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**OFFERING CIRCULAR DATED APRIL 30, 2021**

**\$2,000,000**

**TERM INVESTMENT CERTIFICATES**

**Term: 1 or 2 years**

**Minimum Investment: \$1,000**

**For Current Interest Rates Call: 888-453-8405**

**TERMS OF LIMITED OFFERING**

We – the Kansas Area United Methodist Foundation, Inc. (hereinafter referred to as “KAUMF” or the “Foundation”) – are offering \$2,000,000 in unsecured debt securities (“Certificates”). This offering runs from the date of this Offering Circular until the expiration date twelve months later. The Certificates pay interest at rates set from time to time according to the policies set forth under “Description of Certificates” on page 19. You may call us at the number stated above or visit our website at <http://www.kaumf.org> to obtain current rates.

These Certificates are offered only to investors who meet certain requirements in relationship with the United Methodist Church or the Methodist movement and are located in Kansas or Nebraska. In order for you to purchase any Certificates, you must be, prior to your receipt of an Offering Circular, a congregant of a United Methodist Church or a church within the Methodist movement (“Limited Class”), or a person or entity having a reasonable association or affiliation with the Limited Class as set forth on page 20.

This offering is not underwritten, and no commissions or discounts will be paid. The net proceeds are expected to be a minimum of \$569,000, and the authorized amount of this offering may be amended based on actual sales of Certificates, which are estimated to be a net sum of as much as \$1,969,000, after deducting estimated offering expenses of \$31,000.

**AN INVESTMENT IN THE CERTIFICATES IS SUBJECT TO CERTAIN RISKS. PLEASE READ THE “RISK FACTORS” BEGINNING ON PAGE 3.**

**THESE CERTIFICATES HAVE BEEN REGISTERED ONLY IN THE STATES OF KANSAS AND NEBRASKA AND ARE NOT OFFERED IN ANY OTHER STATE OR JURISDICTION. THESE CERTIFICATES ARE ISSUED PURSUANT TO A CLAIM OF EXEMPTION FROM REGISTRATION UNDER SECTIONS 3(a)(4) OF THE FEDERAL SECURITIES ACT OF 1933. A REGISTRATION STATEMENT RELATING TO THESE CERTIFICATES HAS NOT BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.**

**THE CERTIFICATES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT DETERMINED THE ACCURACY, ADEQUACY, TRUTHFULNESS, OR COMPLETENESS OF THIS OFFERING CIRCULAR AND HAVE NOT PASSED UPON THE MERIT OR VALUE OF THE CERTIFICATES, OR APPROVED, DISAPPROVED, OR ENDORSED THE OFFERING. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF KAUMF AND THE TERMS OF THE OFFERING, INCLUDING THE DISCLOSURE, MERITS, AND RISKS INVOLVED.**

**THE CERTIFICATES ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF A BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, ANY STATE BANK INSURANCE FUND OR ANY OTHER GOVERNMENTAL AGENCY. THE PAYMENT OF PRINCIPAL AND INTEREST TO AN INVESTOR IN THE CERTIFICATES IS DEPENDENT UPON THE KAUMF’S FINANCIAL CONDITION. ANY PROSPECTIVE INVESTOR IS ENTITLED TO REVIEW THE KAUMF’S FINANCIAL STATEMENTS, WHICH WILL BE FURNISHED AT ANY TIME DURING BUSINESS HOURS UPON REQUEST. THE CERTIFICATES ARE NOT OBLIGATIONS OF, NOR GUARANTEED BY THE UNITED METHODIST CHURCH OR BY ANY OTHER CHURCH, CONFERENCE, INSTITUTION OR AGENCY AFFILIATED WITH THE UNITED METHODIST CHURCH.**

**NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THIS OFFERING OTHER THAN THOSE CONTAINED IN THIS OFFERING CIRCULAR, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED ON AS HAVING BEEN MADE BY THE KAUMF.**

**INVESTORS ARE ENCOURAGED TO CONSIDER THE CONCEPT OF INVESTMENT DIVERSIFICATION WHEN DETERMINING THE AMOUNT OF CERTIFICATES THAT WOULD BE APPROPRIATE FOR THEM IN RELATION TO THEIR OVERALL INVESTMENT PORTFOLIO, RISK TOLERANCE, AND PERSONAL FINANCIAL NEEDS. YOU SHOULD MAKE AN INDEPENDENT DECISION ABOUT WHETHER PURCHASING CERTIFICATES WILL AID YOU IN ACCOMPLISHING YOUR INVESTMENT OBJECTIVES AND WHETHER THE CERTIFICATES FIT WITHIN YOUR FINANCIAL RISK TOLERANCE.**

**THIS OFFERING CIRCULAR DOES NOT CONSTITUTE AN OFFER OR**

**SOLICITATION BY ANYONE IN ANY STATE IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED, OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.**

**THE INFORMATION IN THIS OFFERING CIRCULAR IS NOT INTENDED TO BE LEGAL, INVESTMENT OR PROFESSIONAL TAX ADVICE. EACH INVESTOR'S UNIQUE CIRCUMSTANCES—FINANCIAL AND OTHERWISE—ARE IMPORTANT FACTORS IN DETERMINING THE CONSEQUENCES OF AN INVESTMENT. FOR INFORMATION ABOUT THE LEGAL, INVESTMENT, OR TAX CONSEQUENCES OF INVESTING IN THE CERTIFICATES, YOU SHOULD CONSULT YOUR OWN ATTORNEY, ACCOUNTANT OR INVESTMENT ADVISOR.**

## Forward-looking Statements

This Offering Circular includes “forward-looking statements” within the meaning of the federal and state securities laws. Statements about the Foundation and its expected financial position, business and financing plans are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “pro forma,” “anticipates,” “intends,” “projects,” or other variations or comparable terminology, or by discussions of strategy or intentions. Although we believe that the expectations reflected in its forward-looking statements are reasonable, we cannot assure any Investor that our expectations will prove to be correct. Forward-looking statements are necessarily dependent upon assumptions, estimates, and data that may be incorrect or imprecise and involve known and unknown risks, uncertainties, and other factors. Accordingly, prospective Investors should not consider any forward-looking statements as predictions of future events or circumstances. A number of factors could cause our actual results, performance, achievements, or industry results to be materially different from any future results, performance, or achievements expressed or implied by forward-looking statements. These factors include, but are not limited to: changes in economic conditions in general and in our business; changes in prevailing interest rates and the availability of and terms of financing to fund our operations; and other factors discussed in this Offering Circular. Given these uncertainties, prospective Investors should not rely on forward-looking statements in making an investment decision. We disclaim any obligation to update Investors on any factors that may affect the likelihood of realization of the Foundation’s expectations. All written and oral forward-looking statements attributable to us, including statements before and after the date of this Offering Circular, are deemed to be supplements to this Offering Circular and are incorporated herein and are expressly qualified by these cautionary statements.

Although we believe that the forward-looking statements are reasonable, prospective Investors should not place undue reliance on any forward-looking statements, which speak only as of the date made. Prospective Investors should understand that the factors discussed under “**RISK FACTORS**” could affect our future results and performance. This could cause those results to differ materially from those expressed in the forward-looking statements.

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## SUMMARY OF THE OFFERING

We provide this summary for your convenience, and you must read it together with the more complete statements and information included in this Offering Circular, including the audited financial statements.

**Kansas Area United Methodist Foundation, Inc.** The offeror is the KAUMF, a Kansas not-for-profit corporation with its principal offices in Hutchinson, Kansas. The Kansas Area United Methodist Foundation was founded in 1964 by the then-existing annual conferences of the United Methodist Church in Kansas, to help maintain and further the programs and missions of the United Methodist Church in Kansas. We are governed by a Board of Trustees of up to 21 members. These members consist of *ex officio* (by virtue of office) the Bishop of The Great Plains Episcopal Area of The United Methodist Church, fifteen (15) lay members of United Methodist churches and churches related to the Methodist movement located in the State of Kansas, and five (5) clergy members of The Great Plains Annual Conference of The United Methodist Church serving in Kansas. At least a majority of the Trustees shall be laypersons. At least 51% of the Board of Trustees will be members of United Methodist Churches. The Foundation is an autonomous legal entity, and the obligations of the Foundation are not guaranteed by The United Methodist Church or any local church, annual conference, council, general board, agency, or any unit in the organizational structure of the United Methodist Church. See “HISTORY AND OPERATIONS.”

**Description of the Certificates.** We are offering unsecured debt securities in the form of Certificates of Participation, which are a form of promissory note whereby the KAUMF undertakes to repay the principal of your investment with interest at a specified rate, as in effect from time to time at the date of purchase. We set the interest rate on new Certificates effective on the first business day of each month based on surveying commercial bank rates on certificates of deposit for like terms and the rates offered by other similar United Methodist entities on comparable investment certificates. While we exercise discretion and judgment in setting our interest rates, it is most often the average of the rates of the surveyed institutions. Due to market fluctuations, interest rates may be adjusted as needed throughout the month.

The minimum investment is \$1,000. Certificates provide for automatic renewal at maturity at the interest rates then being paid by the KAUMF for newly issued Certificates unless you or we elect not to renew at the time required by the terms of the Certificates. We will send you the latest copy of the Offering Circular by April 30 of each year. You generally cannot redeem your Certificates without penalty prior to maturity, except in the case of death of the named Certificate holder. See “DESCRIPTION OF CERTIFICATES.”

**Risk Factors.** The purchase of the Certificates is subject to certain described risks, including the fact that the Certificates are unsecured and are not FDIC-insured bank deposit accounts, and investors will be dependent upon the general financial condition of the KAUMF for repayment of principal and interest. See “RISK FACTORS,” which you are urged to read carefully.

**Use of Proceeds.** We add the net proceeds of the sale of Certificates to our Church Development Loan Fund and use them to make loans to United Methodist churches and conference organizations, such as youth camps, college campus ministries, and health care ministries (“Church Organizations”). These loans are predominantly for the acquisition, construction, repair, and

renovation of churches, parsonages, and other buildings and the refinancing of such obligations at interest rates at or below prevailing commercial loan rates. Effective November 20, 2019, we also use the net proceeds of the sale of Certificates to invest with Wesleyan Investive (formerly United Methodist Development Fund, UMDF) in our loan ministry partnership. Wesleyan Investive uses the funds for loans for the acquisition, construction, repair, and renovation of churches, parsonages, and other buildings and the refinancing of such obligations made in Kansas and Nebraska. We temporarily invest un-loaned proceeds in short-term investments in furtherance of our policy to maintain a reasonable degree of liquidity. No underwriting discounts or commissions will be paid in connection with the sale of the Certificates. See “USE OF PROCEEDS.”

**Management.** The affairs of the KAUMF are governed by our outside Board of Trustees that typically meets two times a year. The Board has also appointed an executive committee, to which it has delegated authority to make certain decisions for the Board between meeting dates. The following officers are responsible for our day-to-day investment and loan operations:

President and CEO	Rev. Dr. Dustin D. Petz
Director of Legacy Giving	Dr. Sarah Diamond
Director of Finance	Gloria Markus

See “MANAGEMENT.”

**Purchase of Certificates.** To purchase one or more of our Certificates, you should complete and sign the Application to Purchase and return it to us, along with a check in full payment of the amount being invested. For information concerning present terms and interest rates, you may call at 1-888-453-8405 or visit our website at [www.kaumf.org](http://www.kaumf.org).

**Selected Financial Information for the Kansas Area United Methodist Foundation Church Development Loan Fund.** The following summarizes selected financial information for the fiscal years ended December 31, 2020, December 31, 2019 and December 31, 2018. (Certificates are referred to in financial statement presentation as “Notes”). See “SELECTED FINANCIAL DATA” and KAUMF’s “AUDITED FINANCIAL STATEMENTS” attached hereto and made an integral part of this Offering Circular.

Church Development Loan Fund: As of December 31	2018	2019	2020
Cash and Cash Equivalents and Investments	\$2,864,191	\$4,322,952	\$188,885
Loans Receivable	2,950,017	842,431	238,332
Unsecured Loans	0	0	1
Loan Delinquencies as a % of Total Loans	0%	0%	0%
Total Assets	6,520,573	5,869,453	5,471,792
Line of Credit Payable	0	0	0
Investment Certificates Payable	5,714,678	5,016,245	4,601,914
Certificates Redeemed	478,316	870,308	1,062,171
Net Assets	789,186	837,436	856,891

## RISK FACTORS

**Certificates are Unsecured Obligations.** The Certificates are unsecured, general obligations of the KAUMF. You must depend solely upon our financial condition and operations for repayment of principal and interest. See “DESCRIPTION OF CERTIFICATES.”

**No Market Exists and Transferability Is Limited and Restricted.** There is no market for the Certificates and none will develop. The Certificates are not transferrable without our consent. In addition, conditions on transfer of the Certificates may be imposed under the securities laws of Kansas and the United States. Therefore, you should view the purchase of a Certificate as an investment for its full term. See “LIMITED CLASS OF OFFEREES AND RESTRICTIONS ON TRANSFER.”

**No Right to Redeem Prior to Maturity.** We are not legally obligated to redeem your Certificate before its maturity. When early redemption is allowed, normally there is a penalty. See “DESCRIPTION OF CERTIFICATES.”

**Investments Subject to Market Risks.** A significant portion of our liquid assets is invested in readily marketable securities that are subject to various market risks, which may result in losses if market values of investments decline could affect our ability to repay. See “INVESTING ACTIVITIES.”

**Unique Borrowers and Relationships.** KAUMF’s loans are made to United Methodist churches and church-affiliated organizations or agencies whose ability to repay depends primarily upon the contributions received from their members. Both the number of members and the amount of contributions may fluctuate and could adversely affect the ability of borrowers to repay. In addition, because of the nature of these relationships, our loan eligibility and approval criteria may be more flexible and less stringent than loan policies of commercial lending institution. We may be more willing to accept partial, deferred, or late payments and extend terms of loans. See “LENDING ACTIVITIES – General.”

**Geographic Concentration of Loans.** Our lending is confined to borrowers in the States of Kansas and Nebraska, which subjects us to risks of loss due to adverse conditions specifically affecting the local economy and industries of this state, such as agriculture and manufacturing, without diversification. See “LENDING ACTIVITIES – General.”

**Property Securing Our Loans is Special Purpose Property.** If a borrower defaults on one of our loans, the property securing the loan may not sell for a sufficient amount to repay the balance of the loan due to the fact that our collateral is generally special purpose property with a limited resale market. If the property sells for less than the outstanding balance of the loan, we will likely suffer a loss, which could have an adverse effect upon us and our ability to repay our Certificates when due. See “LENDING ACTIVITIES.”

**Additional Risks Associated with Real Estate Loans.** There are additional risks associated with loans made for construction of new facilities or the renovation of existing facilities. Construction lending may involve the risk of contractor default and cost overruns. Possible delays in



completion may occur due to, among other things, shortages in materials, possible strikes, acts of nature, delays in obtaining necessary building permits or architectural certificates, environmental regulations, or fuel or energy shortages. Our mortgages may be subordinate to other liens, making it difficult or impossible to obtain payment by foreclosing on property taken as security. There is potential environmental liability associated with loans secured by real estate. We do not typically conduct an environmental audit before approving a loan. If environmental pollution or other contamination is found on or near property securing a loan, our borrower (or in some instances a lender like us) could face environmental liability or our security for the loan could be impaired. See “LENDING ACTIVITIES – General.”

**Automatic Renewal and Extension of Certificates.** We will automatically renew Certificates at maturity for an additional like term unless prior to or within 10 days after the end of the term, you send the Certificate along with a written request for payment to our office. We will send you a notice of maturity and proposed renewal, however, at least 10 days prior to the maturity date. We will send you the latest copy of the Offering Circular, with our current audited financial statements within 120 days after the end of our fiscal year. In the case of automatic extension of existing Certificates upon maturity, the new extension interest rate may be less than the interest rate on the original Certificate. The new interest rate will be the applicable interest rate for the term of the Certificate being extended at the time of the extension. See “DESCRIPTION OF CERTIFICATES.”

**Competition with Other Institutions.** Other institutions may offer notes or other securities with a higher rate of return, notes or other securities which provide greater security and less risk than our Certificates. Also, in many instances, we compete with commercial lenders with respect to loans to churches. See “DESCRIPTION OF CERTIFICATES,” and “LENDING ACTIVITIES – General.”

**Legal Compliance and Changes in Securities Laws – Sales of Certificates Could Be Curtailed.** Changes in federal and state laws, rules, or regulations regarding the sale of debt securities of religious, charitable, or other nonprofit other organizations may make it more difficult or costly to or may prohibit us from offering and selling our Certificates in the future. If this occurs, it could result in a decrease in the amount of Certificates sold by us, which could affect our ability to meet our obligations. During 2014, we experienced a substantial reduction in the amount of outstanding Certificates due to failure to register Certificates for offering with the Kansas Securities Commissioner, which has now been effected. If we do not continue to qualify our Certificates to be offered in Kansas, you along with other Investors may not be able to reinvest at maturity. See “LITIGATION.”

**Taxable Interest Income.** There are no income tax benefits with respect to your investment in the Certificates, and interest paid or payable on the Certificates will be taxable as ordinary income to you regardless of whether interest is paid or retained and compounded. See “TAX ASPECTS.”

**No Sinking Fund or Trust Indenture.** We have not established and will not establish any sinking fund or trust indenture to provide for repayment of the Certificates. Accordingly, repayment is dependent upon the current liquidity and cash flow of the KAUMF at the time of maturity or other date of redemption. See “DESCRIPTION OF CERTIFICATES.”

## HISTORY AND OPERATIONS

The Kansas Area Methodist Foundation, Inc. was incorporated on September 1, 1964 by the then-existing Kansas annual conferences of the Methodist Church as a not-for-profit corporation under the laws of the State of Kansas. Following the merger of The Methodist Church and the Evangelical United Brethren Church in 1968, we changed our name to the Kansas Area United Methodist Foundation, Inc. The general objects and purposes of the corporation are to operate solely and exclusively as a charitable, religious, literary, and educational organization to help maintain and further the programs and ministries of churches, affiliated organizations, and members of United Methodist Churches in Kansas and Nebraska, and of the churches, affiliated organizations, and members which may have been formerly associated with or part of The United Methodist Church located in Kansas and Nebraska. We are located at 100 East First Avenue, PO Box 605, Hutchinson, Kansas 67504-0605, and may be contacted at 888-453-8405 or through our website at [www.kaumf.org](http://www.kaumf.org).

We are organized and operated exclusively for religious, charitable, and educational purposes and are exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. We solicit and receive gifts, bequests, and donations from individuals and organizations for these purposes, which are tax-deductible charitable contributions under Section 170(c)(2) of the Internal Revenue Code. We hold these funds in trust and invest and administer the funds (including making grants for purposes specified by donors) for the furtherance of the religious, charitable, and educational undertakings of the churches and related agencies in the state of Kansas of the Great Plains Conference (a combination effective January 1, 2014, of formerly separate conferences in Kansas and Nebraska) and other charitable organizations benefitting these purposes.

In addition to managing funds donated and bequeathed to the Foundation, we provide fund management services under contracts with individual churches that typically do not have resources or professional employees to devote to such purposes. We also provide a variety of educational and consultation services to local church congregations, including stewardship education, annual giving campaigns, capital campaign consultations, Christian money- management seminars, and planned giving programs.

In 1996, we established the Church Development Loan Fund of the Kansas Area United Methodist Foundation. Through this fund, we began offering loans for the purchase of real estate, new construction, renovation of existing facilities, operating loans, and refinancing existing loans for United Methodist churches, conferences, districts, and conference-related organizations and agencies in Kansas and, most recently in, Nebraska. Since its inception, the Church Development Loan Fund has helped 98 qualified borrowers with loans totaling \$20,005,500. Prior to March 2014, these lending activities were funded largely from offering interest bearing certificates of participation to Kansas United Methodist individuals and organizations offered in reliance on the availability of an exemption from the registration requirements of federal and state securities law. Certificates are unsecured general obligations of the Foundation.

As a result of an inquiry by staff of the Foundation to the Kansas Securities Commissioner's office, we learned that no such exemption is available due to amendment of the

Kansas Statutes in 2005. In order to comply with the law, we stopped offering Certificates, pending making the filings necessary to register this Offering. See “CHURCH DEVELOPMENT LOAN FUND FINANCING AND OPERATIONAL ACTIVITIES.”

We discovered during the first quarter of 2014 that we had failed to keep apprised of the Kansas laws governing registration of our Certificates, which are described by law “church extension fund securities.” Such securities are exempt from the registration requirements of federal securities law, but since new statutes were enacted in 2005 have not been exempt from the registration requirements of Kansas securities law. In order to comply with the law, we stopped offering Certificates (except to institutional investors exempt from the registration requirement) pending making the filings necessary to register this Offering with the Kansas Securities Commissioner. In addition, in order to settle a potential enforcement action by the Securities Commissioner and remedy the past failure to register, we entered into an agreement with the Kansas Securities Commissioner whereby we undertook to make a rescission offer (which is an offer to make a refund with statutory interest of investments made in unregistered Certificates) to Kansas investors within the previous year. Our registration of Certificates in Kansas became effective in October 2014, the rescission offer was completed in November 2014, and we are now able to offer Certificates in compliance with the registration requirements of Kansas securities law. However, as a result of redemptions of Certificates that matured or were rescinded and the absence of new and renewal sales of Certificates for approximately seven months, the amount of outstanding Certificates had decreased by more than \$2.2 million to \$4,699,417 as of October 10, 2014. This reduction has not had a material adverse effect on payment of our obligations to Certificate holders, but our funds available for church development loans have decreased in a material amount in 2014. Our registration of Certificates in Nebraska became effective in July 2017 through the Nebraska Department on Banking and Finance.

## USE OF PROCEEDS

We add the proceeds received from the sale of Certificates to our general funds for use as our Church Development Loan Fund. We use these funds to make loans to church organizations to finance capital improvement projects, including the construction of new church facilities and the remodeling of, and additions to, existing church facilities in Kansas and Nebraska, and to pay principal and interest on past, current, or future Certificates, and to pay our operating and financing expenses. During the year ended December 31, 2018, we advanced \$30,000 in loans for these purposes. During the year ended December 31, 2019, we advanced \$83,676 in loans for these purposes. During the year ended December 31, 2020, we advanced \$0 in loans for these purposes. We have not committed all or any portion of the proceeds from this offering for any specific projects. In the normal course of our operations, however, we are continuously reviewing applications and considering making loans based upon the availability of funds. We may use the proceeds of this offering to fund some portion of these loans in process and loan commitments. However, we have not made these commitments in contemplation of this offering.

The use of proceeds supports our Church Development Loan Fund lending activities by replacing funding from Certificates relied upon to fund currently outstanding loans. We also invest our Certificate of Participation portfolio with Wesleyan Investive (formerly United Methodist Development Fund, UMDF) through the purchase of notes under the conditions, risks, and disclosures made by Wesleyan Investive in their current year's offering circular and named in a separate partnership memorandum of understanding, which expresses this commitment: The Foundation agrees that it will purchase notes and maintain an investment balance in an amount at least equal to the unpaid balance of those loans purchased by Wesleyan Investive from the Foundation ("Note Purchase based on Outstanding Loan Balance") and all future loans made in Kansas and Nebraska. We also make temporary investments of proceeds of the offering in short-term income funds in furtherance of our policy of maintaining a reasonable degree of liquidity and ability to make loans.

No underwriters are participating in this offering, and we will pay no underwriting discounts or commissions in connection with the sale of the Certificates. The Certificates are sold by Officers of the KAUMF who receive no commissions, fees, or other special remuneration for or in connection with the sale of the Certificates. We will pay all expenses of this offering, including printing, mailing, attorneys' fees, accountants' fees and securities registration fees, which are estimated to be approximately \$31,000.

The Foundation is an autonomous legal entity, and the obligations of the Foundation are not guaranteed by The United Methodist Church or any local church, annual conference, council, general board, agency, or any unit forming the organizational structure of The United Methodist Church.

## CHURCH DEVELOPMENT LOAN FUND FINANCING AND OPERATIONAL ACTIVITIES

### Outstanding Certificates

One of our primary means of obtaining the funds necessary to conduct our operations has been from the sale of our Certificates. The following describes our outstanding Certificates at the dates shown.

<u>Description</u>	<u>Number of Accounts</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
As of December 31, 2018 1- and 2-year term Certificates	266	1.49%	\$5,714,678
As of December 31, 2019 1- and 2-year term Certificates	233	1.62%	\$5,016,245
As of December 31, 2020 1- and 2-year term Certificates	213	1.32%	\$4,601,914

As of December 31, 2018, December 31, 2019, and December 31, 2020, our outstanding Certificates and accrued interests represented substantially all of our Church Development Loan Fund's total liabilities.

### Sale and Redemption of Certificates in 2018

During 2018, we received cash proceeds of \$3,231,176 from sales of our Certificates, of which \$2,850,176 was received from reinvestment of principal and interest of matured Certificates. During 2018, we paid \$478,316 to redeem matured Certificates that were not immediately reinvested. Historically, our investors have reinvested at least 76.24% of the principal balance of Certificates maturing in each of the last five years.

### Sale and Redemption of Certificates in 2019

During 2019, we received cash proceeds of \$3,964,749 from sales of our Certificates, of which \$3,856,809 was received from reinvestment of principal and interest of matured Certificates. During 2019, we paid \$870,309 to redeem matured Certificates that were not immediately reinvested. Historically, our investors have reinvested at least 82.49% of the principal balance of Certificate maturing in each of the last five years.

### Sale and Redemption of Certificates in 2020

During 2020, we received cash proceeds of \$2,680,565 from sales of our Certificates, of which \$2,360,091 was received from reinvestment of principal and interest of matured Certificates. During 2020, we paid \$798,049 to redeem matured Certificates that were not immediately reinvested. Historically, our investors have reinvested at least 82.37% of the principal balance of Certificates maturing in each of the last five years.

### Outstanding Loans

In addition to the sale of our Certificates, we generate funds from the interest income we receive on our outstanding loans. Interest rates on our outstanding loans vary from 3.00% to 4.75%.

The following table describes our outstanding loans as of December 31, 2018.

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
Loans to Church Organizations secured by real property interest	15	4.6987%	\$2,950,017
Unsecured loans	0	0%	0
Total loans	15	4.6987%	\$2,950,017

The following table describes our outstanding loans as of December 31, 2019.

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
Loans to Church Organizations secured by real property interest	7	5.097%	\$842,435
Unsecured loans	0	0%	\$0
Total loans	8	5.097%	\$842,435

The following table describes our outstanding loans as of December 31, 2020.

<u>Description</u>	<u>Number of Loans</u>	<u>Weighted Average Interest Rate</u>	<u>Aggregate Principal Balance</u>
Loans to Church Organizations secured by real property interest	2	4.384%	\$221,348
Unsecured loans	1	0.214%	\$16,984
Total loans	3	4.598%	\$238,332

## LENDING ACTIVITIES

### General

We intend to use the proceeds from this offering primarily to make loans to Church Organizations. Pending the utilization of the funds, we may invest these proceeds in low risk, liquid investments such as certificates of deposit with banks or savings institutions, government bonds, or high-grade corporate bonds.

At December 31, 2018, we had 15 loans outstanding having an aggregate principal balance of \$2,950,017 and an average principal balance per loan of \$19,668. During the year ended December 31, 2018, we advanced \$30,000 in loan funds in connection with approved loans.

At December 31, 2019, we had 8 loans outstanding having an aggregate principal balance of \$842,431 and an average principal balance per loan of \$105,304. During the year ended December 31, 2019, we advanced \$83,676 in loan funds in connection with approved loans.

At December 31, 2020, we had 3 loans outstanding having an aggregate principal balance of \$238,332 and an average principal balance per loan of \$79,444. During the year ended December 31, 2020, we advanced \$0 in loan funds in connection with approved loans.

Our loans are secured and unsecured loans at interest rates generally equivalent to or slightly lower than prevailing commercial rates. The types of loans we make include the following:

**Construction loans** are available for applicants who are planning to build a new facility, construct an addition to an existing church structure, or make extensive renovations, repairs, and improvements to an existing church structure or grounds. Draws of loan funds are made available as funds are needed for labor, materials, engineer, and architectural fees and furnishings during the construction project, with interest accruing from the date of each draw. The interest rate for construction loans is fixed during the term of construction. Monthly payments of interest only are typically required during the construction period. Upon completion of the construction project, the loan will then be converted to an adjustable rate term loan for the principal balance of the construction loan, as explained below.

**Adjustable rate term loans** are available for the purchase of real estate and re-financing an existing loan with another lender, and construction loans will be converted to adjustable rate loans upon completion of construction. Our loan terms provide for adjustment of the interest rate at intervals agreed to with the borrower. The borrower has the option of fixing the interest rate for a period of one, three, or five years from the origination date. Thereafter, the interest rate is subject to adjustment either semi-annually on January 1 and July 1 of each year during the term of the loan or annually on January 1 of each year. Adjustments to the rate are based on an index that is a measure of current interest rates for similar loans in marketplace, but the interest rate will not be increased by more than 2% at any adjustment date and not more than 6% over the life of the loan. Construction loans and term loans are generally secured by a mortgage on the real property of the borrower involved in the purchase, construction, or remodeling.

**Line-of-credit loans** provide flexibility for a borrower to meet its financial needs. A line-of-credit loan allows a borrower to draw on a pre-established line of credit for capital projects or operating needs without needing to repeat the loan approval process. Interest only payments are available during construction projects. The borrower may draw on the line of credit whenever funds are needed up to their maximum loan limit. The interest rate for a line-of-credit loan is adjusted annually. The maximum loan term for line-of-credit loans is ten years, with a maximum 15-year amortization schedule, with a balloon payment of the remaining unpaid balance due at the end of the ten-year repayment period. To renew a line-of-credit loan, a new loan application will need to be filed and approved.

**Operating loans** allows a borrower to meet their cash flow needs during typical low-giving months, or to meet unexpected financial needs. Pursuant to The Book of Discipline of The United Methodist Church, 2016, ¶2543.1 & 3; *“No real property on which a church building or parsonage is located shall be mortgaged to provide for the current budget or operating expense of a local church.” “Exceptions to this restriction may be granted in specifically designated instances to allow use of equity and/or accumulated assets from the sale of property to provide for*

*congregational redevelopment efforts including program and staff. Such exception may be granted by the annual conference, the bishop and the cabinet upon request of the local church in consultation with congregation development staff where applicable. A clear and detailed three-to-five-year redevelopment plan that projects a self-supporting ministry must accompany the request.*” Alternative collateral may need to be provided for an operating loan by a church, such as accounts on deposit with the Foundation. On a rare occasions the Committee may grant an unsecured loan.

**Special condition loans** are loans in which a borrower has sought a variance from the Foundation’s standard loan terms and conditions described above. Special condition loans may involve interest only payments on the loan for a period of time, no interest or principal payments until an asset is sold to apply on the loan or other special circumstances for the loan applicant. In such instances, the additional loans may be secured by a pledge of marketable securities, guaranteed by certain Church Organizations, or may be wholly unsecured.

We make secured and unsecured loans. As of December 31, 2018, the outstanding loans ranged in amount from \$22,618 to \$633,162. The majority ranged between \$150,000 to \$275,000. As of December 31, 2019, the outstanding loans ranged in amount from \$27,877 to \$259,887. The majority ranged between \$27,000 to \$144,000. As of December 31, 2020, the outstanding loans ranged in amount from \$16,983.60 to \$195,128.61. The majority ranged between \$17,000 to \$27,000. All loans were made predominantly for the construction, renovation, and repair of churches, parsonages, church camp and college campus ministry facilities, and for the refinancing of such obligations.

### **Loan Policies**

Loan amounts are limited to not more than 80% of the cost of new construction and/or the purchase of real estate or 80% of appraised fair market value for refinancing an existing loan with another lender. Loans for operating needs, renovation of existing facilities or grounds, repairs of existing facilities, and to re-finance existing loans may be made for up to 100% of the demonstrated need by the church. A bridge loan will be considered as a special condition loan, to finance 100% of the cost for the purchase of real estate, such as a new parsonage, with the condition that the net sale proceeds from the sale of other real estate, such as the existing parsonage, will be applied on the loan upon the completion of the sale of the other real estate.

The term of adjustable rate loans may be up to twenty years. Loan payments may be amortized for up to twenty-five years, providing for a balloon payment at the end of the twenty year or less loan term.

Loans generally must be secured by either a first or second real estate mortgage lien, by accounts on deposit with the Foundation, or by marketable securities that are placed with the Foundation during the term of the loan for collateral. When using accounts on deposit with the Foundation as collateral for a loan, the Borrower may borrow up to 75% of the fair market value of the account. When using marketable securities that are placed on deposit with the Foundation as collateral for a loan, the Borrower may borrow up to 75% of the fair market value of the marketable securities. As noted, in limited circumstances, we have agreed to make unsecured loans. In considering each loan application, the Loan Committee reviews data on construction



costs of the proposed project, the value of the property to be mortgaged, the financial capability of the Borrower seeking the loan and other purposes of the loan such as operating capital, along with our officers' recommendation as to approval or disapproval. We may from time to time require independent appraisals of properties to be mortgaged, although it is not required to do so by our loan policies. Loans are typically secured by a first lien on real property, but our experience indicates that a borrower's present and anticipated cash flow is a stronger indication of credit worthiness than property value.

Loan applications are considered and evaluated by our Loan Committee, consisting of three members of the Board of Trustees and three non-trustees selected for their expertise in lending. In evaluating the ability of a Church Organization to repay a loan, in addition to collateral requirements, our Loan Committee uses the following guidelines:

- A. Total annual debt service of the Church Organization will not exceed 33% of the total annual revenue of the Church Organization (annual revenue being defined as (1) the operating fund, (2) any capital improvements budget, and (3) any building fund);
- B. Total annual operating budget and debt service of the Church Organization will not exceed \$2,500 per giving unit (giving unit defined as pledge or regular contribution);
- C. Total loan amount will not exceed \$3,500 per giving unit;
- D. Annual debt service per giving unit of a Church Organization will not exceed \$500.00.

Borrowers must agree to not incur any additional debt without our prior written consent during the term of the loan.

### **Certain Information Regarding Loans**

We do not believe any single loan is material to our financial position. Within the past three fiscal years, we have not suffered any material loan losses. As of December 31, 2018, December 31, 2019, and December 31, 2020, no loans were delinquent or on nonaccrual status. Our management reviews loans for purposes of establishing reserves for potential loan losses. Our management's periodic evaluation of the adequacy of the allowance is based on their past lending experience, known and inherent risks in the notes and mortgages' receivable portfolio, adverse situations that may affect the borrower's ability to repay, industry standards, the estimated value of any underlying collateral, and current economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. As of December 31, 2020, 2019 and 2018, management believes no allowance for notes and mortgage notes receivable is considered necessary.

## INVESTING ACTIVITIES

As described above, the proceeds of this offering of Certificates will be invested in loans to United Methodist Churches, churches related to the Methodist movement, or church-related organizations. We endeavor to maintain appropriate and prudent margins between our borrowing costs from paying interest on our Certificates and the interest earned on loans to our borrowers. Any portion of the annual revenues earned on Church Development Loan Fund loans not used to pay operating expenses and interest on Certificates is added to our capital as undesignated net assets available for the general operating purposes of the KAUMF, including making additional funds available to the Church Development Loan Fund. In addition to loan quality and managing the risk of loan losses, the principal factor in the return on our investment in loans is the interest rate margin. Over the past five years interest rates have remained relatively stable. As of December 31, 2018, our Certificates paid rates of 1.00% to 1.99%. Interest rates on outstanding loans vary from 3.50% to 6.25%. As of December 31, 2019, our Certificates paid rates of 1.00% to 1.99%. Interest rates on outstanding loans vary from 3.00% to 5.75%. As of December 31, 2020, our Certificates paid rates of 0.50% to 1.75%. Interest rates on outstanding loans vary from 3.00% to 4.75%. It is uncertain whether interest rates will increase, decrease, or remain constant in the future. A significant increase in interest rates would likely have a material adverse effect on our Church Development Loan Fund in one or more of the following respects, (1) increasing interest rate costs on Certificates, which have one- and two-year maturities, faster than the rates on loaned funds, which the borrower has the option to fix for an initial term of three or five years, (2) increasing the risk of default because of increased debt service cost to borrowers for adjustable rate loans, and (3) reducing demand for new loans because of higher interest rates.

Our assets as of December 31, 2018, also included \$2,603,713 endowed, unrestricted funds which we invest and use the income primarily for purposes of making grants to carry out the purposes of the Foundation to support the programs and ministries of the United Methodist Church in Kansas. Custodial trust funds, which are restricted asset of the KAUMF, may be used only for purposes directed by the grantor of the trust. This amount as of December 31, 2019 was \$3,156,919 and as of December 31, 2020 was \$2,871,488.

The KAUMF invests endowment funds under the guidance provided by the Kansas Uniform Prudent Management of Institutional Funds Act, which provides seven criteria to guide investment and expenditure of endowment funds:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the Foundation and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and appreciation of assets;
- (6) Other resources of the Foundation; and
- (7) The investment policy of the Foundation.

We have adopted investment and spending policies for endowment fund assets intended to provide a predictable stream of revenue for funding organizations and programs currently while also maintaining the purchasing power of the endowment fund assets over the long term.

Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income and capital appreciation which exceeds the annual distributions made within acceptable levels of risk. Endowment assets are invested in a diversified mix including equity and debt securities intended to allow an annual distribution of 4.0% of the principal of the endowment, while growing the endowment if possible. We target a long-run rate of return of 7.0%-8.0%, but investment returns may vary from year to year and for cycles that may be of several years duration. Results of investments depend on numerous factors, including general economic conditions, equity market volatility, and interest rates, as well as the investment decisions affecting our portfolio of investments.

The Foundation's investments at December 31 are stated at fair value as summarized below:

2020	Church Loan		Custodial	
	<u>Fund</u>	<u>Endowments</u>	<u>Trust Funds</u>	<u>Total</u>
Cash and cash equivalents	\$2,362	\$2,113	\$64,061	\$68,536
Flexible investment notes	4,179,352			4,179,352
Balanced fund	864,839	21,950,668	9,820,348	32,635,855
Equity income fund		1,280,480	9,270,328	10,550,808
Fixed income fund		899,008	7,221,786	8,120,794
Short-term fund	155,745	138,014	4,213,625	4,507,384
Marketable securities		101,537	55,932	157,469
Insurance		18,864		18,864
Mineral interest		9,303		9,303
Closely held stock				
	<u>\$5,202,298</u>	<u>\$24,399,987</u>	<u>\$30,646,080</u>	<u>\$60,248,365</u>

2019	Church Loan		Custodial	
	<u>Fund</u>	<u>Endowments</u>	<u>Trust Funds</u>	<u>Total</u>
Cash and cash equivalents	\$124,220	\$3,119	\$132,423	\$259,762
Flexible investment notes	206,530			206,530
Balanced fund		16,649,246	2,745,639	19,394,885
Equity income fund	496,332	2,527,869	9,859,322	12,883,523
Fixed income fund		1,577,777	8,569,425	10,147,202
Short-term fund	3,533,544	32,598	3,482,401	7,048,543
Marketable securities		101,512	2,460,352	2,561,864
Insurance		178,760		178,760
Mineral interest		14,134		14,134
Closely held stock				
	<u>\$4,360,626</u>	<u>\$21,085,015</u>	<u>\$27,249,562</u>	<u>52,695,203</u>

2018	Church Loan		Custodial	
	<u>Fund</u>	<u>Endowments</u>	<u>Trust Funds</u>	<u>Total</u>
Cash and cash equivalents	\$332,960	\$6,304	\$453,302	\$792,566
Certificates of deposit	200,000	1,728	31,247	232,975
Equity income fund	500,000	11,652,711	9,799,403	21,952,114
Fixed income fund		6,208,433	8,322,930	14,531,363
Short-term fund	1,921,648	36,389	2,616,190	4,574,227
Marketable securities		105,467	2,409,671	2,515,138
Insurance		164,271		164,271
Mineral interest		17,294		17,294
Closely held stock				
	<u>\$2,954,608</u>	<u>\$18,192,597</u>	<u>\$23,632,743</u>	<u>\$44,779,948</u>

\*The Church Loan Fund's investment in cash, cash equivalents, and readily marketable securities which, for purposes of GAAP include the short-term fund in the table above, was increased by \$500,000 to total of \$2,573,481 at December 31, 2013, by subsequent action of the Board of Trustees. The Church Development Loan Fund does not treat cash held for operations as an "Investment" for purposes of the table above.

Our investment policies, including asset allocations, are made and maintained by the Financial Services Committee of the Board of Trustees, which currently consists of Trustees Shawn Wyatt, a Certified Financial Planner; Gary Beach, former Great Plains Conference treasurer; Sandra Holt, retired Investment Adviser Representative of Commonwealth Financial Network; Richard Martin, retired Kansas Health Foundation Investment Manager; Bill Anton, retired from Centera Bank; Keith Geist, Vice President of First Bank; and Melinda Parks, Chief Compliance Officer of Freestate Advisors.

We contract with third parties for custodial and investment management services. Commerce Trust Company, a division of Commerce Bank, 922 Walnut St., Kansas City, Missouri, serves as custodian of one our Short Term Investment funds and Wespath Institutional Investments, 1901 Chestnut Avenue, Glenview, IL 60025, services our remaining investment accounts. Consulting and fund management services are provided to us by The Commerce Trust Company and Wespath Institutional Investments.

### SELECTED FINANCIAL DATA

The table below sets forth certain selected financial data with respect to the KAUMF and its operations for the most recent three (3) fiscal years. Management has compiled this data from the KAUMF's audited financial statements, and it should be read in conjunction with its current audited financial statements including notes thereto, included elsewhere in this Offering Circular.

	<b>As of December 31</b>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Cash and investments	\$60,432,491	\$53,367,143	\$45,531,387
Total outstanding loans	238,332	842,431	2,950,017
Unsecured loans-amounts	16,984	0	0
Unsecured loans - % of total loans	0.214%	0%	0%
Loan delinquencies as % of total loans	0%	0%	0%
Total assets	60,683,142	54,229,712	48,511,483
Outstanding Notes	4,601,914	5,016,245	5,714,678
Notes redeemed during year	1,062,171	870,308	477,483
Net assets	24,539,049	21,233,925	18,237,030

### MANAGEMENT'S DISCUSSION AND ANALYSIS

Management regularly reviews the Church Development Loan Fund's overall financial condition, including past and expected performance in certain areas. The following discussion represents five of such areas.

**Changes in 2018, 2019 and 2020 Compared to Prior Years.** In 2018, the KAUMF's cash and investment decreased by \$2,683,372. Contributing factors to the decrease were deposits into new and existing accounts of \$3,249,767. Capital gains received were \$1,743,770. Distributions from accounts totaled \$3,220,749. Unrealized market value decreased by \$5,182,509. Total outstanding loans decreased by \$1,021,702 in 2018. In 2019, the KAUMF's cash and investment increased by \$7,835,756. Contributing factors to the increase were deposits into new and existing accounts of \$2,280,638. Capital gains received were \$1,840,369.

Distributions from accounts totaled \$2,244,088. Unrealized market value increased by \$4,336,104. Total outstanding loans decreased by \$2,107,582 in 2019. In 2020, the KAUMF's cash and investment increased by \$7,065,348. Contributing factors to the increase were deposits into new and existing accounts of \$1,641,243. Capital gains received were \$1,469,150. Distributions from accounts totaled \$2,271,642. Unrealized market value increased by \$5,188,743. Total outstanding loans decreased by \$604,099 in 2020.

**Capital Adequacy.** The Board of Trustees has adopted a policy of maintaining a capital reserve for the Church Development Loan Fund from net assets at the end of each year of at least 5% of the outstanding principal balance of our Certificates. We consider this to be an adequate capital position to support our operation and provide a reasonable degree of protection to Investors against losses in the value of assets available to repay Certificates. An additional measure of Capital Adequacy is provided by comparing net assets to total assets as follows:

As of 12/31/20

Net assets of the Church Development Loan Fund	\$ 856,891
Total assets of the Church Development Loan Fund	<u>5,471,792</u>
Net Assets as Percentage of Total Assets	<u>15.66%</u>

**Liquidity.** The Foundation staff uses good faith efforts to manage the daily liquidity position in an effort to continually maximize the rate of return on the total Portfolio, while providing the necessary liquidity to provide funds for daily operations, withdrawals, and outstanding loan commitments. Historically, we have made interest and principal payments on our Certificates primarily from amounts we receive as principal and interest payments on outstanding loans and from investments in and renewals of Certificates. The Certificate of Participation Accounts are redeemable upon written notice sent to us by the holder of the Certificate of Participation Accounts. There can be no assurance that we will have the liquid assets sufficient to redeem the Certificate of Participation Accounts, which are redeemable upon demand, if a substantial number of Certificate of Participation Accounts are presented for redemption at one time. The operating capital allocated to the Church Development Loan Fund as described in the preceding paragraph is invested in cash, cash equivalents, such as money market funds, and marketable securities. See "INVESTING ACTIVITIES." As of December 31, 2020, the Kansas Area United Methodist Foundation had cash, cash equivalents, and readily marketable securities equal to 4.1% of the total outstanding certificates determined as follows:

As of 12/31/20

Cash, cash equivalents and readily marketable securities	\$ 188,885
Liquid Assets	<u>\$ 188,885</u>
Total Investment Certificates	<u>\$ 4,601,914</u>
Liquid Assets as a Percentage of Outstanding Investment Certificates	<u>4.1%</u>

**Cash Flow.** In 2018, the amount of cash at the end of the year was \$609,583. In 2019, the amount of cash at the end of year was \$665,269. In 2020, the amount of cash at the end of

the year was \$30,778. The Kansas Area United Methodist Foundation's ratio of available cash to the redemption of certificates as of December 31, 2020 is greater than 1 as follows:

Cash Flow for Redemption of Certificates as of 12/31/20	
Net cash flow from operating activities	\$ 80,657
Liquid assets at beginning of year	2,851,265
Net purchase of investments	(841,672)
Loan repayments	604,099
Loan disbursements	0
Proceeds from sale of Certificates	<u>584,596</u>
Cash available for redemption of Certificates	<u>3,278,945</u>
Redemption of Certificates during the year	<u>\$ 1,062,171</u>
Coverage Ratio	<u>3.09</u>

**Loan Losses.** In 2018, 2019 and 2020, we had no loan losses.

**Operating Trends.** We strive to manage our Church Development Loan Fund operations to provide net investment income sufficient to pay interest expense on Certificates and other operating expenses. Gains on investments and gift income are also important sources for enhancing our capital position. However, we evaluate trends on operating results alone. We have achieved a positive change in total net assets each of the past seven years prior to 2014. In 2018, we had an increase in net assets of \$48,225. In 2019, we had an increase in net assets of \$48,250. In 2020, we had an increase in net assets of \$19,455.

## DESCRIPTION OF CERTIFICATES

The Certificates are in form of promises to repay with interest the amount invested by the purchaser of each Certificate. Key features and terms of our Certificate are as follows:

Term:	One-year or two-year maturity
Minimum amount:	\$1,000
Interest rate:	Fixed rates adjusted monthly, or as needed due to market fluctuation, for new or maturing certificates
Interest payable:	Quarterly or semi-annually, at investor's option, or compounded semi-annually and reinvested in the Certificate.
Early withdrawal:	Permitted only in emergencies with penalty equal to 90 days' interest, penalty is waived in the event of Certificate holder's death.
Redemption:	At maturity for face amount plus accrued and unpaid interest upon timely surrender of the Certificate to the KAUMF.
Renewal:	Automatic at our option for same term at then-current interest rate offered by the KAUMF on new Certificates unless you surrender for redemption within ten days after the maturity date. We will notify you in writing of maturity and proposed extension at least thirty (10) days prior to the Certificate's maturity date.

Certificates accrue interest daily from the date of issuance. We compound interest at the rate set forth on the face of each Certificate semiannually until maturity date or any extension thereof. We will retain and credit interest to your account unless you specifically elect on the Application to Purchase to receive interest payments quarterly or semiannually. At our election, we automatically extend the term of a Certificate on maturity at the then-current rate of interest for the Certificates of like term, unless you send a written demand for redemption to us prior to or ten (10) days after the original or any extended maturity date, along with the Certificate. In the case of automatic extension upon maturity, the new interest rate may be less than the interest rate on the original Certificate. If we elect not to extend the term, we will notify you in writing at least twenty (20) days prior to the original or extended maturity date. We send the most current copy of the Offering Circular to each Investor by April 30 of each year. Our Certificates are not insured by FDIC or SIPC or any other governmental agency.

We set the interest rate on new Certificates effective on the first business day of each month based on surveying commercial bank rates on certificates of deposit for like terms and the rates offered by other similar United Methodist entities on comparable investment certificates. While we exercise discretion and judgment in setting our interest rates, it is most often the average of the rates of the surveyed institutions. Due to market fluctuations, interest rates may be adjusted as needed throughout the month.

Although you have no right to redeem your Certificates before the maturity date, it has been our policy and practice to honor requests for early redemption upon a representation of personal or financial emergency need, subject to a penalty in the amount of 90 days' interest. We waive the penalty if a Certificate holder dies. We cannot assure you that we will continue this policy in the future and we are not legally obligated to do so.



The Certificates are unsecured general obligations of the KAUMF. We have not established and will not establish any sinking fund or trust indenture to provide for repayment of the Certificates. Accordingly, repayment is dependent upon the current liquidity and cash flow of the KAUMF at the time of maturity or other date of redemption.

### **LIMITED CLASS OF OFFEREEES AND RESTRICTIONS ON TRANSFER**

The Certificates are offered only to individuals, who certify to us that they are (1) individuals who attend, give to, or are members of a United Methodist Church or a church related to the Methodist movement or participate in a program, activity, or organization which is connected to the United Methodist Church or a church related to the Methodist movement; (2) legal entities such as partnerships, limited liability companies, and corporations, in which qualified individuals own more than 50% of the voting interests; (3) trusts of which the grantor, trustee, or one or more beneficiaries meets the definition of who would be a qualified individual under the foregoing standards; and (4) organizations such as churches, educational institutions, and other organizations historically or presently or formerly affiliated with the United Methodist Church in some significant connection. In addition, the offering is limited to persons who are bona fide residents of the State of Kansas or Nebraska who are purchasing for investment for their own account and not for distribution or resale to any other person or entity. For purposes of determining the residence of offerees and purchasers:

- A corporation, partnership, trust or other form of business organization shall be deemed to be a resident of Kansas or Nebraska if, at the time of the offer and sale to it, it has its principal office in the state.
- An individual shall be deemed to be a resident of Kansas or Nebraska if such individual has, at the time of the offer and sale to him, his or her principal residence in the state.
- A corporation, partnership, trust or other form of business organization which is organized for the specific purpose of acquiring a Certificate pursuant to this Offering Circular shall be deemed not to be a resident of Kansas or Nebraska unless all of the beneficial owners of such organization are Kansas or Nebraska residents.

### **PLAN OF DISTRIBUTION**

The KAUMF's offering of the Certificates is made solely by the Offering Circular. We primarily solicit indications of interest in the purchase of our Certificates through advertisements in United Methodist Church publications in Kansas and Nebraska, our website, electronic mail, and direct mail to Kansas and Nebraska United Methodists. You can obtain an Offering Circular and additional material concerning the Certificates by contacting us. We then transmit materials to you. We directly mail our Offering Circular and advertising materials to current, past, and prospective investors. If you wish to purchase a Certificate, you must complete the Application to Purchase that accompanies the Offering Circular and send it to us with a check for the full amount, which must be a minimum of \$1,000. If we accept your Application to Purchase, we will notify you and send you your Certificate.

No underwriting or selling agreements exist and no direct or indirect commissions or

remuneration will be paid to any individuals or organizations in connection with the offer and sale of the Certificates. The Certificates are sold for the KAUMF by Executive Officers who receive no commissions, fees, or other special remuneration for or in connection with the sale of the Certificates. See “MANAGEMENT.”

## **TAX ASPECTS OF INVESTMENT IN CERTIFICATES**

Investors will not receive a charitable deduction upon the purchase of a Certificate. The interest paid or payable on the Certificates will be taxable as ordinary income to the holder in the year it is paid or accrued. As to interest accrued over the life of a Certificate to be paid at the maturity date, all investors must report such interest as income on their federal income tax returns and state income tax returns, if applicable, ratably over the term of the Certificate as interest accrues. We will report your interest income on Certificates each year by sending you an IRS Form 1099.

Federal law requires us to withhold the current backup withholding percentage from any interest payment made for which we have not received your Taxpayer Identification Number (“TIN”) and statement certification that backup withholding does not apply to you. If the Internal Revenue Service (“IRS”) has notified us that the TIN listed on your account is incorrect according to its records, we are required by law to withhold 28% of any interest payment. Any amounts withheld are applied to your federal tax liability, and a refund may be obtained from the IRS if withholding results in overpayment of taxes.

## **LITIGATION**

As of the date hereof, no litigation or other legal or administrative proceedings or claims (actual or threatened) are pending against us or our officers or directors.

## **MANAGEMENT**

### **Board of Trustees**

The Kansas Area United Methodist Foundation, Inc. is a non-stock, not-for-profit corporation organized under the laws of the State of Kansas. We are governed by a Board of Trustees of up to 21 members. These members consist of *ex officio* (by virtue of office) the Bishop of The Great Plains Episcopal Area of The United Methodist Church, fifteen (15) lay members of United Methodist churches and churches related to the Methodist movement located in the State of Kansas, and five (5) clergy members of The Great Plains Annual Conference of The United Methodist Church serving in Kansas. At least a majority of the Trustees shall be laypersons. At least 51% of the Board of Trustees will be members of United Methodist Churches. The Foundation is an autonomous legal entity, and the obligations of the Foundation are not guaranteed by The United Methodist Church or any local church, annual conference, council, general board, agency, or any unit in the organizational structure of the United Methodist Church.

The Board also has organized and delegated authority to committees to give specific attention to certain aspects of its work. The Executive Committee represents the Board of Trustees

as needed to ensure the effective implementation of established board policies and procedures, and the development of appropriate governance recommendations for board policies to advance the organizational mission. The Executive Committee represents the interests of the Board of Trustees for issues which need Board consideration between scheduled meetings of the Board and derives its authority from delegation by Board action. Such authority shall not include amendment or repeal of the Corporation Articles or Bylaws or taking any action which violates established Board policies. The Executive Committee authority includes taking action on behalf of the Board in situations of emergency when Corporation assets or programs are at risk. All Executive Committee actions shall be reported to the full Board at the first reasonable opportunity. The Financial Services Committee meets approximately four times a year to provide oversight, coordination and full reporting to the Board of Trustees of the financial activities of the Corporation, including but not limited to investments, loans, budgeting and the annual audit. The committee reviews and monitors compliance of all agreements between donors, investors, and the Corporation, and is responsible for ensuring the financial commitments of the Corporation. The Missional Outreach Committee guides and coordinates the Corporation programs as needed to implement the established Corporation mission. The committee develops recommendations for the Board of Trustees on the strategies, resource requirements and the appropriate definition of success for Corporation efforts to serve churches, affiliated organizations and individuals across Kansas.

The members of the Board of Trustees, their terms of office, their principal occupations for the past five years, and the functions each performs for the Board are set forth below.

### **Ex Officio**

Bishop Ruben Saenz Jr. currently serves as the resident bishop of the Great Plains Annual Conference of the United Methodist Church with an office in Topeka, Kansas. Prior to his election during the 2016 South Central Jurisdictional Conference in Wichita, Bishop Saenz was considered the key point person to the bishop and the cabinet of the Rio Texas Conference, based in San Antonio, in designing and implementing ministries to fulfill the conference's mission. He serves in the role of director of connectional ministries and executive director of the Mission Vitality Center in Rio Texas. Saenz earned a bachelor's of science degree in secondary education from Stephen F. Austin State University in Nacogdoches, Texas, and was a high school teacher and coach in Rio Grande City for six years until he began working full time at a small business that he and his wife started in 1984. In 1993, they sold their business and moved to Dallas, where he began studies at the Perkins School of Theology at Southern Methodist University. When he earned his master of theology degree at Perkins, he was presented with the Perkins Faculty Award for the student who best exemplified the goals and mission of the school. In 2009, he received his doctor of ministry degree from Perkins. During his pastoral career, Bishop Saenz served churches in Dallas, El Paso and Edinburg, Texas. In those congregations, he addressed the issues of generational, social and systemic poverty that plague the region. In El Paso, he led the congregation to create and implement the Levantate – Get Up computer literacy program, targeting single mothers who were unemployed because of factory shutdowns so they could enter the job market at a sustainable wage level.

## **Class of 2021**

Rev. Andrew Conard has been serving as a Pastor in the United Methodist Church since 2012. He began serving at Church of the Resurrection in 2006, at El Dorado First in 2012, at Berryton in 2018, and Susanna Wesley in 2019. He has engaged the services of the Foundation in two of the congregations he has served. Andrew received a Bachelor of Science in Biology from Pittsburg State University and a Masters of Divinity from Wesley Theological Seminary. Andrew is part of the Missional Outreach Committee for the Kansas Area United Methodist Foundation.

Sue Dondlinger graduated from Kansas State University with a Bachelor of Science and later received her MBA from Wichita State University. She is a certified administrator of MBTI and has coach certification through ICF. Sue spent fifteen years as a management professor at Newman University. Following her years of teaching at Newman University, Cessna Aircraft hired Sue to start a leadership certificate program for their first-level managers. Several years later Sue left to work as a consultant/contractor for small businesses, banks and non-profit organizations across Kansas. These years included work for the United Methodist Church, Legasus Group- a family business consulting firm and the Kansas Leadership Center. She remains involved in the community, volunteering on non-profit boards and in her church. Sue is currently serving as vice chair of the Missional Outreach Committee for the Kansas Area United Methodist Foundation.

Rev. Jo Mead has served as the pastor at University United Methodist Church since 2015 and served Hugoton United Methodist Church from 2013 – 2015. She is viewed as a relational pastor and very connected. Her strengths area administrative and pastoral care. Jo is an elder in full connection. Jo is part of the Missional Outreach Committee for the Kansas Area United Methodist Foundation.

Mark Queen is a financial services professional, owner of several small businesses and an author. He specializes in building navigation teams that assist entrepreneurs in their pursuits both personally and entrepreneurially. He believes that just because you want to run your own company doesn't mean you have to do it by yourself. Mark has been called a "lifecoach" by many entrepreneurs. He believes that there is a difference between finding answers and being the one who must provide the solution. A highly functioning team approach can deploy solutions faster and more effectively than a person where all things must be done by the leader. Mark gives his time, financial expertise (talent) and financial resources to a number of organizations including Rotary International, his local church and a business resource group in his home area. He has served as president and chair for many organizations, as well as serving on several boards. Mark is currently serving as chair of the Missional Outreach Committee for the Kansas Area United Methodist Foundation.

Sandra Holt graduated from Mississippi State University with a BS in consumer economics. She received her MBA from the University of South Florida in Tampa. Prior to joining the Financial Group in St. Petersburg, Florida, in 1986, Sandra worked in the banking industry. Sandra formed LifeStages Financial Solutions in 2007. She was an Investment Adviser Representative of Commonwealth Financial and an active member and past board member of the Financial Planning Association (FPA) for many years. She has been involved in planned giving programs. She is a past president and is currently serving as the chair of the Financial Services Committee for the Kansas Area United Methodist Foundation.

Richard Martin is retired from the Kansas Health Foundation. He is a member of the Topeka First United Methodist Church and has served in the past as a trustee and investment committee chair of both the United Methodist Health Ministry Fund and the Kansas Area United Methodist Foundation. Richard has also served as a non-trustee investment committee member of KAUMF. For his local churches in Hutchinson, Newton and Wichita, he has served on various committees and boards. After graduation from the University of Kansas with a BS and MS in Business Administration, Richard's career included working for CPA firms in Kansas City and Hutchinson, financial officer and fixed income portfolio manager in several financial institutions in Newton and Wichita, and investment officer for the Kansas Health Foundation. Richard is part of the Financial Services Committee of the Kansas Area United Methodist Foundation.

### **Class of 2022**

Bob Timmons is a 1973 graduate of Baker University, Baldwin, Kansas majoring in Business Administration. Growing up on the family farm near Fredonia, KS, he came back home to farm with his father and brother. He served on The Wilson Co. Fair Board serving as President for several years. Bob is a member of the Fredonia Lions Club. He has served on the Kansas Corn Commission serving as Chairperson three years. He is serving on the board of directors of the Kansas Corn Growers Association as the President for the last eight years. He has served on the Research and Business Development Action Team of the National Corn Growers Association. Presently, he is serving on the Freedom to Operate Action Team. He serves on the Board of Directors of the Ag Genotyping Center in Fargo, ND. Bob has served in several positions with Fredonia First United Methodist Church. He is currently serving as Lay Leader and Chairperson of the Fredonia UMC Foundation Board. He enjoys participating in the Chancel Choir, Bell Choir and Praise band. Bob is part of the Missional Outreach Committee of the Kansas Area United Methodist Foundation.

Janice Frahm came from a line of teachers and Methodists. After graduating from Southwestern College and a graduate year at Kansas State University, she moved to Colby KS. Janice taught at Colby Community College for a brief time before marrying her husband Bruce and becoming a farming family who enjoy traveling. Janice is a past member of AAUW, current member of Colby UMC and UMW. She served on Colby Board of Education for a dozen years, served the Special Education Advisory Board for KS for six years and was re-elected in 2020 to the Board of Education. Janice is part of the Missional Outreach Committee of the Kansas Area United Methodist Foundation.

Rev. Lance Carrithers has served United Methodist churches as a pastor in Kansas since 1989. He currently serves as lead pastor of Woodlawn United Methodist Church in Derby, Kansas. Lance's previous service includes the Board of Ordained Ministry of the Kansas West Annual Conference of the United Methodist Church, the United Methodist Health Ministry Fund Trustees, and the Camp Lakeside Site Council, as well as a number of conference and district committees in the United Methodist Church through the years. He currently serves on the Site Council of Camp Horizon. Lance is part of the Missional Outreach Committee of the Kansas Area United Methodist Foundation.

Steve Schulte, a member of the United Methodist Church since 1976, recently retired as the Chief Financial Officer at Warehouse One, Inc. He served as Vice President on the Platte County R-3 Board of Education from 1989-1993, is a member of the American Institute of Certified Public Accountants and has held numerous volunteer positions in the Boy Scouts of America - Heart of America Council. He earned a BSBA with majors in Accounting and Finance and an MBA from the University of Central Missouri. He has been a member of Stilwell United Methodist Church since 1995. Steve is part of the Missional Outreach Committee of the Kansas Area United Methodist Foundation.

Melinda Parks is a Principal and Chief Compliance Officer at Freestate Advisors in Overland Park, KS. In addition to client management she is responsible for all accounting and finance functions at the firm. Melinda began her career as a Certified Public Accountant at Ernst & Young. After public accounting, she worked in banking and commercial mortgage loan servicing businesses. In 1997, she joined Sprint and held roles in Sprint's Financial Planning & Analysis and Finance Operations organizations. After transitioning to marketing, Melinda directed acquisition and retention marketing functions. Melinda served as Executive Sponsor of Sprint's women's resource group, WISE. Melinda graduated with distinction from the University of Kansas in Accounting and Business Administration. She is a member at Lenexa United Methodist Church. Melinda is currently serving as vice chair of the Financial Services Committee of the Kansas Area United Methodist Foundation.

Bill Anton is a Southwest Kansas farm boy. He is a graduate of Kansas State University and spent four years in the U.S. Air Force in Avionics Maintenance Squadrons working on F-4 Phantom jets plus other planes in the U.S. and Europe. Bill worked for The State Bank of Satanta for 19 years, then Centera Bank in Satanta for 14 years where he still sits on the Bank's board of directors. Bill attends Satanta United Methodist Church, where he grew up and has been retired for 11 years. Bill is part of the Financial Services Committee of the Kansas Area United Methodist Foundation.

Duane Dunn is the Associate Dean of the Global Campus at Kansas State University. He is a member of the First United Methodist Church in Manhattan and served as the former chair of the Staff Parish Relations Committee. Duane is a member of the Paul Harris Fellow Rotary and a trustee of the Greater Manhattan Community Foundation. Duane is a graduate of Kansas State University where he received a Bachelors and Masters in Agriculture Education and a Doctorate in Educational Administration. Duane is part of the Missional Outreach Committee of the Kansas Area United Methodist Foundation.

### **Class of 2023**

Gary Beach is retired from the Great Plains Annual Conference after serving as Treasurer and Director of Administrative Services. Gary graduated from Wichita State University where he obtained his degree in business and financial administration. After graduating from St. Paul School of Theology in Kansas City, he served churches in Pittsburg, St. Mary's-Emmett-Bellevue, Council Grove and Ottawa, all in Kansas. He became the Emporia-Manhattan district superintendent from 1995 to 2001, and was director of connectional ministries for the former Kansas East Conference from 2001 to 2010. A vacancy in the treasurer/director of administrative services office of the

conference led to his appointment in 2010. The Kansas West conference was added to his duties in 2011. He has 43 years in the ministry. Gary is chair of the trustees and is part of the Executive Committee of the Kansas Area United Methodist Foundation.

Keith Geist brings 30+ years of banking experience. Prior to First Bank, Keith was Senior Vice-President of Community National Bank and Trust in Benton, Kansas. Keith's main focus with First Bank is in commercial, agriculture and residential lending activities. Keith graduated from Kansas State University with a degree in Business Administration before starting his banking career. He primarily serves the Hutchinson and Wichita areas. He has also been highly involved in community outreach and public relations in the past. Keith loves the church and sharing his faith with others when the opportunity arises. Keith is part of the Financial Services Committee of the Kansas Area United Methodist Foundation.

Shawn Wyatt began his career in the financial services industry in 2006 after graduating from Emporia State University. As a Certified Financial Planner®, Shawn believes that with proper strategy and planning both personal and financial goals can be achieved. He also sees the absolute need to stay vigilant in the management of his client's assets given the volatility that the market is capable of. Shawn has lived in central Kansas all his life and has been a Hutchinson resident since 2008. Shawn is part of the Financial Services Committee of the Kansas Area United Methodist Foundation.

Dan Deener joined the board in 2016. He and two partners operated an insurance and real estate business in Arkansas City for 35 years. He is now semi-retired. In his professional career he was appointed by the Insurance Commissioner to the Assigned Risk Workers Compensation board. He has been President of the Wichita Chapter of the Chartered Property and Casual Underwriters, a professional society. In addition, he served as President of the Kansas Association of Insurance Agents, the statewide association of independent insurance agents. Dan is a native of Wisconsin. He moved with his family to Kansas in 1976 from Milwaukee. He received a Bachelor of Science in Business Management from Wisconsin State University in Eau Claire. Dan has served in leadership roles in many local organizations including the JC's, Arkansas City Arts Council, Ark City Country Club, Library Board, Kiwanis, Board of Zoning Appeals in Arkansas City Rotary and the Chamber of Commerce. He has led several committees at the First United Methodist Church of Arkansas City. He has participated in the choir for many years. Dan is part of the Missional Outreach Committee of the Kansas Area United Methodist Foundation.

Rev Evelyn Fisher has undergraduate degrees in journalism and political science, but her first job was working in corporate public relations and public affairs for a Fortune 500 company in Kansas City. She became a provisional member of the former Kansas East Conference in 1978 and a full member in 1981. Prior to being named director of congregational excellence for the new Great Plains Conference in 2013 where she oversaw much of the congregational programming resources, with supervisory duties over such areas as new church development, small-membership church ministry, young-adult ministry, youth ministry, mercy and justice advocacy and disaster response., she served churches in Bucyrus, Pomona-Richter, Burlington, Manhattan and Lenexa in Kansas, and she served six years as the Topeka District superintendent. She also served as consultant for pastoral and congregational concerns in the former Kansas East Conference and as director of clergy and congregational excellence in the Kansas Episcopal Area, which included

both former Kansas conferences. One of her greatest accomplishments was being on the front row of the unification that led to the Great Plains Conference. Evelyn resides in Wichita where she has served as a consultant and coach for churches. Evelyn is part of the Missional Outreach Committee of the Kansas Area United Methodist Foundation.

Randy Clinkscales founded Clinkscales Elder Law Practice, P.A. in 1985. He is a 1980 graduate of Washburn Law School and has represented clients at the administrative, county, state and federal levels in his 30+ years of practice. Randy was the first area attorney to become a member of the National Academy of Elder Law Attorneys (NAELA). He is also a member of the Kansas Chapter of NAELA, serving as its president for two terms (2009-2011), the Life Care Planning Law Firm Association, and the Elder Law Section of the Kansas Bar Association. In 2004, Clinkscales Elder Law Practice, P.A. began its Elder-Centered Practice, focusing on issues facing our aging population, as well as the caregivers for those who are aging. Randy has co-authored two books and authors a bi-weekly column in the Hays Daily News and Hays Post, where he writes about legal issues facing older adults and the benefits available to them. He presents seminars and workshops for continuing education purposes to health care professionals, financial professionals, and attorneys throughout the state of Kansas, as well as seminars to the public. Randy is a member at Hays FUMC where he is a Stephen minister and Sunday School class member. Randy is part of the Missional Outreach Committee of the Kansas Area United Methodist Foundation.

### **Employed Officers**

Rev. Dr. Dustin D. Petz has served as the President and CEO of the Foundation since 2018. An ordained elder in the United Methodist Church, he has been a pastor for the past 18 years, serving communities and congregations across Kansas and Nebraska. Dustin has experience serving on the General Council on Finance and Administration of the United Methodist Church as Chair of the Fiduciary, Foundation, and Property Matters Committee and the Investment Committee, as well as on the Board of Trustees for Saint Paul School of Theology. A 1998 graduate of Kansas State University with a Bachelor of Science, Agribusiness, Dustin received a Master of Divinity (M.Div.) from Saint Paul School of Theology, 2003, a Master of Theology (Th.M.) from Princeton Theological Seminary, 2005, and a Doctor of Ministry (D.Min.) from Wesley Theological Seminary in 2013.

Dr. Sarah Diamond serves as the Director of Legacy Giving of the Kansas Area United Methodist Foundation. Sarah has extensive experience serving in leadership and management roles in non-profits, especially faith-based organizations in Kansas. She also manages a non-profit she formed to provide support for families impacted by congenital heart defects. She is passionate about educating and working to help sustain congregations in Kansas. Sarah holds a Bachelor of Science in Agricultural Education and a Master of Agriculture in Agricultural Education from Oklahoma State University, and a Doctor of Education in Educational Leadership from Kansas State University. Her doctoral research focus encompassed the motivation and retention of volunteers in community-based non-profit organizations.

Gloria Markus, joined the staff of the KAUMF on December 19, 2005 as the Administrative Assistant, which in January 1, 2015 promoted to Director of External Relations and then promoted



September 16, 2015 to Director of Finance. Gloria received her Bachelor of Science in Business Administration from Emporia State University. Gloria has over 15 years' experience in business administration and general accounting for the Foundation. Gloria completed Leadership Reno County in 2018.

### **Compensation**

Members of the Board of Trustees serve as volunteers without compensation. They are reimbursed for travel expenses, including mileage, hotel, and meals in connection with attendance at Board and committee meetings. No individual executive officer, director, or other person performing similar duties received compensation of \$150,000 or more during our last fiscal year. The compensation of all officers and directors as a group was, \$276,386 in 2018, \$320,148 in 2019 and \$284,823 in 2020.

### **FINANCIAL STATEMENTS**

The financial statements of the Kansas Area United Methodist Foundation, Inc. as of and for years ended December 31, 2020 and 2019 have been audited by Lindburg Vogel Pierce Faris Chartered, independent auditors, as stated in their report appearing herein. These financial statements and the notes thereto are an integral part of this Offering Circular and should be read in conjunction herewith. KAUMF will provide its current audited financial statements upon written request and will mail a copy to all Investors within 120 days of its fiscal year end.

KANSAS AREA UNITED METHODIST  
FOUNDATION, INC.

HUTCHINSON, KANSAS

DECEMBER 31, 2020



KANSAS AREA UNITED METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

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Roger W. Field, CPA  
Gregory D. Daughhete, CPA  
Kenneth D. Hamby, CPA  
Michael R. Meisenheimer, CPA  
Nick L. Muetting, CPA  
Billy J. Klug, CPA  
Randall R. Hofmeier, CPA  
Brent L. Knoche, CPA  
Brian W. Mapel, CPA  
Jeffrey D. Reece, CPA  
Brady H. Byrnes, CPA  
Alex P. Larson, CPA

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Kansas Area United Methodist Foundation, Inc.  
Hutchinson, Kansas

We have audited the accompanying financial statements of Kansas Area United Methodist Foundation, Inc., Hutchinson, Kansas which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Area United Methodist Foundation, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of Church Development Loan Fund are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Lindburg Vogel Pierce Faris".

Certified Public Accountants

Hutchinson, Kansas  
March 4, 2021

KANSAS AREA UNITED METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

STATEMENTS OF FINANCIAL POSITION  
December 31, 2020 and 2019

Exhibit A

ASSETS		
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 59,954	\$ 696,695
Accrued interest receivable	384	1,127
Notes receivable	238,332	842,431
Investments	29,602,285	25,445,641
Property and equipment, net	11,935	17,011
Assets held as custodian		
Cash and cash equivalents	124,172	(24,755)
Accounts receivable	-	2,000
Investments	30,646,080	27,249,562
<b>TOTAL ASSETS</b>	<b>\$ 60,683,142</b>	<b>\$ 54,229,712</b>
LIABILITIES AND NET ASSETS		
<b>LIABILITIES</b>		
Payroll taxes payable	\$ 2,539	\$ 2,975
Accrued interest payable	12,987	15,772
Accrued employee benefits	23,150	16,510
Certificates of participation	4,601,914	5,016,245
Split-interest agreement obligations	733,251	717,479
Custodial funds payable		
Split-interest trust funds	5,020,989	4,600,174
Managed funds	25,749,263	22,626,632
<b>TOTAL LIABILITIES</b>	<b>36,144,093</b>	<b>32,995,787</b>
<b>NET ASSETS</b>		
Without donor restrictions	2,871,488	3,156,919
With donor restrictions	21,667,561	18,077,006
<b>TOTAL NET ASSETS</b>	<b>24,539,049</b>	<b>21,233,925</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 60,683,142</b>	<b>\$ 54,229,712</b>

See accompanying notes to financial statements.

KANSAS AREA UNITED METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

STATEMENTS OF ACTIVITIES  
For Years Ended December 31, 2020 and 2019

Exhibit B

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
Stewardship services						
Contributions - trust additions	\$ 373,141	\$ 235,727	\$ 608,868	\$ 478,547	\$ 432,196	\$ 910,743
Fund management fees	173,178	-	173,178	157,011	-	157,011
Capital campaign	-	-	-	34,800	-	34,800
Church Development Loan Fund						
Interest income church loans	12,879	-	12,879	105,328	-	105,328
Investment income	482,765	3,540,008	4,022,773	518,220	2,716,263	3,234,483
Net assets released from restrictions	169,408	(169,408)	-	711,669	(711,669)	-
<b>TOTAL REVENUES AND SUPPORT</b>	<b>1,211,371</b>	<b>3,606,327</b>	<b>4,817,698</b>	<b>2,005,575</b>	<b>2,436,790</b>	<b>4,442,365</b>
<b>EXPENSES</b>						
Program services						
Stewardship	220,324	-	220,324	255,650	-	255,650
Church Development Loan Fund	108,451	-	108,451	119,892	-	119,892
Trust distributions	951,718	-	951,718	859,597	-	859,597
Supporting services						
Management and general	216,309	-	216,309	217,230	-	217,230
<b>TOTAL EXPENSES</b>	<b>1,496,802</b>	<b>-</b>	<b>1,496,802</b>	<b>1,452,369</b>	<b>-</b>	<b>1,452,369</b>
<b>OTHER INCREASES (DECREASES)</b>						
Change in value of split-interest agreements	-	(15,772)	(15,772)	-	6,899	6,899
<b>CHANGE IN NET ASSETS</b>	<b>(285,431)</b>	<b>3,590,555</b>	<b>3,305,124</b>	<b>553,206</b>	<b>2,443,689</b>	<b>2,996,895</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>3,156,919</b>	<b>18,077,006</b>	<b>21,233,925</b>	<b>2,603,713</b>	<b>15,633,317</b>	<b>18,237,030</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,871,488</b>	<b>\$ 21,667,561</b>	<b>\$ 24,539,049</b>	<b>\$ 3,156,919</b>	<b>\$ 18,077,006</b>	<b>\$ 21,233,925</b>

See accompanying notes to financial statements.

KANSAS AREA UNITED METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

STATEMENTS OF FUNCTIONAL EXPENSES  
For Years Ended December 31, 2020 and 2019

Exhibit C

	Program Services			Total	Supporting	Total
	Stewardship Services	Church Development Loan Fund	Trust Distributions		Management and General	
2020						
EXPENSES						
Salaries	\$ 169,635	\$ -	\$ -	\$ 169,635	\$ 106,214	\$ 275,849
Employee benefits	41,763	-	-	41,763	30,835	72,598
Insurance	-	-	-	-	6,052	6,052
Office expenses	15,377	613	-	15,990	51,189	67,179
Operations	-	-	-	-	285	285
Professional fees	(5,380)	-	-	(5,380)	19,207	13,827
Church resourcing	16,812	-	-	16,812	-	16,812
Public relations	4,235	-	-	4,235	281	4,516
Stewardship services	4,385	-	-	4,385	-	4,385
Interest	-	78,335	-	78,335	-	78,335
Consulting expenses	595	-	-	595	139	734
Other programs	1,059	67	-	1,126	-	1,126
Staff resources	830	449	-	1,279	800	2,079
Miscellaneous	-	-	-	-	1,307	1,307
Management fees	(28,987)	28,987	-	-	-	-
Trust distributions	-	-	951,718	951,718	-	951,718
<b>TOTAL EXPENSES</b>	<b>\$ 220,324</b>	<b>\$ 108,451</b>	<b>\$ 951,718</b>	<b>\$ 1,280,493</b>	<b>\$ 216,309</b>	<b>\$ 1,496,802</b>
2019						
EXPENSES						
Salaries	\$ 176,947	\$ -	\$ -	\$ 176,947	\$ 99,419	\$ 276,366
Employee benefits	49,335	-	-	49,335	35,671	85,006
Insurance	-	-	-	-	5,655	5,655
Office expenses	14,079	868	-	14,947	50,260	65,207
Operations	-	-	-	-	1,183	1,183
Professional fees	7,175	476	-	7,651	18,645	26,296
Church resourcing	18,315	-	-	18,315	-	18,315
Public relations	4,235	-	-	4,235	1,789	6,024
Stewardship services	378	-	-	378	-	378
Interest	-	83,364	-	83,364	-	83,364
Consulting expenses	2,482	-	-	2,482	451	2,933
Other programs	10,807	-	-	10,807	-	10,807
Staff resources	7,081	-	-	7,081	2,569	9,650
Miscellaneous	-	-	-	-	1,588	1,588
Management fees	(35,184)	35,184	-	-	-	-
Trust distributions	-	-	859,597	859,597	-	859,597
<b>TOTAL EXPENSES</b>	<b>\$ 255,650</b>	<b>\$ 119,892</b>	<b>\$ 859,597</b>	<b>\$ 1,235,139</b>	<b>\$ 217,230</b>	<b>\$ 1,452,369</b>

See accompanying notes to financial statements.



KANSAS AREA UNITED METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

STATEMENTS OF CASH FLOWS  
For Years Ended December 31, 2020 and 2019

Exhibit D

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 3,305,124	\$ 2,996,895
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	6,073	6,426
Noncash contributions	(188,683)	(175,268)
Contributions restricted for investment in Foundation	(235,727)	(349,398)
Interest added to certificates of participation	63,244	63,936
Change in value of split-interest agreements	15,772	(6,899)
Gain on sale of investments	(102,963)	(920,923)
Unrealized gains on investments	(3,016,988)	(2,024,989)
(Increase) decrease in:		
Accrued interest receivable	743	5,238
Increase (decrease) in:		
Payroll taxes payable	(436)	1,697
Accrued interest payable	(2,785)	(936)
Accrued employee benefits	6,640	952
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(149,986)</b>	<b>(403,269)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances on notes receivable	-	(83,675)
Payments on notes receivable	604,099	2,191,261
Purchase of property and equipment	(996)	(1,723)
Proceeds from sale of investments	9,507,051	64,127,649
Purchase of investments	(10,355,061)	(65,304,908)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(244,907)</b>	<b>928,604</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions restricted for investment in Foundation	235,727	349,398
Sale of certificates of participation	584,596	107,940
Redemption of certificates of participation	(1,062,171)	(870,308)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(241,848)</b>	<b>(412,970)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(636,741)</b>	<b>112,365</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>696,695</b>	<b>584,330</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 59,954</b>	<b>\$ 696,695</b>
<b>ADDITIONAL CASH FLOW INFORMATION</b>		
Interest paid	<b>\$ 81,120</b>	<b>\$ 83,365</b>

See accompanying notes to financial statements.

KANSAS AREA UNITED METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

NOTES TO FINANCIAL STATEMENTS  
December 31, 2020 and 2019

NOTE 1—NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Kansas Area United Methodist Foundation, Inc. (the Foundation) is a Kansas not-for-profit corporation whose mission is to serve as a catalyst that strengthens and preserves the programs and ministries of churches, affiliated organizations and agencies, and congregants of the United Methodist Church, and of the churches, affiliated organizations and agencies, and congregants of churches related to the Methodist movement located in Kansas and Nebraska through education, planning, resourcing, and financial management.

The Foundation also offers the opportunity to purchase Certificates of Participation for Kansas and Nebraska United Methodist individuals, churches, and organizations so that the Foundation may provide church loans within the Great Plains Annual Conference.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Basis of Presentation

The Foundation has adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification topic, *Financial Statements of Not-For-Profit Organizations*. Net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for general use and not subject to donor restrictions. Funds designated for donor advised grants are available for distribution upon recommendation by the donor. The Trustees have designated from net assets without donor restrictions, net assets for endowment, operations, and the Church Loan Fund. Net assets without restrictions also include the investment in property and equipment.

Net assets with donor restrictions – Net assets that are contributions and endowment investment earnings subject to donor imposed restrictions. The Foundation may report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

As of December 31, 2020 and 2019, the Foundation's net assets with donor restrictions are restricted for funding religious and philanthropic programs specified by the donor.

Cash and Cash Equivalents

The Foundation considers checking accounts and Money Market accounts as cash equivalents.

Notes Receivable

The Foundation provides loans to churches and related agencies for building and improvement projects. The ability of the entities to honor their contracts is dependent upon general economic conditions in this area.

Notes receivable are stated at unpaid principal balances. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding.

A loan is considered impaired when, based on current information and events, it is probable that the Foundation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by the Foundation in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured on a loan-by-loan basis.

The amount of loans on nonaccrual status at December 31, 2020 and 2019, was \$0.

#### Allowance for Loan Loss

An allowance for loan loss is maintained at a level management believes is adequate to provide for potential loan losses. Management's periodic evaluation of the adequacy of the allowance is based on their past lending experience, known and inherent risks in the notes and mortgages' receivable portfolio, adverse situations that may affect the borrower's ability to repay, industry standards, the estimated value of any underlying collateral, and current economic conditions. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

As of December 31, 2020 and 2019, management believes no allowance for notes and mortgage notes receivable is considered necessary. While management uses available information to estimate losses on notes and mortgage notes, changes in economic conditions may necessitate revision of the estimate in future years.

#### Investment Securities

The Foundation accounts for investments under FASB Accounting Standards Codification 958, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Under the topic, investments are valued at their fair values in the statements of financial position; unrealized gains and losses are included in the statements of activities. Realized gains or losses on disposition are based on the net proceeds and the adjusted carrying amounts of the securities sold using the specific identification method.

#### Property and Equipment

Property and equipment are recorded at estimated fair market value at date of donation or at cost if purchased. Depreciation is computed on the straight-line method and is based on expected useful lives ranging from five to seven years.

#### Custodial Funds Payable

The Foundation as a custodian has received assets, which are held or disbursed only in accordance with the governing trust documents and investment management agreements. Since funds held as custodian are held in trust and are not income generating assets of the Foundation, the receipt of such funds and the income and expenses that might be generated from them, are not considered a part of the Foundation's operations, and therefore, are not reflected in the statements of activities and changes in net assets.

#### Income Tax Status

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

### Revenue Recognition

In accordance with Financial Accounting Standards Board, Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (ASC 606), the Foundation recognizes revenue in a way that depicts the transfer of goods or services to the customer in amounts that reflect the consideration or payment to which the Foundation expects to be entitled.

Contributions, including unconditional promises to give, are recognized as revenues in the period the gift or promise is received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, and unless instructed otherwise by the donor, are liquidated upon receipt or as soon as practical thereafter. Conditional contributions and promises to give are not recognized until the conditions on which they depend are substantially met.

Revenue from fund management fees is recognized when the Foundation has an enforceable right to payment with fees based on fund market values on date billed. Revenue from capital campaigns is recognized when the Foundation has an enforceable right to payment in accordance with the terms of the campaign agreement.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Foundation has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing consulting services. The performance obligations for these contracts are generally completed when the project is completed.

### Functional Allocation of Expense

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, office expense, professional fees, public relations, consulting, other programs, and staff resources all of which are allocated based on estimates of time, effort, or other reasonable bases.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

### NOTE 2—LIQUIDITY

The Foundation manages its cash available to meet general expenditures and distributions by operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year of the balance sheet date, comprise the following at December 31:

	2020			
	Church Loan Fund	Board Designated Endowments	Donor Advised Funds	Total
Cash and equivalents	\$ 30,778	\$ 15,839	\$ 24,683	\$ 71,300
Accrued interest receivable	384	-	-	384
Flexible investment and term notes	4,179,352	-	-	4,179,352
Balanced fund	864,839	88,951	1,384,412	2,338,202
Equity fund	-	7,195	257,532	264,727
Fixed income fund	-	25,629	65,118	90,747
Short-term fund	158,107	3,124	136,982	298,213
	<u>\$ 5,233,460</u>	<u>\$ 140,738</u>	<u>\$ 1,868,727</u>	<u>\$ 7,242,925</u>

  

	2019			
	Church Loan Fund	Board Designated Endowments	Donor Advised Funds	Total
Cash and equivalents	\$ 665,269	\$ (100,533)	\$ 43,904	\$ 608,640
Accrued interest receivable	1,127	-	-	1,127
Flexible investment and term notes	206,530	-	-	206,530
Balanced fund	-	24,018	179,386	203,404
Equity fund	496,413	318,764	1,075,374	1,890,551
Fixed income fund	-	393,651	325,060	718,711
Short-term fund	3,657,683	1,859	33,594	3,693,136
	<u>\$ 5,027,022</u>	<u>\$ 637,759</u>	<u>\$ 1,657,318</u>	<u>\$ 7,322,099</u>

In addition to these funds available for general expenditures, the Foundation charges an administrative fee based on the fund market values and loan balances to cover general expenses required to operate the Foundation. Administrative fees of \$370,991 for 2020 and \$346,287 for 2019 were charged to specific funds. Such fee income and expense is netted in the presentation of the statements of activities. Budgeted administrative fees for 2021 are \$357,478.

For funds that are endowed and annuity and trust distributions, amounts are calculated periodically with distributions funded by investment sales.

## NOTE 3—NOTES RECEIVABLE

Notes receivable consist of the following at December 31:

	2020	2019
Notes receivable - church loans	\$ 238,332	\$ 842,431
Allowance for doubtful accounts	-	-
	<u>\$ 238,332</u>	<u>\$ 842,431</u>

Loan rates vary from 3.00% to 4.75%.

Notes receivable are typically secured by either a first or second real estate mortgage, lien by accounts on deposit with the Foundation, or by marketable securities that are placed with the Foundation during the term of the loan for collateral.

## NOTE 4—INVESTMENTS

The Foundation's investments at December 31 are stated at fair value as summarized below:

	2020			
	Church Loan Fund	Endowments	Custodial Trust Funds	Total
Flexible investment and term notes	\$ 4,179,352	\$ -	\$ -	\$ 4,179,352
Balanced fund				
Multiple Asset Fund	* 864,839	21,950,668	9,820,348	32,635,855
Equity fund				
U.S. Equity Fund	* -	695,480	5,035,090	5,730,570
International Equity Fund	* -	585,000	4,235,238	4,820,238
Fixed income fund				
Fixed Income Fund	* -	899,008	7,221,786	8,120,794
Cash and equivalents	-	21	168	189
Short-term fund				
Short-Term Investment Fund	* 69,207	61,327	1,872,365	2,002,899
Cash and equivalents	2,362	2,092	63,893	68,347
Marketable certificates of deposit	86,109	76,306	2,329,644	2,492,059
Accrued interest	429	381	11,616	12,426
Marketable securities	-	101,537	55,932	157,469
Insurance	-	18,864	-	18,864
Mineral interest	-	9,303	-	9,303
	<u>\$ 5,202,298</u>	<u>\$ 24,399,987</u>	<u>\$ 30,646,080</u>	<u>\$ 60,248,365</u>

\* Wespath Institutional Investments Series I

	2019			
	Church Loan Fund	Endowments	Custodial Trust Funds	Total
Flexible investment and term notes	\$ 206,530	\$ -	\$ -	\$ 206,530
Balanced fund				
Multiple Asset Fund	* -	16,649,246	2,745,639	19,394,885
Equity fund				
U.S. Equity Fund	* 276,038	1,405,889	5,483,319	7,165,246
International Equity Fund	* 220,294	1,121,980	4,376,003	5,718,277
Cash and equivalents	81	416	1,618	2,115
Fixed income fund				
Fixed Income Fund	* -	1,577,777	8,569,425	10,147,202
Cash and equivalents	-	1,558	8,462	10,020
Short-term fund				
Short-Term Investment Fund	* 1,471,687	13,577	1,450,386	2,935,650
Cash and equivalents	124,139	1,145	122,343	247,627
Marketable certificates of deposit	2,052,178	18,932	2,022,475	4,093,585
Accrued interest	9,679	89	9,540	19,308
Marketable securities	-	101,512	2,460,352	2,561,864
Insurance	-	178,760	-	178,760
Mineral interest	-	14,134	-	14,134
	<u>\$ 4,360,626</u>	<u>\$ 21,085,015</u>	<u>\$ 27,249,562</u>	<u>\$ 52,695,203</u>

\* Wespath Institutional Investments Series I

Investment income for the years ended December 31 was as follows:

	2020	2019
Interest, dividends, and royalties	\$ 423,875	\$ 404,863
Realized gains	588,108	920,923
Unrealized gains	<u>3,016,988</u>	<u>2,024,989</u>
	4,028,971	3,350,775
Investment expenses	<u>6,198</u>	<u>116,292</u>
	<u>\$ 4,022,773</u>	<u>\$ 3,234,483</u>

## NOTE 5—FAIR VALUE MEASUREMENTS

The Foundation has determined the fair value of certain assets and liabilities through application of Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. The standards define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Foundation's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described below:

- Level 1 inputs - are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs - are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs - are unobservable inputs for assets or liabilities.

A description of the valuation methods used for assets on a recurring basis is set forth below:

- Investment securities classified as Level 1 include mutual funds, bonds, common and preferred stocks, which have values based on unadjusted quoted prices in active markets.
- Investment securities classified as Level 2 include corporate debt, asset backed securities, and government issued debt securities that have observable inputs in markets that are less than active.

The investments held at Wespath Institutional Investments classified as level 2 are valued daily by fund management after the close of U.S. markets. Fund unit prices are determined by accumulating the fair value of securities owned by the fund and dividing by the number of shares outstanding for the fund. For investments in assets not traded on a recognized market on a daily basis, fair value is determined by information received from the issuers of the investments. Redemptions over \$2,000,000 may require a 15 day notice for all funds other than the Short-Term Investment Fund.

- Insurance contract values represent the cash value of the contracts based on the contract terms and are classified within Level 3.
- Mineral interests are valued at a factor of the royalty income and other observable inputs are not readily available. These assets are classified as Level 3.



	Fair Values	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fair value measurements at December 31, 2020, are as follows:				
Wespath Institutional Investments				
Multiple Asset Fund	* \$ 32,635,855	\$ -	\$ 32,635,855	\$ -
U.S. Equity Fund	* 5,730,570	-	5,730,570	-
International Equity Fund	* 4,820,238	-	4,820,238	-
Fixed Income Fund	* 8,120,794	-	8,120,794	-
Short-Term Investment Fund	* 2,002,899	-	2,002,899	-
Cash and equivalents	68,536	68,536	-	-
Marketable certificates of deposit	2,492,058	-	2,492,058	-
Accrued income	12,426	-	12,426	-
Flexible investment and term notes	4,179,353	-	4,179,353	-
Investment securities	157,469	-	157,469	-
Life insurance	18,864	-	-	18,864
Mineral interest	9,303	-	-	9,303
	<u>\$ 60,248,365</u>	<u>\$ 68,536</u>	<u>\$ 60,151,662</u>	<u>\$ 28,167</u>

Fair value measurements at December 31, 2019, are as follows:

Wespath Institutional Investments				
Multiple Asset Fund	* \$ 19,394,885	\$ -	\$ 19,394,885	\$ -
U.S. Equity Fund	* 7,165,246	-	7,165,246	-
International Equity Fund	* 5,718,277	-	5,718,277	-
Fixed Income Fund	* 10,147,202	-	10,147,202	-
Short-Term Investment Fund	* 2,935,650	-	2,935,650	-
Cash and equivalents	259,762	259,762	-	-
Marketable certificates of deposit	4,093,585	-	4,093,585	-
Accrued income	19,308	-	19,308	-
Flexible investment and term notes	206,530	-	206,530	-
Investment securities	2,561,864	2,252,845	309,019	-
Life insurance	178,760	-	-	178,760
Mineral interest	14,134	-	-	14,134
	<u>\$ 52,695,203</u>	<u>\$ 2,512,607</u>	<u>\$ 49,989,702</u>	<u>\$ 192,894</u>

\* Wespath Institutional Investments

Fair value measurements for Level 3 assets are as follows:

	Life Insurance	Mineral Interests
December 31, 2018	\$ 164,271	\$ 17,294
Change in cash surrender value	14,489	-
Change in value based on valuation factor of royalties received	-	(3,160)
December 31, 2019	178,760	14,134
Redemption of policy	(143,818)	-
Change in cash surrender value	(16,078)	-
Change in value based on valuation factor of royalties received	-	(4,831)
December 31, 2020	<u>\$ 18,864</u>	<u>\$ 9,303</u>

#### NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2020	2019
Office furniture and equipment	\$ 14,102	\$ 14,102
Computer software	8,195	8,733
Automobile	25,000	25,000
	47,297	47,835
Accumulated depreciation and amortization	(35,362)	(30,824)
	<u>\$ 11,935</u>	<u>\$ 17,011</u>

Depreciable assets are stated at cost and are depreciated on the straight-line basis over their estimated useful lives. The Foundation capitalizes all significant fixed assets. Maintenance and repairs are capitalized when they significantly extend the life of the assets. Depreciation expense for 2020 and 2019, was \$6,073 and \$6,426, respectively.

#### NOTE 7—CERTIFICATES OF PARTICIPATION

The Foundation offers a program of interest-bearing investment certificates of participation for investors in connection with its Church Development Loan Fund program. These funds are used to provide loans to churches and church agencies for building and improvement projects.

At December 31, 2020, scheduled maturities of certificates of participation are as follows:

Interest Rates	2021	2022	Total
0.50% - 0.99%	\$ 805,635	\$ 610,244	\$ 1,415,879
1.00% - 1.49%	359,650	558,497	918,147
1.50% - 1.99%	2,085,142	182,746	2,267,888
	<u>\$ 3,250,427</u>	<u>\$ 1,351,487</u>	<u>\$ 4,601,914</u>

## NOTE 8—SPLIT-INTEREST AGREEMENT OBLIGATIONS

The Foundation has entered into irrevocable agreements with donors whereby in exchange for the gift from the donor, the Foundation is obligated to provide an annuity to the donor or other designated beneficiaries for a specific number of years or the beneficiaries' lifetime. A liability is recognized for the estimated present value of the annuity obligation and the assets are recorded at their gross market value. The discount rate and actuarial assumptions used in calculating the annuity obligation are those provided in Internal Revenue Service guidelines and actuarial tables. The fair market value of assets held under split-interest agreements were \$1,642,103 and \$1,484,199 for the years ended December 31, 2020 and 2019, respectively.

## NOTE 9—CUSTODIAL FUNDS PAYABLE

The changes in custodial funds payable for the years ended December 31 are as follows:

	2020		2019	
	Split-Interest Trust Funds	Managed Funds	Split-Interest Trust Funds	Managed Funds
Revenues and support				
Investment income	\$ 61,737	\$ 429,056	\$ 80,271	\$ 407,882
Realized gains	499,906	866,281	271,293	648,153
Unrealized gains	125,217	2,046,538	485,674	1,825,441
Total revenues and support	<u>686,860</u>	<u>3,341,875</u>	<u>837,238</u>	<u>2,881,476</u>
Disbursements				
Expenses				
Management fees	<u>30,841</u>	<u>166,899</u>	<u>35,567</u>	<u>243,598</u>
Other increases (decreases)				
Trust principal additions	-	1,032,375	-	1,369,895
Trust income additions	-	-	-	-
Trust account distributions	<u>(235,204)</u>	<u>(1,084,720)</u>	<u>(495,656)</u>	<u>(888,835)</u>
Total other increases (decreases)	<u>(235,204)</u>	<u>(52,345)</u>	<u>(495,656)</u>	<u>481,060</u>
Net change	420,815	3,122,631	306,015	3,118,938
Balance at beginning of year	<u>4,600,174</u>	<u>22,626,632</u>	<u>4,294,159</u>	<u>19,507,694</u>
Balance at end of year	<u>\$ 5,020,989</u>	<u>\$ 25,749,263</u>	<u>\$ 4,600,174</u>	<u>\$ 22,626,632</u>

#### NOTE 10—DONOR-DESIGNATED ENDOWMENTS (UPMIFA STATE)

The Foundation follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the State of Kansas (K.S.A. 58-3611 et seq.) and effective July 1, 2008, and its own governing documents and policies for the management of endowment funds. The Foundation's donor-designated endowments consist of approximately 167 individual accounts established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Kansas UPMIFA provides that an institution, in this case being the Foundation, "may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for uses, benefits, purposes, and duration for which the endowment fund is established." However, the statute provides that the intent of a donor as expressed in the gift instrument shall always control any decision by the Foundation. The Kansas UPMIFA requires the Foundation in making spending decisions for an endowment fund to focus on the purposes of the endowment fund, and subsequently to give priority to the donor's general intent that the fund be maintained permanently. Although the Kansas UPMIFA does not require that a specific amount be set aside as "principal," as was the case under prior law, the current law assumes that the Foundation will act to preserve principal (i.e., to maintain the purchasing power of the amounts contributed to the fund) while spending "income" (i.e., making a distribution each year that represents a reasonable spending rate, given investment performance and general economic conditions), absent explicit donor stipulations to the contrary. Therefore, the Foundation continues to identify and monitor the principal in each endowment fund under accounting principles, identifying the original value of any gifts to the fund, and the increases in value necessary to maintain the purchasing power of the fund. The Foundation therefore classifies as net assets with donor restrictions (a) the original value of gifts donated to a permanent endowment fund, (b) the original value of subsequent gifts to a permanent endowment fund, and (c) accumulations to the permanent endowment fund made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the Kansas UPMIFA.

The Kansas UPMIFA further provides seven criteria to guide the Foundation in its annual expenditure decisions:

- (1) The duration and preservation of the endowment fund;
- (2) The purposes of the Foundation and the endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation or deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policy of the Foundation.

### Investment Return Objectives, Risk Parameters, and Strategies

The Foundation has adopted investment and spending policies, approved by the Foundation's board of trustees, for endowment fund assets that attempt to provide a predictable stream of funding to organizations and programs supported by its endowment funds while also maintaining the purchasing power of those endowment fund assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4.0%, while growing the funds if possible. Therefore, the Foundation expects its endowment fund assets, over time, to produce an average rate of return of approximately 7.0% to 8.0% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund account; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

### Spending Policy

The Foundation has a policy of appropriating for distribution each year approximately 4.0% of each endowment fund's three year moving average of fair value as of January 1. The Foundation's spending policy for endowment funds is subject to annual review and adjustment. In establishing the policy, the Foundation considered the long-term expected return on its investment assets, the nature, and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment fund accounts to grow at a nominal average rate of 4.0% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the assets of each endowment fund as well as to provide additional real growth through investment return.

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net asset composition by type of fund as of December 31, 2020, is as follows:			
Donor-restricted endowment fund	<u>\$ 126,986</u>	<u>\$ 21,667,561</u>	<u>\$ 21,794,547</u>
Changes in endowment net assets as of December 31, 2020, are as follows:			
Endowment net assets, beginning of year	\$ 638,500	\$ 18,077,006	\$ 18,715,506
Contributions	35,348	235,727	271,075
Investment income	103,373	3,540,008	3,643,381
Other income	370,991	-	370,991
Transfer to split-interest agreements	-	-	-
Net assets released from restrictions	(1,021,226)	(169,408)	(1,190,634)
Change in value of split-interest agreements	-	(15,772)	(15,772)
Endowment net assets, end of year	<u>\$ 126,986</u>	<u>\$ 21,667,561</u>	<u>\$ 21,794,547</u>

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total Endowment</u>
Endowment net asset composition by type of fund as of December 31, 2019, is as follows:			
Donor-restricted endowment fund	<u>\$ 638,500</u>	<u>\$ 18,077,006</u>	<u>\$ 18,715,506</u>
Changes in endowment net assets as of December 31, 2019, are as follows:			
Endowment net assets, beginning of year	\$ 411,777	\$ 15,633,317	\$ 16,045,094
Contributions	161,881	432,196	594,077
Investment income	197,537	2,716,263	2,913,800
Other income	415,252	-	415,252
Transfer to split-interest agreements	-	-	-
Net assets released from restrictions	(547,947)	(711,669)	(1,259,616)
Change in value of split-interest agreements	-	6,899	6,899
Endowment net assets, end of year	<u>\$ 638,500</u>	<u>\$ 18,077,006</u>	<u>\$ 18,715,506</u>

#### NOTE 11—EMPLOYEE BENEFIT PLAN

The Foundation has established a pension plan for its lay employees with the General Board of Pensions and Health Benefits of the United Methodist Church. The Foundation annually contributes 7.0% of all full-time employees' base salary. Employees have the option to make salary reduction contributions within the limits of the law. Foundation contributions under the plan for 2020 and 2019, were \$17,742 and \$18,610, respectively.

#### NOTE 12—LEASES

During 2010, the Foundation entered into a lease agreement to lease office space from the United Methodist Health Ministry Fund. The lease shall automatically renew for subsequent three-year "Renewal Terms" with base rent increasing 3.0% each year of the renewal term. The lease agreement provides for a monthly lease rent based on the relative percentage of the office space assigned to the Foundation. Rental expense for the years ended December 31, 2020 and 2019, amounted to \$25,620 and \$24,900, respectively.

At December 31, 2020, the annual minimum lease rentals are as follows:

<u>Year Ending</u>	<u>Amount</u>
2021	<u>\$ 26,340</u>

#### NOTE 13—SIGNIFICANT CONCENTRATIONS AND RISKS

The Foundation maintains cash balances in excess of amounts insured by the Federal Deposit Insurance Corporation. Management believes the credit risk related to these deposits is minimal.

The Foundation loans funds to churches belonging to the Great Plains Conference of the United Methodist Church. The credit risk is controlled through monitoring procedures and requiring appropriate collateral.

For 2020, two donors accounted for 35.0% of contribution revenue. For 2019, four donors accounted for 55.0% of contribution revenue.

#### NOTE 14—SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through March 4, 2021, the date which the financial statements were available for issue.

#### NOTE 15—RELATED PARTY TRANSACTIONS

Foundation trustees may also be trustees of entities investing with, have loans or certificates of participation, or receiving grants through the Foundation. Trustees may also be employees, officers, or directors and may own financial interest in entities that the Foundation does business with. No trustees are entitled to receive a benefit by reason of any contract or agreement between the Foundation and the other entities. Trustees may also invest personally or make donations to the Foundation.

KANSAS AREA UNITED METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

SCHEDULES OF CHURCH DEVELOPMENT LOAN FUND  
As of and for Years Ended December 31, 2020 and 2019

Schedule 1  
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NET ASSETS		
	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 30,778	\$ 665,269
Accrued interest receivable	384	1,127
Notes receivable	238,332	842,431
Investments		
Flexible investment and term notes	4,179,352	206,530
Short-term income funds		
Cash and cash equivalents	2,362	124,139
Marketable certificates of deposit	86,109	2,052,178
Accrued income	429	9,679
Wespath Short-Term Investment Fund	69,207	1,471,687
Balanced income fund		
Wespath Balanced Fund	864,839	-
Equity income fund		
Cash and cash equivalents	-	81
Wespath U.S. Equity Fund	-	276,038
Wespath International Equity Fund	-	220,294
<b>TOTAL ASSETS</b>	<b><u>\$ 5,471,792</u></b>	<b><u>\$ 5,869,453</u></b>
<b>LIABILITIES</b>		
Accrued interest payable	\$ 12,987	\$ 15,772
Certificates of participation	4,601,914	5,016,245
<b>TOTAL LIABILITIES</b>	<b>4,614,901</b>	<b>5,032,017</b>
<b>NET ASSETS</b>	<b><u>856,891</u></b>	<b><u>837,436</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,471,792</u></b>	<b><u>\$ 5,869,453</u></b>
<b>CHANGES IN NET ASSETS</b>		
<b>REVENUES AND SUPPORT</b>		
Investment earnings, net	\$ 127,906	\$ 168,143
<b>DISBURSEMENTS</b>		
Staff resources	449	-
Management fees	28,987	35,184
Other programs	67	-
Interest expense	78,335	83,365
Office expense and postage	613	868
Professional fees	-	476
<b>TOTAL OPERATING DISBURSEMENTS</b>	<b><u>108,451</u></b>	<b><u>119,893</u></b>
<b>INCREASE IN NET ASSETS</b>	<b><u>\$ 19,455</u></b>	<b><u>\$ 48,250</u></b>

See independent auditors' report.



KANSAS AREA UNITED METHODIST FOUNDATION, INC.  
Hutchinson, Kansas

SCHEDULES OF CHURCH DEVELOPMENT LOAN FUND (CONTINUED)  
As of and for Years Ended December 31, 2020 and 2019

Schedule 1 (continued)  
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CASH FLOWS

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 19,455	\$ 48,250
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Interest income added to certificates of participation	63,244	63,936
(Increase) decrease in accrued interest receivable	743	5,238
Increase (decrease) in accrued interest payable	<u>(2,785)</u>	<u>(936)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>80,657</u>	<u>116,488</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances on notes receivable	-	(83,675)
Payments on notes receivable	604,099	2,191,261
Net purchase of investments	<u>(841,672)</u>	<u>(1,406,020)</u>
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(237,573)</u>	<u>701,566</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Sale of certificates of participation	584,596	107,940
Redemption of certificates of participation	<u>(1,062,171)</u>	<u>(870,308)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>(477,575)</u>	<u>(762,368)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(634,491)</u>	<u>55,686</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>665,269</u>	<u>609,583</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 30,778</u></u>	<u><u>\$ 665,269</u></u>

See independent auditors' report.