,



Johnie H. Jones, Chairman

Foundation have become more widely known throughout the conference. As a matter of fact, the United Methodist Foundation of Western North Carolina, Inc., has become a model Foundation among its peer group. For the continued support and direction that Johnie has provided in helping the Foundation to accomplish these milestones, we give him thanks and hope the members of the Western North Carolina Conference rejoice with the staff and Board of Directors for the leadership he has provided.

We wish for the clients, as well as prospective clients, of the Foundation to know that the good work that was begun under his tenure will be continued for many years to come. We are a ministry committed to endowing Methodism throughout western North Carolina and rely heavily on our past as we build for the future. We hope you join us in this most exciting calling.

Grace and Peace,



David A. Snipes, President

FUND MANAGEMENT AT A GLANCE

The United Methodist Foundation of Western North Carolina, Inc., has been active within the ministries of the Western North Carolina Conference since 1985. Our goal then, as well as now, is to endow Methodism throughout this great conference of ours.

Over the last 19 years, churches have solicited the services of the Foundation when considering issues surrounding good stewardship. Representatives of the Foundation are available to help churches and church-related organizations in setting up Endowment Documents, raising awareness of those endowments in hopes of increasing assets, and managing the assets of endowments and other ministry-related funds.

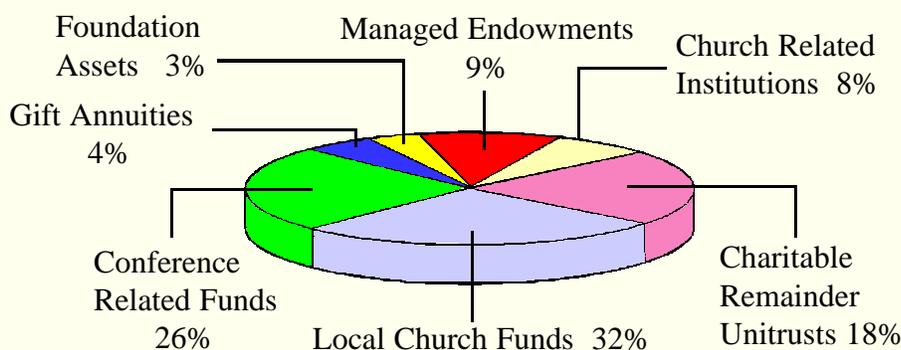
When you combine this with our Permanently Restricted Endowment Funds and planned giving vehicles such

as Charitable Remainder Trusts and Charitable Gift Annuities, we are uniquely qualified to help not only churches, but also faithful United Methodist individuals from throughout the conference.

Whether you represent a local church, one of our five United Methodist colleges and universities, one of our retirement communities, one of our numerous valuable extension ministries or are an individual interested in helping fund ministry in perpetuity while experiencing some exciting tax benefits, we are here to help.

The United Methodist Foundation of Western North Carolina, Inc., is your foundation. We encourage you to make it a resource to aid in the ministries of your church and your personal stewardship goals.

Fund Management at a Glance



SELECTED FINANCIAL INFORMATION

Foundation Assets	\$1,954,615
Local Church Funds	\$25,177,945
Church Related Institutions	\$5,950,864
Conference Related Funds	\$20,646,354
Managed Endowments	\$6,817,154
Gift Annuities	\$3,214,290
Charitable Remainder Trusts	\$14,222,399
TOTAL MANAGED ASSETS	\$77,983,622

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 own individual situation.

MISSION STATEMENT

The United Methodist Foundation of Western North Carolina, Inc., 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 assets, the Foundation is the one institution in the Conference seeking to develop resources for every church (small or large), and each Conference institution. We are well equipped to provide unique and important help, especially with endowment funds and planned gifts.

A financial audit is performed annually. Copies are available for review at the Foundation's office at: 3400 Shamrock Drive, Charlotte. Call 704-535-2260, extension 146.



Glenda Brown of High Point is one of many clergy widows in the Conference who receive an annual check from the Superannuate Endowment Fund. Retired clergy and their families receive this supplement to their regular retirement benefits.

ENDOWING METHODISM FOR THE FUTURE

Permanently Restricted Endowments

In an effort to be wise stewards, United Methodists throughout the Western North Carolina Conference have sought the ministries of the Foundation to invest funds in socially responsible ways so that ministries can be carried out according to donors' wishes in perpetuity. Through permanently restricted endowment funds, donors provide for ministries of the church while leaving a legacy for generations to come.

The following two funds are just a sample of the many endowments that are not only financially managed by the Foundation, but are also administratively managed with the Foundation authorizing and making annual distributions.

Superannuate Endowment Fund

This fund was originated in 1916 to help supplement the retirement of United

Methodist clergy throughout the Western North Carolina Conference. Prior to Easter retired clergy receive annual checks each year. This fund has been under the management of the Foundation since 1990 and has distributed \$3,129,838 since its inception.

United Methodist Foundation Endowment Fund

Generous donors who saw fit to leave assets to the Foundation beyond their lifetime made this newly created fund possible. While the specifics of this endowment are yet to be determined, it is the desire of the Board of Directors that these funds be used to help us fulfill our mission of endowing Methodism throughout western North Carolina. Within the next year, we hope to become known as a grant-making entity in the Conference.



Royce and Jane Reynolds of Greensboro have established several funds which benefit the ministries of the United Methodist Church at home and around the world.

THE ROYCE AND JANE REYNOLDS LEGACIES

Believing that the church is to be about making disciples of Jesus Christ, Royce and Jane Reynolds of Greensboro, North Carolina, have committed to share their blessings through the Royce and Jane Reynolds Fund and the Royce and Jane Reynolds Leadership Fund. Both are governed by their own committees, yet are accountable to the Board of Directors of the Foundation.

The Royce and Jane Reynolds Fund

The assets of the Royce and Jane Reynolds Foundation, incorporated in 1984, were merged with the United Methodist Foundation of Western North Carolina, Inc. in 1997, as the Royce and Jane Reynolds Fund. Designed to support the mission of the United Methodist Church to "make disciples of Jesus Christ," this fund has aided ministries throughout the world with distributions over the last 20 years of \$1.1 million.

The Royce and Jane Reynolds Leadership Fund

With a commitment to the renewal of pastoral leadership in the United

Methodist Church, Royce and Jane Reynolds established in 2000 a permanently restricted fund that provides resources for "The Royce and Jane Reynolds Program in Church Leadership." Annually, 24 clergy are selected from North Carolina, South Carolina and Virginia to participate in a year-long, four-session program presented by the Center for Creative Leadership in Greensboro and the Duke Divinity School. These sessions focus on feedback to help pastors assess their leadership strengths, understand the mission of the church and the specific needs of a congregation, develop a vision and planning process for a congregation, and mobilize resources to implement that vision. Upon satisfactory completion, participants receive a Certificate in Church Leadership.

In 2003-2004, the Leadership Program aspired to new challenges by offering a cabinet level leadership program to the Bishop and the District Superintendents of our Conference.

PLANNED GIVING

Giving beyond one's lifetime is often not the focus of individual financial planning. In today's society we are often just trying to make ends meet for the moment at hand. The United Methodist Foundation of Western North Carolina, Inc. calls attention to the importance of putting into place planned giving vehicles that will ultimately benefit one's favorite charities -- in particular the United Methodist Church. Careful planned giving can take the burden off one's heirs, offer valuable tax benefits, and provide a lifetime income to the donor or others, all the while providing funds that can be used for ministries in perpetuity.

The two most popular planned giving vehicles promoted by the Foundation are:

Charitable Gift Annuities

This planned giving vehicle is one of the most simple, yet provides a gift to the church and lifetime income to the donor. Based on rates ascribed by the American Council of Gift Annuities, the donor receives a tax-deduction at the time of the gift, a tax-favored rate of return, and the peace of mind in knowing that the funds will be used as they wish.

Charitable Remainder Trusts

In 1968, the United States Congress created a new trust that helped charities generate more revenue for their causes. The Charitable Remainder Annuity Trust offers a fixed rate of return, while the

Charitable Remainder Unitrust offers a rate of return based on the year-end fair market value of the trust. Both types of trusts can be setup for a number of years or for one's lifetime with certain tax advantages. The Foundation serves as trustee and manages the funds related to both types of trusts.

There are many ways that careful planned giving can help benefit the ministries of the United Methodist Church throughout western North Carolina. For example, a charitable bequest through a will is a wonderful way to financially support a ministry beyond one's lifetime. With new legislation being discussed (the CARE Act) involving tax benefits as related to Individual Retirement Accounts, it soon may be to one's advantage to take the proceeds from an IRA and setup an endowment that will support a ministry of interest.

Whether it is one of these planned giving vehicles or some other opportunity for donors to financially support their favorite ministry, the Foundation wants to be in ministry with you. We consider it an honor and a privilege to be in ministry with faithful United Methodist individuals and institutions in the Western North Carolina Conference and encourage those considering planned giving to consult their financial advisor or tax attorney to see how planned giving may benefit their estate planning.

STOCK LIQUIDATION SERVICES

The transfer of appreciated stock is a wonderful way to support the ministries of one's church. However, many churches and church-related organizations do not have the procedures or a professional stock account in place to support this type of transfer. As a ministry to churches and other church-related organizations in the

Western North Carolina Conference, the Foundation offers stock liquidation services. Donors who wish to fund Charitable Gift Annuities, Charitable Remainder Trusts, Permanent Endowments, Donor Advised Funds or other church-related funds through the transfer of appreciated stock, should contact the Foundation for more details.



Ann Londahl-Smidt, Betsy Cook and Chris Ripple will benefit from the Charitable Remainder Unitrust set up by their parents, Klynt and Frances Ripple of Lexington. Ultimately, Arbor Acres: A United Methodist Retirement Community in Winston-Salem, and First United Methodist Church of Lexington will benefit as charitable beneficiaries of the trust.



Rev. Horwood Myers, a retired UMC pastor who lives at Givens Estates in Asheville, has set up an endowment which will help fund ministry that will reach out to those in need.



Dawn Hand, who is the Communications Director for the Western North Carolina Conference, benefits from the Mattie Alexander Fund to attend classes at Hood Theological Seminary in Salisbury. The fund was established to support various ministries with a preference toward minority recipients.

FUND MANAGEMENT

The investment of assets for churches and church-related organizations constitutes approximately 66 percent of the Foundation’s funds. By pooling funds, the Foundation is able to provide investment managers at a competitive cost. All this while being socially responsible as outlined in the Social Principles of the United Methodist Church.

Many churches and church-related organizations have chosen the Foundation to manage their funds because of the diversity found in our

fund options. The fund options below are described in greater detail in our Investment Policy Statement. If you would like more information, please contact the Foundation office.

An added benefit to the clients of the Foundation is the ability to have multiple accounts with each account having its own investment goals.

Multiple statements are also available upon request as a service of the Foundation so that the necessary leadership can remain informed of the activity in an account.

FUND OPTIONS

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

- 20% Equities/80% Fixed Income**
- 50% Equities/50% Fixed Income**
- 65% Equities/35% Fixed Income**
- 70% Equities/30% Fixed Income**
- 75% Equities/25% Fixed Income**
- 100% Fixed Income & Cash**

FUND MANAGEMENT OVERSIGHT

The Foundation is fortunate to have financially knowledgeable and committed United Methodists from throughout the conference to serve on its Investment Committee.

Meeting once a quarter, and at other times when necessary, this committee, along with the expertise of Callan Associates, a nationally-known investment consulting firm, reviews the performance of our fund options and makes certain our investment managers are following their specified guidelines.

The Foundation also utilizes the expertise of the Sungard™ Trust System, Inc. that allows daily access to all

detailed investment transactions and helps provide the necessary reports that keep clients informed as to the details of their account(s). In addition, Investment Scorecard™ provides independent performance reporting for individual accounts.

Considering our Investment Policy Statement, fund options, tracking and performance reporting systems, and the oversight of a qualified Investment Committee, the Foundation affords to all its clients leadership, structure and professional analysis that is normally only available through a much larger financial institution.

DONOR ADVISED FUNDS

Many individuals have found that Donor Advised Funds are a wonderful alternative to creating a Family Foundation. Through this type of fund, donors are able to make a gift to the Foundation with distribution of the gift being made to their favorite charities at the most convenient time. The donor is

an active participant in this process and actually receives a tax deduction in the calendar year the gift is made. As a ministry to the donor, the Foundation handles all administrative details free of charge. The Foundation’s normal fee schedule applies to all donor advised funds that carry a balance.

FOUNDATION STAFF



Reverend David A. Snipes
President

"The Foundation provides invaluable ministry resources for United Methodists throughout western North Carolina as they struggle with the issues of sound theological financial stewardship in an effort to fund ministry for years to come."



Claire Gary Hunsucker
Senior Vice President, Finance

"Through the implementation of the Foundation's Investment Policy Statement, we are uniquely positioned to offer fund options that are usually only available through larger financial institutions."



Sharon Conner
Assistant Vice President, Finance

"The fiduciary responsibility of the Foundation goes way beyond that which is written in our Investment Policy Statement and individual Investment Management Contracts. We strive to serve the needs of our clients, whatever the situation may be."



Alleine McLean
Assistant, Finance

"Working with churches in western North Carolina is most rewarding. It causes me to realize that there truly are people in our conference who wish to make a difference in this world and want to reach out to their fellow brothers and sisters in Christ."



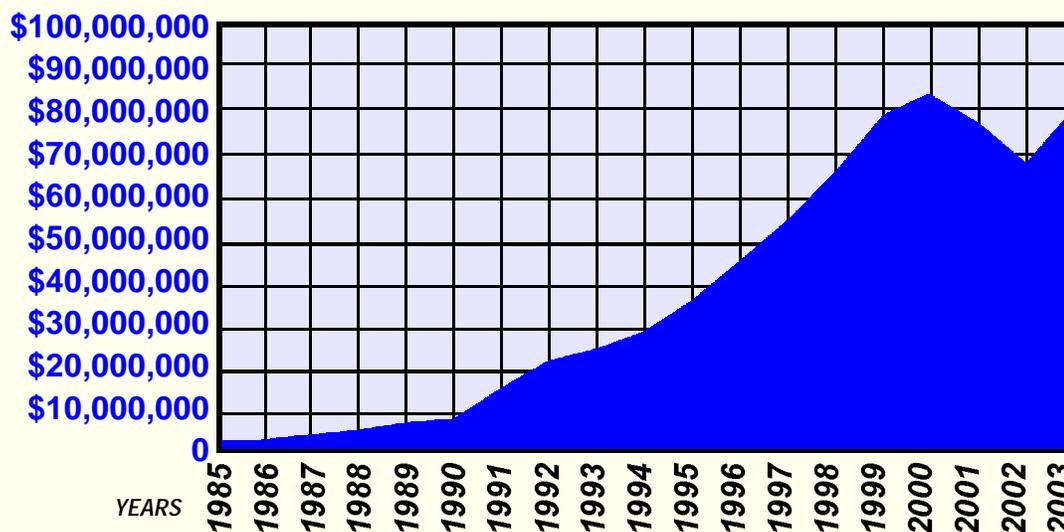
Diana Kauserud
Assistant, Administration

"United Methodists from throughout western North Carolina contact the Foundation when considering issues surrounding the funding of ministries. What a privilege it is to be in ministry with them."



Rev. Scott Nowlan, who serves as Business Administrator at West Market Street UMC in Greensboro, is one of the many church staff members throughout the Conference who help to administer the various church-based endowments and funds that are invested through the United Methodist Foundation.

Total Assets at a Glance





United Methodist Foundation of Western North Carolina, Inc.

3400 Shamrock Dr. P.O. Box 18005 Charlotte, NC 28218
(704) 535-2260 ext. 146 (800) 562-7929 ext. 146 fax: (704) 567-1130
www.umfoundationwncc.org

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David A. Snipes, President
Claire G. Hunsucker, Senior Vice President, Finance
Sharon L. Conner, Assist. Vice President, Finance
Alleine C. McLean, Assistant, Finance
Diana T. Kauserud, Assistant, Administration

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J. Carlton Fleming, Secretary
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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
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Charlene P. Kammerer, Resident Bishop
Sally O. Langford, Cabinet Representative
Thomas R. Sigmon, Conference Director of
Connectional Ministries
William C. Wyman, Jr., Conference Treasurer
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Finance & Administration

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Robert B. Byrd, II
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Ted B. Sumner, Jr.
John R. Sills
Claire G. Hunsucker, Ex-Officio
David A. Snipes, Ex-Officio
William C. Wyman, Jr., Ex-Officio

Legal Counsel:

R. Anthony Orsbon, Orsbon and Fenninger, Charlotte

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Royce and Jane Reynolds Fund Committee:

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

Royce and Jane Reynolds Leadership Fund Committee

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Bob Biggerstaff
Robert E. Fuquay, Jr.
Johnie H. Jones
Dyeanne B. Jordan
Jane R. Reynolds, Advisory
Royce O. Reynolds, Advisory
David A. Snipes, Ex-Officio

Investment Consultants :

Callan Associates, Atlanta

Portfolio Custody:

Bank of New York, New York

Banking Relationship:

Branch Banking & Trust Co., Charlotte

Security Liquidation Services:

Wachovia Securities, Charlotte

Auditor:

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

Performance Reporting:

Investment Scorecard, Inc., Nashville

Asset Management System:

SunGard Trust Systems, Inc., Charlotte

Investment Managers:

Alliance Bernstein Institutional Money Management,
New York
American Funds EuroPacific Growth, Los Angeles
Atlanta Capital Management Co., L.L.C., Atlanta
Banc of America Capital Management, L.L.C., a
division of Bank of America Corp., Charlotte
Batterymarch Financial Management, Inc., Boston
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Printing: Graphic Impressions, Charlotte