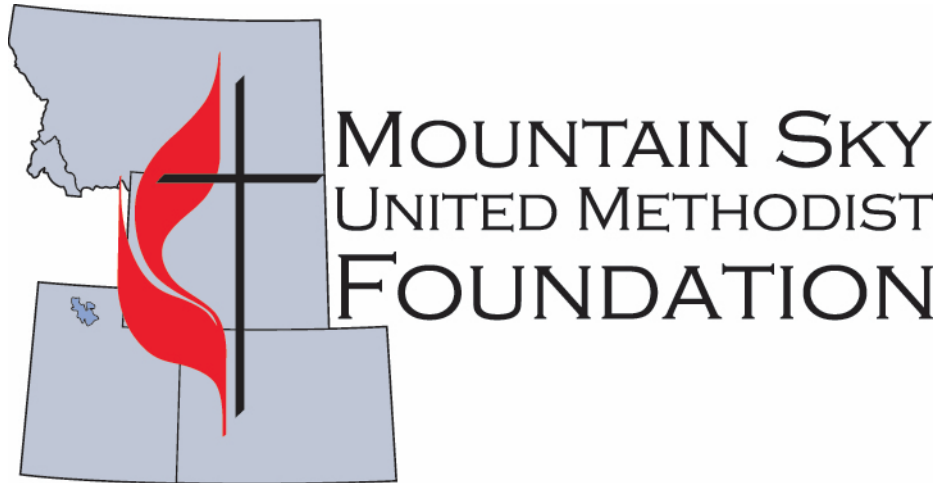


# **OFFERING CIRCULAR**

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## **Methodists Helping Methodists Fund**



A Church Loan Fund Issued and Administered by the

**Mountain Sky United Methodist Foundation, Inc.**

7350 E. Progress Place, Suite 205  
Greenwood Village, Colorado 80111

303-778-6370

[www.MountainSkyUMF.org](http://www.MountainSkyUMF.org)  
[info@MountainSkyUMF.org](mailto:info@MountainSkyUMF.org)

**Relating to a Maximum of \$20,000,000**

**INVESTMENT ACCOUNTS OF PARTICIPATION**

**Issued by the**

**Mountain Sky United Methodist Foundation, Inc.**

The Investment Accounts are payable out of certain revenues and assets of the Methodists Helping Methodists Fund; bear interest at a variable-rate or fixed-rate accrued monthly and payable quarterly; and are offered in minimum principal amounts of \$500, \$1,000, \$5,000 and \$10,000.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS ANY COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

**An investment in these securities does not qualify as a deductible charitable contribution under federal or state tax laws. See "RISK FACTORS" for a discussion of certain material factors that should be considered in connection with an investment in the securities offered hereby.**

The date of this Offering Circular is January 1, 2019

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## Table of Contents

<b>INTRODUCTION</b> .....	6
<b>RISK FACTORS</b> .....	9
<b>USE OF PROCEEDS</b> .....	12
<b>FUND REVENUES</b> .....	12
<b>CURRENT LOAN PORTFOLIO AND INVESTORS</b> .....	13
<b>LOAN POLICIES</b> .....	13
<b>MORTGAGE LOAN PROCESSING</b> .....	14
<b>MANAGEMENT</b> .....	15
<b>PLAN OF DISTRIBUTION</b> .....	17
<b>LEGAL MATTERS</b> .....	18
<b>TAX CONSIDERATIONS</b> .....	18
<b>PERIODIC REPORTS</b> .....	18
<b>APPENDIX A-1</b> .....	19
<b>Variable-Rate Investment Account Summary</b> .....	19
<b>APPENDIX A-2</b> .....	20
<b>Fixed-Rate Investment Account Summary</b> .....	20
<b>APPENDIX B: Subscription Agreements</b> .....	21
<b>SUBSCRIPTION AGREEMENT: VARIABLE-RATE FOR INDIVIDUALS</b> .....	22
<b>SUBSCRIPTION AGREEMENT: FIXED-RATE FOR INDIVIDUALS</b> .....	24
<b>SUBSCRIPTION AGREEMENT: VARIABLE-RATE FOR CHURCHES/AGENCIES</b> .....	26
<b>SUBSCRIPTION AGREEMENT: FIXED-RATE FOR CHURCHES/AGENCIES</b> .....	28
<b>AUTHORIZED SIGNATURE CARD – institutional accounts only</b> .....	30
<b>APPENDIX C: 2017 - 2016 Audited Financials</b> .....	32

The Fund intends to amend and update this Offering Circular on an annual basis in order to reflect any material changes or events with respect to the Fund. However, neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of the Fund since such date.

THIS OFFERING CIRCULAR HAS BEEN PREPARED ON A CONFIDENTIAL BASIS FOR THE BENEFIT OF PROSPECTIVE INVESTORS IN CONNECTION WITH THE SALE OF THE INVESTMENT ACCOUNTS DESCRIBED HEREIN. THE INVESTMENT ACCOUNTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR THE SECURITIES LAWS OF ANY STATE, IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND SUCH STATE LAWS, AND THE INVESTMENT ACCOUNTS CANNOT BE MORTGAGED, PLEDGED, HYPOTHECATED, TRANSFERRED OR RESOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED UNDER THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE UNDER THE ACT AND SUCH STATE LAWS.

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PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS OFFERING CIRCULAR OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS RELATED TO THE INVESTMENT ACCOUNTS AS LEGAL OR TAX ADVICE OR ANY INFORMATION NECESSARILY APPLICABLE TO A PROSPECTIVE INVESTOR'S PARTICULAR FINANCIAL SITUATION. EACH INVESTOR SHOULD CONSULT HIS OR HER OWN FINANCIAL ADVISOR, LEGAL COUNSEL, AND ACCOUNTANT AS TO TAX, LEGAL AND RELATED MATTERS CONCERNING AN INVESTMENT IN THE INVESTMENT ACCOUNTS.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS RELATING TO THIS OFFERING ON BEHALF OF THE FUND OR THE FOUNDATION OTHER THAN AS INCLUDED IN THIS OFFERING CIRCULAR. NO OFFERING LITERATURE OR ADVERTISING IN ANY FORM MAY BE EMPLOYED IN THE OFFERING OF THE INVESTMENT ACCOUNTS OTHER THAN THIS OFFERING CIRCULAR. THIS OFFERING CIRCULAR HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF PERSONS INTERESTED IN THE PROPOSED LIMITED OFFERING OF THE INVESTMENT ACCOUNTS OFFERED HEREBY, AND ANY REPRODUCTION, DISTRIBUTION, OR DISCLOSURE OF ANY OF THE CONTENTS OF THIS OFFERING CIRCULAR IN WHOLE OR IN PART, WITHOUT THE PRIOR WRITTEN CONSENT OF THE FUND AND THE FOUNDATION, IS PROHIBITED.

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THE INVESTMENT ACCOUNTS ARE OFFERED WHEN, AS AND IF ISSUED, SUBJECT TO THE RIGHT OF THE FUND AND THE FOUNDATION, IN THEIR SOLE DISCRETION, TO REJECT ANY SUBSCRIPTION, AND TO CERTAIN OTHER CONDITIONS. SUBSCRIPTIONS FOR INVESTMENT ACCOUNTS CAN BE MADE ONLY BY DELIVERY OF EXECUTED APPLICATIONS FOR INVESTMENT, FORMS OF WHICH ARE ATTACHED TO THIS OFFERING CIRCULAR FOR REVIEW BY PROSPECTIVE INVESTORS.

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CERTAIN PROVISIONS OF RELEVANT DOCUMENTS RELATING TO THE INVESTMENT ACCOUNTS HAVE BEEN SUMMARIZED IN THIS OFFERING CIRCULAR. SUCH SUMMARIES DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO AND QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS. COPIES OF SUCH DOCUMENTS ARE AVAILABLE UPON REQUEST FROM THE FUND AND THE FOUNDATION.

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EACH PROSPECTIVE INVESTOR WILL BE AFFORDED THE OPPORTUNITY TO OBTAIN ALL ADDITIONAL INFORMATION WHICH SUCH INVESTOR OR HIS OR HER PURCHASER REPRESENTATIVE MAY REASONABLY REQUEST RELATING TO THE OFFERING, THE FUND, THE FOUNDATION, OR ANY OF THE DOCUMENTS RELATED TO THIS OFFERING THAT THE FUND OR THE FOUNDATION POSSESSES OR CAN ACQUIRE WITHOUT UNREASONABLE EFFORT OR EXPENSES, AND WHICH IS NECESSARY TO VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. EACH PROSPECTIVE INVESTOR AND HIS OR HER PURCHASER REPRESENTATIVE, IF ANY, WILL BE AFFORDED THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM THE FUND AND THE FOUNDATION CONCERNING THE TERMS AND CONDITIONS OF THE OFFERING, THE INFORMATION SET FORTH HEREIN, AND ANY ADDITIONAL INFORMATION THAT IS REQUESTED AND SUPPLIED TO SUCH INVESTOR OR PURCHASER REPRESENTATIVE.

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## **INTRODUCTION**

### **The Fund**

The Mountain Sky United Methodist Foundation, Inc.'s **Methodists Helping Methodists Fund**, (formerly the Rocky Mountain Conference United Methodist Development Fund), was originally organized in 1960 as The Church Extension Loan Fund, authorized by the 1960 Session of the Rocky Mountain Methodist Annual Conference and revised by the Session in 1965. The original purpose of The Church Extension Loan Fund (the "1960 Loan Fund") was to make loans to local churches for (i) capital improvements; (ii) construction; and (iii) to purchase sites for future churches, with all loans secured by first or second mortgages. The 1960 Loan Fund obtained deposits primarily from individuals to make such loans.

The Rocky Mountain United Methodist Foundation, Inc. was incorporated as a Colorado non-profit corporation in 1987, after being approved by The Annual Conference Session in 1986. In 2018, the Rocky Mountain United Methodist Foundation, Inc. merged with the Yellowstone Conference United Methodist Foundation to form the Mountain Sky United Methodist Foundation, Inc. (the "Foundation"). With the approval of The Rocky Mountain Conference of the United Methodist Church (a separate legal entity), in 1997 the Foundation established a new loan fund (the "Fund"), which included all or a portion of the 1960 Loan Fund at the discretion of the earlier depositors. The purpose of this new Fund is to procure and manage funds to assist qualifying United Methodist Churches (the "Churches"), and Conference Agencies which own real property (the "Agencies") of the Mountain Sky Conference of the United Methodist Church (the "Conference") in the construction and capital improvement of churches, parsonages, church-owned facilities, and other capital projects (the "Projects"). The Fund has made or intends to make first and second mortgage loans (the "Mortgage Loans") to the Churches and Agencies of the Conferences from (i) the proceeds of this offering; (ii) existing cash reserves; (iii) future cash flow generated by the Fund; and (iv) any amounts which are remaining from or are generated by the 1960 Loan Fund (collectively, the "Proceeds"). The Foundation on September 16, 1996, received authorization from the Conference Board of Trustees to assume administration and responsibilities of the 1960 Loan Fund.

### **The Purpose**

The Fund's overall purpose is to support the growth and development of the United Methodist Churches and Agencies of the Mountain Sky Conference by loaning as much of the Proceeds as possible to creditworthy Churches and Agencies. Account holders, by their purchase of Investment Accounts, will enable the Fund to make first and second Mortgage Loans at interest rates expected to be lower than those charged by commercial banks and other institutional lenders. The intent of the Fund is to provide a financing source to eligible Churches and Agencies rather than to generate profits through lending activities.

The Fund will maintain and administer the Proceeds for the purpose of making Mortgage Loans to the Churches and Agencies. The Fund has administered the outstanding mortgage loans made prior to December 31, 1996 by the 1960 Loan Fund which have now been paid off by the borrowing churches and agencies. As of December 31, 2017, there were approximately 167 participant investors in the Fund with 276 Investment Accounts totaling \$10,169,155.

### **The Investment Accounts**

**A. Variable-Rate Investment Accounts:** The Variable-Rate Investment Accounts will be issued at their face value, for cash only, in a minimum initial amount of \$500 in the form attached hereto as Appendix A. Additional deposits may be made in any amount. Principal and interest on the Variable-Rate Investment Accounts is payable solely from debt service received on the Fund's Mortgage Loan portfolio and the Reserve Fund which the Fund intends to maintain in an amount equal to approximately 10% of the outstanding principal balance of the Investment Accounts (the "Reserve Fund"). Interest on the Variable-Rate Investment Accounts will be accrued daily and posted monthly. The interest amount will be added to principal if the investor has selected this option. If the investor has requested payment of interest,

then such payment will be made by check from the Foundation. The Variable-Rate Investment Accounts represent special, unsecured obligations of the Fund, although the Mortgage Loans will be secured by first or second mortgages on real property.

The rate of interest payable on the Variable-Rate Investment Accounts, as of January 1, 2019, is 0.60% per annum. The Fund's Loan Committee will review and may adjust the rate of interest payable on the Variable-Rate Investment Accounts based upon the Committee's consideration of a number of factors, including the average rate of return received by the Fund on its Mortgage Loans and the then-prevailing rate of interest being paid to investors on similar investments, such as bank money market accounts. From time to time the Fund's Loan Committee may, in its sole discretion, raise or lower the rate of interest payable on the Variable-Rate Investment Accounts. It is expected that the rate of interest payable to Variable-Rate Account holders will generally be at least two percentage points lower than the average rate of interest charged or earned on the assets of the Fund, including the Mortgage Loans. There is no minimum interest rate or guaranteed rate that must be paid by the Fund on the Variable-Rate Investment Accounts.

The Variable-Rate Investment Accounts are redeemable by the holders upon demand subject to the restrictions set forth in the Variable-Rate Investment Accounts and summarized herein. The Fund is solely responsible for repayment to holders of the Variable-Rate Investment Accounts. The Fund is required to repay the Variable-Rate Investment Accounts within 30 days after receipt of notice from the Variable-Rate Account holder, such repayments to be made only out of debt service received on the Mortgage Loan Portfolio, earnings of the Fund, and the Reserve Fund. Should the Fund be unable to promptly repay the principal balance and accrued interest of any Variable-Rate Investment Account presented for redemption, then the Fund shall repay the principal amount of the Variable-Rate Investment Account, together with accrued interest thereon, as soon as possible in the order requests for repayment were received by the Fund. In the event the Fund fails to make any such payment, then the Variable-Rate Investment Account holder will have no recourse against the Foundation, the Conference, or any other United Methodist Agency or organization. In addition, the Fund has the right to call the Variable-Rate Investment Accounts at any time, upon 30 days' notice to the Variable-Rate Investment Account holders.

**B. Fixed-Rate Investment Accounts:** The Fixed-Rate Investment Accounts will be issued at their face value, for cash only, in a minimum initial amount of \$1,000 or \$5,000 or \$10,000 in the form attached hereto as Appendix B. The minimum time is anticipated to be 12 months, 24 months, 36 months, 48 months, or 60 months. For Fixed-Rate Investment Accounts, the principal amount may not be withdrawn until maturity, except at the discretion of the Fund, early withdrawals may be allowed. In the event of an early withdrawal the Fund may charge an early withdrawal penalty of 90 days' interest on the full account balance. No additions to principal (other than interest credited) are allowed. The interest rate to be paid will be set at the date on which the Fixed-Rate Investment Account is issued. Principal and interest on the Fixed-Rate Investment Accounts are payable solely from debt service received on the Fund's Mortgage Loan portfolio and the Reserve Fund which the Fund intends to maintain in an amount equal to approximately 10% of the outstanding principal balance of both the Variable-Rate Investment Accounts and the Fixed-Rate Investment Accounts (the "Reserve Fund"). Interest on the Fixed-Rate Investment Accounts will be accrued daily and posted monthly beginning with the date of receipt of a completed Subscription Agreement and credited monthly or paid quarterly to the record owner until maturity of the Fixed-Rate Investment Account. If an investor of \$1,000 or more selects, the interest may be paid quarterly. The interest amount will be added to principal if the investor has not selected the quarterly payment option. If the investor has requested payment of interest, then such payment will be made by check or direct deposit to another financial institution from the Foundation by the end of the month following the end of each said period. The Fixed-Rate Investment Accounts represent special, unsecured obligations of the Fund, although the Mortgage Loans will be secured by first or second mortgages on real property.

Effective January 1, 2019, the rate of interest payable on the Fixed-Rate Investment Accounts for amounts of \$1,000 to \$4,999 for 12 months was 1.40%, for 24 months was 1.50%, for 36 months was 1.75%, for 48 months was 2.15% and for 60 months was 2.40%. For Fixed-Rate Investment Accounts for the amounts \$5,000 to \$9,999 for 12 months, the rate of interest payable was 1.90%, for 24 months was 2.00%, for 36 months was 2.25%, for 48 months was 2.65% and for 60 months was 2.90%. For Fixed-Rate Investment

Accounts of \$10,000 or higher, for 12 months the rate of interest payable was 2.00%, for 24 months was 2.10%, for 36 months was 2.35%, for 48 months was 2.75% and for 60 months was 3.00%. Thereafter, the Fund's Loan Committee will review and may adjust the rate of interest payable on new issues of Fixed-Rate Investment Accounts. The rates will be based upon the Loan Committee's consideration of a number of factors, including the average rate of return received by the Fund on its Mortgage Loans and the then-prevailing rate of interest being paid to investors on similar investments, such as money market accounts and bank certificates of deposit. At such times, the Fund's Loan Committee may, in its sole discretion, raise or lower the rate of interest payable on future Fixed-Rate Investment Accounts. It is expected that the rate of interest payable to Fixed-Rate Investment Account holders will generally be at least 2.0 percentage points lower than the average rate of interest charged or earned on the assets of the Fund, including the Mortgage Loans.

The Fixed-Rate Investment Accounts will be held until maturity. A penalty for early withdrawal may be assessed as set forth in the Fixed-Rate Investment Account and summarized herein. This penalty for early withdrawal may be an amount equal to 90 days' interest of the full balance of the Fixed-Rate Investment Account. The Fund is solely responsible for repayment to holders of the Fixed-Rate Investment Accounts. The Fund is required to repay the Fixed-Rate Investment Accounts at maturity, such repayments to be made only out of debt service received on the Mortgage Loan Portfolio, earnings of the Fund, and the Reserve Fund. Should the Fund be unable to promptly repay the principal balance and accrued interest of any Fixed-Rate Investment Account presented for redemption, then the Fund shall repay the principal amount of the Fixed-Rate Investment Account, together with accrued interest thereon (less any applicable early withdrawal penalty), **as soon as possible** in the order requests for repayment were received by the Fund. In the event the Fund fails to make any such payment, then the Fixed-Rate Investment Account holder will have no recourse against the Foundation, the Conference, or any other United Methodist Agency or organization. In addition, the Fund has the right to call the Fixed-Rate Investment Accounts at any time, upon 30 days' notice to the Fixed-Rate Investment Account holders.

## The Offering

Investment Accounts	
Currently Offered .....	\$20,000,000
Variable-Rate Investment Accounts Outstanding	
as of December 31, 2018,.....	\$ 3,075,263
Fixed-Rate Investment Accounts Outstanding	
as of December 31, 2018,.....	\$ 7,845,981
Total Outstanding as of December 31, 2018, .....	\$10,921,244
Use of Proceeds .....	90% to make mortgage loans
.....	10% to be held as a Reserve Fund

No part of the proceeds will be used to pay the expenses of this offering or the operating expenses of the Fund, although earnings from investments and interest paid on the Mortgage Loans may be used for future operating expenses.

## Method of Offering

The Fund is offering up to an aggregate total of \$20,000,000 of the Variable-Rate and/or Fixed-Rate Investment Accounts to qualified investors (individuals, churches and church agencies) who reside in Colorado, Wyoming, Utah, and Montana, as well as other states in which the sale of Investment Accounts may be permitted. The Loan Committee reserves the right to refuse investments of a single investor whose total investments exceed 10% of the total fund. The Variable-Rate Investment Accounts will be issued at their face value, for cash only, in a minimum initial amount of \$500. The Fixed-Rate Investment Accounts



will be issued at their face value, for cash only, in a minimum initial amount of \$1,000 or \$5,000 or \$10,000. Investors must acquire the Investment Accounts solely for investment and must make the representations contained in the Subscription Agreements attached hereto as Appendices A and B. No security firm or other entity underwrites the offering, and the Fund intends to make sales through its officers and employees, the Loan Committee, the Board of Directors of the Foundation, and other means as permitted by law. No commissions of any kind will be paid to any person or entity that sells any of the Investment Accounts.

The Fund will act as sole distributor of the Investment Accounts. No officer or Loan Committee member of the Fund will receive any fee or pecuniary benefit from the sale of the Investment Accounts or the Fund's operation, except for reimbursement of actual expenses incurred and reasonable compensation for services actually rendered in performing his or her regular duties, and not as compensation for sale of the Investment Accounts. No fees of any kind will be paid to any underwriter, broker, or independent salesperson.

There is no minimum amount of Variable-Rate Investment Accounts and/or Fixed-Rate Investment Accounts that must be sold. If the entire amount of the offering is not needed for the purposes intended, the offering may be terminated or limited and the acceptance of subscriptions suspended at any time. The Fund reserves the right to limit the amount of Variable-Rate or Fixed-Rate Investment Accounts that may be purchased by any person at any time.

### **Financial Information**

Audited financial statements of the Foundation for 2016 and further financial information regarding the Fund are set forth in Appendix "C".

## **RISK FACTORS**

**The Foundation believes that investment in the Fund represents a desire of individual depositors and churches and church-related agencies to assist in the support of church development in the United Methodist Church as well as to obtain a return on their investment. Prospective investors should carefully consider the following factors, in addition to other information contained in this Offering Circular, before purchasing Investment Accounts.**

**1. Unsecured Limited Obligations.** The Investment Accounts are unsecured obligations of the Fund, payable solely out of (i) debt service payments received by the Fund with respect to the Mortgage Loans; (ii) the Reserve Fund which the Fund intends to maintain in an amount equal to at least 10% of the principal amount of outstanding Investment Accounts; (iii) income from investing the Fund and the Reserve Fund; and (iv) a line of credit. Other assets or revenues of the Foundation will not be available to pay principal and interest on the Investment Accounts. The rights and claims of each Investment Account shall be equal to that of all other Investment Accounts now outstanding and those that may be issued in the future. The Fund will not create, incur, or voluntarily permit any material lien upon any of its assets or otherwise incur material indebtedness having a prior claim to its assets or otherwise senior to the Investment Accounts except for (i) liens or charges for current taxes, assessments, or other governmental charges which are not delinquent or which remain payable without penalty or the validity of which are contested in good faith; or (ii) liens made to secure statutory obligations, surety or appeal bonds, or bonds for the release of attachments or for stay of execution; or (iii) purchase money security interests for property hereafter acquired; or (iv) judgment liens. For purposes of this paragraph, the term "material" shall mean an amount that equals or exceeds 10% of the total capital fund balance of the Fund.

**2. No Trust Agreement.** The Investment Accounts are not issued pursuant to any trust agreement or indenture, and no indenture trustee or other agent has been appointed to represent the interests of Investment Account holders. If the Fund fails to pay interest on any Investment Account on the date due, or fails to redeem an Investment Account at the request of an Investment Account holder, the investor shall have recourse only against the Fund, and not against any other entity or agency of the United Methodist Church or of the Rocky Mountain Conference or the Yellowstone Conference of the United Methodist Church.

**3. Redemption upon Demand.** Though the Investment Accounts are redeemable upon demand or at maturity, at any given time a substantial portion of the Fund's assets are likely to be invested in Mortgage Loans and may be non-liquid. It is possible that the Fund will be unable to fully redeem Investment Accounts if a substantial number of Investment Accounts are tendered for redemption within a short period of time. In such event, the Fund will redeem Investment Accounts as soon as the Fund is able to do so, in the order that requests for redemption are received by the Fund. As of the date of this Offering Circular, the Fund has been able to honor all requests for redemption immediately. The Fund currently maintains a line of credit in the amount of \$500,000 to have some liquidity for new loans and for redemptions in excess of cash available, but there is no assurance that this line of credit will be sufficient to meet liquidity requirements.

**4. No Sinking Fund.** There is no provision for a sinking fund requiring periodic deposits to be applied to redemption of Investment Accounts or payment of interest as they become due.

**5. No Minimum Interest Rate.** There is no minimum interest rate that must be paid by the Fund on the Variable-Rate Investment Accounts. It is expected that the rate of interest payable to Variable-Rate Account holders will generally be approximately one to two percentage points lower than the average rate of return on the assets of the Fund. The Fixed-Rate Investment Accounts are expected to pay the interest rate specified on the Investment Account on the date issued. Again, investment in either Variable-Rate or Fixed-Rate Investment Accounts represents a desire to support church development in The United Methodist Church rather than to obtain the maximum return on investment.

**6. Borrower's Dependence upon Voluntary Contributions.** The financial stability of the Churches and Agencies and their ability to make payments of principal and interest on Mortgage Loans is primarily dependent upon voluntary contributions of their members. Because church membership and income may be adversely affected by a variety of factors outside the control of the Church or Agency, including population shifts, tax policy, changing economic conditions and other unpredictable factors, it is possible that a Church or Agency will not receive sufficient voluntary contributions to allow it to meet its obligations under a Mortgage Loan made to it by the Fund.

The Fund's remedies against a Church or Agency that fails to make appropriate payments under a Mortgage Loan are subject to the terms of the mortgage documents (promissory note and deed of trust) relating to the mortgaged property, and applicable provisions of law. Further, the Fund's loan policies are expected to provide that foreclosure of a mortgage will occur only with the approval of the Fund's Loan Committee, and after a period of at least 90 days after the initial default, during which the Loan Committee will work with the Church or Agency and appropriate United Methodist Church Conference and District officers to bring the Mortgage Loan current. Neither the trustees nor any other members of a Church or Agency borrowing from the Fund will be required to personally guarantee any Mortgage Loans from the Fund. While all Churches and Agencies must meet certain established guidelines before loan commitments are approved, there are no assurances that the Fund will be able to collect the principal and interest that comes due throughout the term of the Mortgage Loans.

**7. Deficiency in Value of Mortgaged Property.** The Mortgage Loan policies are also expected to limit the total a Church or Agency can borrow to an amount that requires no more than one-third of the Church's or Agency's annual income from pledges and gifts for payment of debt retirement. In certain cases, the Loan Policies may require an appraisal of the Mortgaged Property. Property values may change dramatically over time, and consequently, in the event of a foreclosure of a Mortgage Loan, it is possible that the Fund will not be able to sell the mortgaged property for an amount sufficient to repay the Mortgage Loan. Neither the 1960 Loan Fund nor the current Fund has commenced any foreclosure proceedings in connection with a delinquent loan. In the event the Fund was to foreclose on a secured property, there is no assurance that a subsequent purchaser of the foreclosed property would pay a price equal to or greater than the amount of the loan. Church properties are generally single purpose facilities and thus have a restricted resale market.

**8. Loyalty of Loan Committee to United Methodist Church.** The Fund requires that at least a majority of the Loan Committee be members of the United Methodist Church. Although the Loan Policies would not permit the committee to forgive a Mortgage Loan, it is likely that the committee will be more

willing to negotiate with the Churches and Agencies which are borrowers than a third party commercial lender might be in working out a solution to a default or other problem with a Mortgage Loan.

**9. All Decisions by Loan Committee.** The Loan Committee will make all lending decisions. Investors will have no right to approve loans or review any proposed loan prior to consideration of a loan application. The fact that one or more investors in the Fund are members of a Church which requests a loan will not influence the Loan Committee in evaluating whether a particular loan should be made.

**10. No Publicly Available Information.** Although the Fund intends to provide Investment Account holders with certain information on an annual basis, the Fund does not, and is not required to file annual or other periodic reports with the Securities and Exchange Commission or any state securities agency. Accordingly, there is no publicly available information relating to the Fund.

**11. Possible Decline in Fund Revenues.** The Fund's sources of cash are primarily payments of principal and interest by local United Methodist Churches and Agencies on outstanding Mortgage Loans, investment income earned on the Reserve Fund and other Fund assets, the continued sale of new Investment Accounts, and the reinvestment of Investment Accounts. If the Fund becomes unable to make new loans, experiences significant delinquencies on outstanding loans, or it is required (by a change in federal or state law or otherwise) to discontinue the ongoing sale of its Investment Accounts, or if there should be a major decline in the reinvestment rate of maturing Investment Accounts, the amount of cash received by the Fund could be reduced below the amount needed to pay interest on the Investment Accounts or to repay Investment Accounts. Neither the 1960 Loan Fund, nor the current Fund has had any significant loan delinquencies.

**12. United Methodist Church Not Liable.** Neither the Mountain Sky Conference nor, the Foundation, nor any other Church or Agency will be liable for the repayment of the Investment Accounts. Investors must rely solely upon the assets and revenues of the Fund for repayment of the Investment Accounts.

**13. Maintenance of Liquid Reserves.** It is the policy of the Fund to maintain a liquid Reserve Fund comprised of cash, money market funds, certificates of deposit, U.S. Government Obligations, and U.S. Government Agencies and other investments equal to at least 10% of the principal balance of the Fund's outstanding Investment Accounts. Although no changes are currently anticipated, there can be no assurance that such liquidity policy will be continued or that investments in excess of such policy requirement will be maintained in the future. A change in such policy or practice could have an adverse impact upon the Fund's ability to pay accrued interest on Investment Accounts or to repay the principal amount of Investment Accounts that are presented for redemption; however, such changes are not anticipated.

**14. Tax Aspects.** Investors will not receive a charitable deduction for the purchase of an Investment Account. The interest paid or accrued with respect to Investment Accounts will be taxable as ordinary income to the Account holder, regardless of whether the interest is paid-out or retained by the Fund and compounded. See "Tax Considerations."

**15. Restrictions on Repayments.** The Fund will be obligated to repay all principal and accrued interest on any Variable-Rate Account or Fixed-Rate Account that is presented for redemption **within 30 days after written notice is received for redemption.** In order to make timely payments on redeemed Investment Accounts, the Fund intends to maintain a Reserve Fund balance equal to at least 10% of the principal amount of all outstanding Investment Accounts and also maintain a line of credit. However, there can be no assurance that all amounts due under redeemed Investment Accounts will be paid in a timely manner, particularly if a large number of Investment Accounts are redeemed in a relatively short period of time. Interest will continue to accrue on the unpaid principal amount on any Investment Account that is not timely paid following presentation for redemption. There will be a penalty for early withdrawal of a Fixed-Rate Investment Account by an investor.

**16. Non-Liquidity and Restrictions on Transfer.** There is no public trading market for the Investment Accounts, and no trading market is ever likely to develop. The transferability of the Investment Accounts is subject to restrictions that are established by applicable state and federal securities laws. In

addition, transfer of the Investment Accounts will require the consent of the Fund.

**17. Right to Call Investment Accounts.** The Fund reserves the right to call any of the Variable-Rate Investment Accounts for repayment at any time upon 30 days' written notice; or upon 30 day's written notice for the Fixed-Rate Investment Accounts.

**18. Competition.** Although the Fund believes that most investors view their investment as a form of stewardship, if commercial interest rates become significantly higher than those paid by the Fund, presentment of Investment Accounts for repayment could occur at a rate that might affect the Fund's ability to repay Investment Accounts promptly upon demand.

**19. Liability for Debts of Other Connectional Units.** The Foundation is a separate entity and believes it has taken all legal steps to ensure that the assets, debts, and liabilities of the Fund are independent of the Foundation's unrelated assets and liabilities, as well as the assets and liabilities of the Rocky Mountain Conference and the Yellowstone Conference of the United Methodist Church. It is possible, however, that creditors of the Conferences or the Foundation could seek to hold the Fund liable for the debts of such other entities.

### **USE OF PROCEEDS**

The Fund intends to use approximately 90% of the proceeds of the Investment Accounts offered hereby to fund Mortgage Loans to the Conferences, Churches and Agencies in accordance with the policies and procedures adopted by the Fund's Loan Committee. The remaining proceeds will be held in the Reserve Fund in cash and cash equivalents, other investments and not loaned. The Reserve Fund will be invested in cash, money market funds, certificates of deposit, U.S. Government Obligations, and U.S. Government Agencies and other investments in accordance with the investment policies and guidelines adopted by the Fund. No part of the proceeds will be used to pay the expenses of this offering or the operating expenses of the Fund, although earnings from investments and interest paid on the Mortgage Loans may be used for future operating expenses.

The Fund's Loan Committee intends to maintain a balance in the Reserve Fund equal to at least 10% of the aggregate principal amount of all Investment Accounts. However, the Fund's Loan Committee may in its sole discretion increase or decrease the 10% designated to the Reserve Fund at any time without notice to the Account holders. There are no other specific restrictions on the Reserve Fund.

### **FUND REVENUES**

The Fund's revenues will be primarily derived from (i) debt service payments received on existing and future Mortgage Loans; and (ii) investment revenue from interest and dividends paid on un-loaned cash and from investment of amounts held in the Reserve Fund or which may be awaiting loan requests. (Revenues of the Foundation from unrelated sources or activities, if any, will not be available to the Fund for the purpose of repaying the principal amount of the Investment Accounts or the interest thereon.) Interest rates will increase, decrease or remain constant in the future. Even though the Fund may have increased the interest rate charged on the Mortgage Loans, significant increase in interest rates might have a material adverse effect on the demand for Mortgage Loans, thereby reducing the Fund's net revenues.

The Fund charges interest on the Mortgage Loans at a variable initial rate that is generally 1.5% to 2% higher than the rate being paid on the Investment Accounts. The Fund establishes the interest rate on Mortgage Loans based upon the amount being loaned, with interest rates initially set by the Loan Committee. The interest rate charged may be adjusted based upon the Committee's analysis and depends upon the time period until the next rate adjustment (up to five years). The interest rates will be adjusted either monthly, annually, every 3 years, or every 5 years (as selected by the Borrower) with a minimum annual interest rate of 4.25%. The loan repayment period will not exceed 15 years; however, the amortization period could exceed 15 years and is at the discretion of the Loan Committee. If the amortization period exceeds 15 years, then the borrower will be informed of the outstanding balance due at the end of 15 years (a "balloon"). As of January

1, 2019, the interest rate on new Mortgage Loans was 5.50% for loans of \$100,000 and above and 5.50% for loans of less than \$100,000.

## **CURRENT LOAN PORTFOLIO AND INVESTORS**

As of January 1, 2019, there were a total of twenty-seven (25) loans with a combined principal balance of \$13,429,543; assets belonging to the Methodists Helping Methodists Fund totaled \$8,904,992 and the remainder are participations sold to other investors. The borrowers are all churches or church agencies associated with the Mountain Sky Conference of the United Methodist Church and all loans are secured by first or second mortgages. All the loans are current in their monthly payments, and the Fund has not encountered any defaults by any of the borrowers. The effective interest rate on the 25 loans in the portfolio is approximately 4.94% with rates varying from a low of 4.25% to a high of 6.25%. The loans have varying maturity dates ranging from October 2025 to December 2032.

The total number of depositors in the Loan Fund as of January 1, 2019 was 169. As of that date, the total amount of Demand and Fixed-Rate Investment Accounts held by depositors was approximately \$10,921,244.

## **LOAN POLICIES**

The Fund intends to make Mortgage Loans in accordance with the following Loan Policies that are subject to modification and revision by the Loan Committee from time to time:

1. The Fund will make Mortgage Loans primarily to qualifying United Methodist Churches and Agencies within the Mountain Sky Conference of the United Methodist Church (Colorado, Montana, Utah and Wyoming). The Fund may consider loans outside this geographic area if the Loan Committee determines that the Fund has amounts available for such loans outside this geographic area. Every Mortgage Loan must be approved by the Fund's Loan Committee. The Loan Committee will consider only those loan applications that have been made in accordance with the Loan Policies. Mortgage Loans will be considered in the order presented to the Fund. If funds are limited, commitments will be made based on the readiness of a Church or Agency to begin its project, and other factors deemed appropriate by the Loan Committee in its sole discretion.

2. The Fund may make direct Mortgage Loans to the Churches or participate with commercial banks, other financial institutions, other United Methodist Foundations, other non-profit corporations and other Churches in making Mortgage Loans. No Mortgage Loan may be in an amount exceeding 10% of the total assets of the Fund or for a maximum period in excess of 15 years.

3. In considering each Mortgage Loan application, the Fund's Loan Committee will review the purpose of the project, construction costs of any proposed project, and the value of the property to be mortgaged and the financial capability of the Church or Agency seeking the Mortgage Loan, together with the Executive Director's or other staff analysis. The Loan Committee will make all lending decisions. The Fund may require inspection of properties to be mortgaged and a review of cost estimates secured by the Church or Agency applicant. At the discretion of the Loan Committee, the Fund may from time to time require independent appraisals of properties to be mortgaged, although it is not required to do so by the Loan Policies.

4. Every Mortgage Loan made by the Fund will be secured by a first or second mortgage lien on the real property. Loans granted by the Fund will require the following documentation: For loans of up to \$49,999, an Ownership & Encumbrance Report will be requested. For loans of \$50,000 or greater, the Fund maintains the right to require a Title Insurance policy. For loans exceeding \$100,000, a Title Insurance policy will be required naming the Fund as the mortgagee, issued by a title insurance company licensed to do business in the state where the property is located (Colorado, Wyoming, Utah, or Montana). Each application will be subject to Loan Committee discretion. The documents evidencing the Mortgage Loans are expected to be substantially similar to those used by commercial banks and other institutional lenders in the state where

the real estate is located. It is expected that most Mortgage Loans will provide for a term of up to fifteen years, with monthly payments of principal and interest, with the interest rate to be set by the Loan Committee, which rate may be adjusted on a monthly, annual, three-year or five-year period (to be selected by the borrower at the time the loan is made) to a variable interest rate, at the prevailing rate established by the Loan Committee. For loans made at the Fund's option, the interest rate on existing loans may be reviewed and adjusted every three years, in an effort to maintain an appropriate spread between the loan rate, market conditions and the rates paid on the Investment Accounts.

5. When sufficient revenues are not available to make Mortgage Loans, potential borrowers will be advised of this so they can seek other lenders.

6. The Fund will require that Churches and Agencies follow certain procedures that have been established by the General Conference of The United Methodist Church with respect to the purchase of property, the construction or remodeling of Church buildings, and the borrowing of funds for these purposes. (Such procedures are described in the 2016 Book of Discipline of the United Methodist Church or any later additions of the Book of Discipline applicable at the time a loan is made).

### **MORTGAGE LOAN PROCESSING**

The Fund evaluates loan applications in accordance with the following procedure adopted by the Fund's Loan Committee. First, the Church or Agency must submit a loan application on a standard form provided by the Fund. The completed application contains:

- a. Relevant statistical and financial information about the Church or Agency and the proposed Project;
- b. Certification by the President and Secretary of the Trustees of the Church or Agency showing that the proposed borrowing has been properly authorized; and
- c. For Churches with projects that exceed 10% of the value of the current property, certification that the proposed borrowing has been approved by the pastor, the District Superintendent, and the District Board of Church Location and Building, as required by the Book of Discipline.

The loan application will be evaluated by the Executive Director or other Foundation staff, who will:

- a. Consider whether any loan application is consistent with the Fund's Loan Policies;
- b. Consider the overall financial situation of the applicant Church or Agency to determine whether it has the resources in hand to make debt service payments based upon written information and reports;
- c. Consult with any Church or Agency whose application would result in its aggregate debt service, including the Mortgage Loan, representing more than one-third of the Church's or Agency's total income;
- d. Evaluate whether a Church's membership and attendance are growing; evidence of the general level of support for the Church's programs, including the proposed Project; and consider whether the Church is physically located in an area experiencing increasing or decreasing economic growth; and
- e. Consider whether the Project itself is appropriate for the Church or Agency to be undertaking in light of its financial situation, support for the Project and location of the Project. In addition, the Executive Director or Foundation staff may visit the Project site and meet with the members of the Church's Building Committee and/or Board of Trustees before recommending any Mortgage Loan for approval by the Fund's Loan Committee.

If the Executive Director determines the Mortgage Loan to be sound, and the Fund has sufficient funds to make the Mortgage Loan, the Loan Application will then be presented to the Fund's Loan Committee

for approval. The Fund's Loan Committee will evaluate the Loan Application and disapprove or grant the Mortgage Loan and establish its terms. If the Mortgage Loan is approved, the Fund will issue a written commitment to the Church or Agency setting forth the terms and any conditions of the Mortgage Loan.

## MANAGEMENT

Management of the Fund is vested in the Loan Committee. Members of the Loan Committee are recommended by the President of the Foundation and confirmed by the Foundation Board of Directors, to serve three-year terms. Loan Committee members may be members of the Foundation's Board of Directors, and the chair must be a member of the Foundation's Board of Directors. A majority of Loan Committee members must be members of the United Methodist Church. Loan Committee members may serve no more than nine consecutive years. The number of Loan Committee members shall be not less than three or more than ten. The Loan Committee has adopted a "conflict of interest" policy that prohibits members from participating in the approval of loans to such member's local church.

Loan Committee members do not receive any compensation for serving on the committee, although each member may receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attending committee meetings. The Loan Fund, pursuant to the Foundation By-laws, will indemnify its Loan Committee members, officers and staff for liability incurred in the performance of their duties on the behalf of the Fund.

Set forth below is certain information regarding the Fund's existing Loan Committee members and staff. The members and staff may change in the future.

### Methodists Helping Methodists Fund Committee Members

The current members of the Methodists Helping Methodists Fund Committee are as follows:

**Committee Chair: Dave Esgar** is president of Legacy Bank, Wiley, CO and has been in the banking industry for 30 years. He received his BA from Colorado State University completed graduate course-work at the University of Colorado, Graduate School of Banking. Dave is a member of the Wiley Lions Club and Wiley United Methodist Church, where he has served as a youth group leader, a young couples/adult Sunday school teacher, treasurer/bookkeeper and as a member of the Board of Trustees. He was a leader in a men's group that built a new fellowship hall and a new youth group room for the church.

**Charles A. Miller** is a Partner with Miller & Urtz, LLC law firm with offices in downtown Denver and Edwards, Colorado. He has been a practicing attorney for over 40 years with an emphasis in estate planning and probate, real estate and general small business law. He graduated with a B.A. from the University of New Mexico and a J.D. from Harvard Law School. Charlie is involved in a number of community activities and has served on various charitable boards including the Denver Rotary Club Foundation and Rocky Mountain Multiple Sclerosis Center. He has been a member of Park Hill United Methodist Church since 1975.

**Rev. David Burt** is currently serving the Yellowstone Conference as the Director of Connectional Ministries and Assistant to the Bishop, as well as District Superintendent for eastern Montana. During his 32 years of ministry, he has served churches all over Montana, most recently as pastor of Shiloh UMC in Billings. David is married (46 years) to his high school sweetheart, Rebecca, and they make their home in Billings. In his spare time, David loves watching and discussing movies, reading John Irving novels, writing poetry and traveling with Rebecca.

**John Evans**, retired in 2005 after 20 years at First Interstate Bank in Billings, MT as a Vice President of Cash Management and Corporate Services. Prior to that he was employed at F.W. Woolworth Co. as a District Manager for stores in Montana, Utah, Wyoming, & Idaho. He graduated from Simpson College Indianola, IA with a degree in Business Management. John has been active in many community and Methodist Church committees and boards including – Billings Symphony, Billings Educations Foundation,

Tumbleweed (Teen Runaway Program), United Methodist Yellowstone Annual Conference Board of Pension and Health Benefits Board and the Yellowstone Conference Foundation Board. He is a founding and active member of Hope United Methodist Church in Billings where he has held several leadership positions, currently Finance Committee Chair.

**Mary Jane Harmony** was raised in the Methodist church and currently is a member of Hope UMC, in Greenwood Village, Colorado, where she has served as Stephen Ministry Leader, Chair of Adult Education, SPR (3 years), and the Discipleship Team. She retired from the Community Economic Development Company of Colorado where she worked for 14 years and brings 34 years of professional skills in financial management, budgeting, forecasting, and SBA lending. She envisions the Foundation and its board will continue to seek and implement programs and practices that change the world for the better and is looking forward to promoting the foundation at her church. She is looking forward to becoming a member of the Methodists Helping Methodists Fund committee.

**Dave Stephens** works for United Capital Markets, Inc. as Chief Operating Officer and Chief Financial Officer. UCM provides risk management services to banks. After graduating in 1969 from Florida State University with a BS degree in accounting, he worked for 18 years as an auditor with Arthur Andersen & Co. and Coopers & Lybrand. A life-long Methodist, Mr. Stephens is a member of Hope UMC, Greenwood Village, CO, where he currently serves as co-chairman of the Finance Committee.

**Rev. Olga J. Hard** has enjoyed a 17-year career as an ordained elder in The United Methodist Church. She recently retired from her last appointment at the Mountain Vista United Methodist Church in West Jordan, Utah where she currently lives. She has served congregations in rural Colorado and in the Salt Lake City Metro area with three-point, two-point, and solo pastor appointments in churches ranging from 10 to 150 members. In addition to Rev. Hard's spiritual activities, she has participated in building projects, loan modifications, and grant writing projects and has served on the district building and location committee.

Rev. Hard began her United Methodist journey in 1974 where she joined First United Methodist in Casper Wyoming. Later, she became a charter member of a new congregation in Gillette Wyoming where she owned a business for 18 years. Starting as an active lay person in both Casper and Gillette Wyoming, she has attended annual Conference nearly every year since the early 1980's. She has two sons, two wonderful daughters in law, and four grandchildren. She organizes her calendar around her visits to see her grandchildren, hosting friends and family when they travel to Utah, serving on various UM boards and committees, filling pulpits for colleagues, and leading retreats. She looks forward to staying energized by participating in the work of the Foundation and continuing to serve in The United Methodist Church.

**Carroll D. Beach** is officially retired after a long career of service and volunteering in the credit union industry for many non-profit and for-profit organizations and governing bodies. The American Association of Credit Union Leagues (AACUL) gave Mr. Beach with the "Eagle Award," which is the highest award given by the organization to one of its members. Mr. Beach also received the "Herb Wegner Lifetime Achievement Award", which is the most recognized and prestigious award given in the credit union industry. He most recently received the Credit Union Times "Volunteer of the Year Award". He now serves as Past Chairman of the Board of Elevations Credit Union, a 2-billion-dollar credit union in Colorado.

In addition to the credit union and financial industry, Mr. Beach also has served on the boards of the Arvada Economic Development Board and The Children's Hospital Foundation Development Committee. He was Chairman of The Arvada Economic Development Board. Mr. Beach attends Broomfield United Methodist Church where he is a member of the Finance Committee. Mr. Beach and his wife, Ruth, have two children and five grandchildren. Mr. Beach holds a bachelor's degree from the University of Kansas and a master's degree from Emporia State University.

**Kristi Kinnison**, Executive Director of the Foundation, oversees the administration of all trust accounting for church and agency accounts held under management by the Foundation. Also, she manages customer service requests and issues, and reports to committee and auditors. Kristi discovered her passion for church stewardship in 2007 when she was challenged with organizing the annual giving campaign at her church.



Since then, she has grown deeply in the spiritual practice of faithful financial management, generosity, and holistic stewardship. She has spoken to thousands of United Methodists about faithful financial stewardship.

Kristi has been Executive Director of the Mountain Sky United Methodist Foundation since 2010. She has more than 30 years of business management experience in nonprofits, mortgage banking, and manufacturing. She holds a Bachelor of Science in Mathematics from Mesa College in Grand Junction, Colorado, and a Master's Degree in Business Administration from University of Colorado, Denver. A life-long United Methodist, she and her 17-year-old daughter are members of Trinity United Methodist Church in downtown Denver. Calling Colorado home for most of her life, Kristi feels blessed to combine her education, business experience, and passion with her faith.

**Martha Friedrich**, Account Manager, has worked for the Foundation since November 2001. She holds a BBA in Accounting from Saint Mary's College, South Bend, IN and an MBA in Finance from the University of Michigan. She is responsible for the daily processing and account reconciliation of all investment and loan accounts. Prior to working for the Foundation, Martha worked in the employee benefits industry, providing services to 401(k) plans for Fortune 500 companies. Martha and her daughter, Laura, attend St. Andrew United Methodist Church.

**Laura Murray**, Accounting Manager. Laura reviews and processes general ledger activity as well as supports daily processing. Prior to joining the team at the Foundation, she worked as the Finance Director for a Denver based nonprofit providing services to the developmentally disabled. She has a Bachelor of Science degree in Business Administration from Central Michigan University.

## **PLAN OF DISTRIBUTION**

The Fund is offering up to an aggregate total of \$20,000,000 of the Investment Accounts to qualified investors who reside in Colorado, Wyoming, Utah and Montana, as well as other states in which the sale of Investment Accounts may be permitted. The Investment Accounts will be issued at their face value, for cash only, in a minimum initial amount of \$500 for Variable-Rate Investment Accounts with additional deposits of any amount, and a minimum initial amount of \$1,000 and \$5,000 and \$10,000 for Fixed-Rate Investment Accounts with a 12-month, 24-month, 36-month, 48-month, or 60-month terms. Investors must acquire the Investment Accounts solely for investment and must make the representations contained in the Subscription Agreements attached hereto as Appendix B. The offering is not underwritten by any securities firm or other entity, and the Fund intends to make sales through its officers and employees, the Loan Committee, the Board of Directors and other means as may be permitted by law. No commissions of any kind will be paid to any person.

The Fund will act as sole distributor of the Investment Accounts. No officer or Loan Committee member of the Fund will receive any fee or pecuniary benefit from the sale of the Investment Accounts or the Fund's operation, except for reimbursement of actual expenses incurred and reasonable compensation for services actually rendered in performing his or her regular duties, and not as compensation for sale of the Investment Accounts. No fees of any kind will be paid to any underwriter, broker or independent salesperson.

There is no minimum amount of Investment Accounts that must be sold. If the entire amount of the offering is not needed for the purposes intended, the offering may be terminated or limited and the acceptance of subscriptions suspended at any time. The Fund reserves the right to limit the amount of Investment Accounts that may be purchased by any person at any time.

Only those persons who have received this Offering Circular, and completed and returned the appropriate Subscription Agreement, together with a minimum payment of \$500, \$1,000, \$5,000 or \$10,000 in the form of a check or other acceptable medium of payment to the Methodists Helping Methodists Fund, may purchase the Investment Accounts offered hereby. The Fund reserves the right to reject any subscription in whole or in part. A Subscription Agreement must be properly completed and signed for acceptance.

Completed Subscription Agreements and payment for the Investment Accounts may be forwarded to

the Mountain Sky United Methodist Foundation, Inc., 7350 E. Progress Place, Suite 205, Greenwood Village, Colorado 80111.

Investment Accounts are held at the Mountain Sky United Methodist Foundation, Inc., 7350 E. Progress Place, Suite 205, Greenwood Village, Colorado 80111. Investors are sent a confirmation letter and issued a deposit receipt by mail.

### **LEGAL MATTERS**

The legality of the Investment Accounts offered hereby is being passed upon by Miller & Urtz, LLC, Denver, Colorado.

### **TAX CONSIDERATIONS**

Investors will not receive a charitable deduction for the purchase of an Investment Account. The interest paid or accrued on the Investment Accounts will be taxable as ordinary income to an investor in the year paid or accrued. Investors will not be taxed on the return of the principal amount or on the payment of previously accrued and taxed interest. The Fund will notify investors of interest earned on the Investment Accounts by sending them Federal Income Tax Form 1099 INT or other appropriate form by January 31 of each year, or such other period as may be required or permitted by federal tax law.

### **PERIODIC REPORTS**

The Fund intends to provide Investment Account holders with certain financial information within six months after the end of each year. Such information is expected to consist of financial statements for the Fund with respect to the prior year as well as a narrative analysis of the Fund's Mortgage Loan portfolio.

Audits are performed annually by a certified public accounting firm. From 2009-2015, the audits were performed by Capin Crouse LLP, 2435 Research Parkway, Suite 200, Colorado Springs, CO 80920. In 2016 and 2017, the Foundation changed auditors to Kunding, Corder, & Engle, P.C., 475 Lincoln Street, Suite 200, Denver, CO 80203-3484.

## **APPENDIX A-1**

### **METHODISTS HELPING METHODISTS FUND**

#### **Variable-Rate Investment Account Summary**

The Mountain Sky United Methodist Foundation, Inc. on behalf of the Methodists Helping Methodists Fund (the "Fund"), having its principal place of business at 7350 E. Progress Place., Suite 205, Greenwood Village, Colorado, 80111, will acknowledge that the an individual(s) or organization(2) has/have made an investment of a stated amount (the "Face Amount") in the Fund and is/are entitled, to the extent of the Face Amount and upon the terms hereinafter set forth, to a participation in certain assets held by the Fund in the form of mortgage loans, investments, and cash (the "Fund Assets") for the benefit of the holder(s) of its Investment Account(s).

The proceeds of an Investment Account shall be invested primarily in first and second mortgage loans to be made by the Fund to United Methodist Churches and related agencies in the Mountain Sky Conference of the United Methodist Church.

Interest on the Face Amount shall be paid quarterly or reinvested monthly to the record owner of the Investment Account(s) at a rate to be determined by the Fund Committee of the Fund prior to the beginning of each quarter. The record owner may redeem an Investment Account upon thirty days advance notice to the Fund for its Face Amount plus accrued interest upon its presentation to the Fund.

The Fund intends to maintain a Reserve Fund balance of at least 10% of the principal amount of all outstanding Investment Accounts. If not paid within such 30-day period, the unpaid balance of an Investment Account will continue to bear interest at the then existing rate. If not paid within the 30-day period, an Investment Account would be in default, and the holder entitled to bring legal action against the Fund to recover the amounts due plus the costs of collection including reasonable attorney fees.

The Fund reserves the right to redeem an Investment Account at any time after thirty days written notice to the record owner by payment of the Face Amount plus accrued interest. An Investment Account is assignable upon proper endorsement and surrender hereof to the Fund for cancellation. An Investment Account may be transferred only to qualified investors in the Fund, or by operation of law.

All outstanding Investment Accounts issued by the Fund will have equal priority with respect to the Fund Assets. Further, Investment Accounts will have equal priority with any additional Investment Accounts of participation issued by the Fund (collectively, the "Fund Investment Accounts"). The relative priority of each Fund Account holder is based on the Face Amount of the holder's outstanding Investment Accounts. If the Fund is unable to meet its obligations to holders of the Investment Accounts, such holders will have no recourse against any other entity or agency of the United Methodist Church.

## APPENDIX A-2

### METHODISTS HELPING METHODISTS FUND

#### **Fixed-Rate Investment Account Summary**

The Mountain Sky United Methodist Foundation, Inc. on behalf of the Methodists Helping Methodists Fund (the "Fund"), having its principal place of business at 7350 E. Progress Place., Suite 205, Greenwood Village, Colorado, 80111 certifies that the above-named investor(s) has/have made an investment of the above stated amount (the "Face Amount") in the Fund and is/are entitled, to the extent of the Face Amount and upon the terms hereinafter set forth, to a participation in certain assets held by the Fund in the form of mortgage loans, investments, and cash (the "Fund Assets") for the benefit of the holders of its Investment Accounts (the "Investment Accounts").

The proceeds of this Account shall be invested primarily in first and second mortgage loans to be made by the Fund to United Methodist Churches and related agencies in the Mountain Sky Conference of the United Methodist Church.

Interest on the Face Amount, at an interest rate guaranteed on the day that the Fund is in receipt of the investment deposit, shall be paid quarterly or reinvested monthly to the record owner of an Investment Account until maturity. A penalty may be assessed for full redemption before maturity in an amount equal to 90 (ninety) days' interest on the full account balance. Exceptions to Early Withdrawal Penalties: At the option of the Foundation, the Foundation may pay an Investment Account before maturity without imposing an early withdrawal penalty under the following circumstances: (i) When an account owner dies or is determined to be legally incompetent by a court or other entity of competent jurisdiction; or (ii) When an Investment Account is in a retirement account (401k or IRA) and the account owner dies or the account is liquidated prior to maturity.

The Fund intends to maintain a Reserve Fund balance of at least 10% of the principal amount of all outstanding Investment Accounts. If not paid within such 30-day period, the unpaid balance of the Account will continue to bear interest at then existing rate. If not paid within the 30-day period, the Account would be in default, and the holder entitled to bring legal action against the Fund to recover the amounts due plus the costs of collection including reasonable attorney fees.

The Fund reserves the right to redeem an Investment Account at any time after thirty days written notice to the record owner by payment of the Face Amount plus accrued interest. An Investment Account is assignable upon proper endorsement and surrender hereof to the Fund for cancellation. An Investment Account may be transferred only to qualified investors in the Fund, or by operation of law.

All outstanding Investment Accounts issued by the Fund will have equal priority with respect to the Fund Assets. Further, the Investment Accounts will have equal priority with any additional Investment Accounts of participation issued by the Fund (collectively, the "Fund Investment Accounts"). The relative priority of each Fund Account holder is based on the Face Amount of the holder's outstanding Investment Accounts. If the Fund is unable to meet its obligations to holders of the Investment Accounts, such holders will have no recourse against any other entity or agency of the United Methodist Church.

**APPENDIX B: Subscription Agreements**

**Variable-Rate for Individuals**  
**Fixed-Rate for Individuals**  
**Variable-Rate for Churches/Agencies**  
**Fixed-Rate for Churches/Agencies**

## **SUBSCRIPTION AGREEMENT: VARIABLE-RATE FOR INDIVIDUALS**

This Subscription Agreement (the “Agreement”) is made by and between the Mountain Sky United Methodist Foundation, Inc., a Colorado non-profit corporation (the “Foundation”), administrator of the Methodists Helping Methodists Fund (the “Fund”), and the undersigned prospective investor who is subscribing for Variable-Rate Investment Accounts of Participation (the “Variable-Rate Investment Accounts”), in the Fund to be issued by the Foundation pursuant to the Offering Circular and as amended from time-to-time and including all exhibits and attachments thereto (collectively, the “Offering Circular”).

The undersigned hereby irrevocably subscribes for and agrees to purchase Variable-Rate Investment Accounts in the principal amount indicated on the signature page hereof. Simultaneously with the execution of this Agreement, the undersigned is making the payment set forth on the signature page (the “Payment”), in the form of a check, money order, banker’s draft or wire transfer made payable to or deposited into the account of the Methodists Helping Methodists Fund.

The undersigned hereby represents and warrants to the Foundation as follows:

A) The Variable-Rate Investment Accounts are being purchased for the undersigned’s own account for investment purposes only, not for the account of any other person and not with a view to distribution, assignment or resale to others.

B) The undersigned has been furnished with and has carefully read the Offering Circular, including but not limited to the information disclosed under “Risk Factors.” The undersigned is familiar with and understands the terms and condition of the Investment Accounts, the terms of this Offering and the proposed activities of the Methodists Helping Methodists Fund (the “Fund”). The undersigned has been afforded the opportunity to discuss the Investment Accounts and the proposed activities of the Fund with its representatives and to obtain all additional documents and information requested by the undersigned relating to the Variable-Rate Investment Accounts.

C) The undersigned agrees to look only to those assets of the Fund for repayment of the principal amount of the Variable-Rate Investment Accounts and interest thereon. Such assets will consist solely of payments received by the Fund with respect to Mortgage Loans made by it, as well as the investments and cash reserve that the Fund intends to maintain with respect to the Variable-Rate Investment Accounts, all as more fully described in the Offering Circular.

D) With respect to tax and other financial considerations involved in this investment, the undersigned is not relying on any advice or opinions from the Foundation or any person acting on its behalf. The undersigned has carefully considered and has, to the extent the undersigned believes appropriate, discussed with his or her legal, tax, accounting and financial advisors the suitability of an investment in the Variable-Rate Investment Accounts for his or her particular tax and financial situation and has determined that the Variable-Rate Investment Accounts for which the undersigned is subscribing are a suitable investment.

E) The undersigned will indemnify and hold harmless the Foundation and any officer, employee, director, member, control person, agent or representative of the Foundation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, by reason of or arising from any breach of the undersigned’s warranties, covenants or agreements set forth herein against losses, liabilities and expenses for which any such indemnified person actually and reasonably incurred by the Foundation or such person in connection with such action, suit or proceeding.

F) This agreement shall be enforced, governed, and construed in all respect in accordance with the law of the State of Colorado, shall be binding upon the undersigned, the undersigned’s heirs, estate, legal representatives, successors and assigns and shall inure to benefit of the Foundation, its successors and assigns.

\_\_\_\_\_ Initial(s)

G) Please indicate how you wish to receive your interest payments:  
\_\_\_\_\_ by ACH directly to your checking/savings account (provide a cancelled check)  
or  
\_\_\_\_\_ an increase in the principal amount of the account (default option)

H) I/ We wish to subscribe for a Variable-Rate Account of Participation as follows:

Principal amount of Variable-Rate Account subscribed \$ \_\_\_\_\_

Dated \_\_\_\_\_ (month, day, year)

I) Member of \_\_\_\_\_ United Methodist Church in \_\_\_\_\_ (city, state)

Online statements (monthly) \_\_\_ Yes \_\_\_ No Printed statements (quarterly) \_\_\_ Yes \_\_\_ No

**Signature of Subscriber:** \_\_\_\_\_

Name \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Social Security or Tax Payer Identification Number \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Email: \_\_\_\_\_

Phone: \_\_\_\_\_ Subscriber should have online access \_\_\_ Yes \_\_\_ No

**Signature of Joint Subscriber:** \_\_\_\_\_

Name \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Social Security or Tax Payer Identification Number \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Email: \_\_\_\_\_

Phone: \_\_\_\_\_ Subscriber should have online access \_\_\_ Yes \_\_\_ No

**Name of Custodian for a minor:** \_\_\_\_\_

As custodian for \_\_\_\_\_ (name and social security number)

under the \_\_\_\_\_ (name of state) Uniform Transfer to Minors Act.

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Custodian Social Security or Tax Payer Identification Number \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Email: \_\_\_\_\_

Phone: \_\_\_\_\_ Should have online access \_\_\_ Yes \_\_\_ No

**Beneficiary (if POD):** *(you may name your heirs, your estate, your trust, your church or the Foundation as beneficiary. If no beneficiary is specified, then the funds will go to the estate of the Subscriber.)*

Name \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone Number \_\_\_\_\_ Social Security Number \_\_\_\_\_

Accepted this date \_\_\_\_\_

Mountain Sky United Methodist Foundation, Inc.

A Colorado non-profit corporation on behalf of the

Methodists Helping Methodists Fund

By: \_\_\_\_\_

Executive Director

## **SUBSCRIPTION AGREEMENT: FIXED-RATE FOR INDIVIDUALS**

This Subscription Agreement (the “Agreement”) is made by and between the Mountain Sky United Methodist Foundation, Inc., a Colorado non-profit corporation (the “Foundation”), administrator of the Methodists Helping Methodists Fund (the “Fund”), and the undersigned prospective investor who is subscribing for Fixed-Rate Investment Accounts of Participation (the “Fixed-Rate Investment Accounts”) in the Fund to be issued by the Foundation pursuant to the Offering Circular and as amended from time-to-time and including all exhibits and attachments thereto (collectively, the “Offering Circular”).

The undersigned hereby irrevocably subscribes for and agrees to purchase Fixed-Rate Investment Accounts in the principal amount indicated on the signature page hereof. Simultaneously with the execution of this Agreement, the undersigned is making the payment set forth on the signature page (the “Payment”), in the form of a check, money order, banker’s draft or wire transfer made payable to or deposited into the account of the Methodists Helping Methodists Fund.

The undersigned hereby represents and warrants to the Foundation as follows:

A) The Fixed-Rate Investment Accounts are being purchased for the undersigned’s own account for investment purposes only, not for the account of any other person and not with a view to distribution, assignment or resale to others.

B) The undersigned has been furnished with and has carefully read the Offering Circular, including but not limited to the information disclosed under “Risk Factors.” The undersigned is familiar with and understands the terms and condition of the Fixed-Rate Investment Accounts, the terms of this Offering and the proposed activities of the Methodists Helping Methodists Fund (the “Fund”). The undersigned has been afforded the opportunity to discuss the Fixed-Rate Investment Accounts and the proposed activities of the Fund with its representatives and to obtain all additional documents and information requested by the undersigned relating to the Fixed-Rate Investment Accounts.

C) The undersigned agrees to look only to those assets of the Fund for repayment of the principal amount of the Fixed-Rate Investment Accounts and interest thereon. Such assets will consist solely of payments received by the Fund with respect to Mortgage Loans made by it, as well as the investments and cash reserve that the Fund intends to maintain with respect to the Fixed-Rate Investment Accounts, all as more fully described in the Offering Circular.

D) With respect to tax and other financial considerations involved in this investment, the undersigned is not relying on any advice or opinions from the Foundation or any person acting on its behalf. The undersigned has carefully considered and has, to the extent the undersigned believes appropriate, discussed with his or her legal, tax, accounting and financial advisors the suitability of an investment in the Fixed-Rate Investment Accounts for his or her particular tax and financial situation and has determined that the Fixed-Rate Investment Accounts for which the undersigned is subscribing are a suitable investment.

E) The undersigned will indemnify and hold harmless the Foundation and any officer, employee, director, member, control person, agent or representative of the Foundation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, by reason of or arising from any breach of the undersigned’s warranties, covenants or agreements set forth herein against losses, liabilities and expenses for which any such indemnified person actually and reasonably incurred by the Foundation or such person in connection with such action, suit or proceeding.

F) This Agreement shall be enforced, governed and construed in all respects in accordance with the law of the State of Colorado, shall be binding upon the undersigned, the undersigned’s heirs, estate, legal representatives, successors and assigns and shall inure to benefit of the Foundation, its successors and assigns.

\_\_\_\_\_ Initial(s)



G) Please indicate how you wish to receive your interest payments:  
\_\_\_\_\_ by ACH directly to your checking/savings account (provide a cancelled check)  
or  
\_\_\_\_\_ an increase in the principal amount of the account (default option)

H) We wish to subscribe, as follows, in a Fixed-Rate Account in the amount of \$ \_\_\_\_\_  
for the following period: \_\_ 12 months \_\_ 24 months \_\_ 36 months \_\_ 48 months \_\_ 60 months

We understand that there is a penalty for early withdrawal of principal from this Fixed-Rate Account.

Dated \_\_\_\_\_ (month, day, year)

I) Member of \_\_\_\_\_ United Methodist Church in \_\_\_\_\_ (city, state)

Online statements (monthly) \_\_\_ Yes \_\_\_ No      Printed statements (quarterly) \_\_\_ Yes \_\_\_ No

**Signature of Subscriber:** \_\_\_\_\_

Name \_\_\_\_\_  
Street Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Social Security or Tax Payer Identification Number \_\_\_\_\_  
Date of Birth: \_\_\_\_\_ Email: \_\_\_\_\_  
Phone: \_\_\_\_\_ Subscriber should have online access \_\_\_ Yes \_\_\_ No

**Signature of Joint Subscriber:** \_\_\_\_\_

Name \_\_\_\_\_  
Street Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Social Security or Tax Payer Identification Number \_\_\_\_\_  
Date of Birth: \_\_\_\_\_ Email: \_\_\_\_\_  
Phone: \_\_\_\_\_ Subscriber should have online access \_\_\_ Yes \_\_\_ No

**Name of Custodian for a minor:** \_\_\_\_\_

As custodian for \_\_\_\_\_ (name and social security number)  
under the \_\_\_\_\_ (name of state) Uniform Transfer to Minors Act.  
Street Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Custodian Social Security or Tax Payer Identification Number \_\_\_\_\_  
Date of Birth: \_\_\_\_\_ Email: \_\_\_\_\_  
Phone: \_\_\_\_\_ Should have online access \_\_\_ Yes \_\_\_ No

**Beneficiary (if POD):** *(you may name your heirs, your estate, your trust, your church or the Foundation as beneficiary. If no beneficiary is specified, then the funds will go to the estate of the Subscriber.)*

Name \_\_\_\_\_  
Street Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone Number \_\_\_\_\_ Social Security Number \_\_\_\_\_

Accepted this date \_\_\_\_\_

Mountain Sky United Methodist Foundation, Inc.  
A Colorado non-profit corporation on behalf of the  
Methodists Helping Methodists Fund

By: \_\_\_\_\_  
Executive Director

## **SUBSCRIPTION AGREEMENT: VARIABLE-RATE FOR CHURCHES/AGENCIES**

This Subscription Agreement (the “Agreement”) is made by and between the Mountain Sky United Methodist Foundation, Inc., a Colorado non-profit corporation (the “Foundation”), administrator of the Methodists Helping Methodists Fund (the “Fund”), and the undersigned prospective investor who is subscribing for Variable-Rate Investment Accounts of Participation (the “Variable-Rate Investment Accounts”) in the Fund to be issued by the Foundation pursuant to the Offering Circular, as amended from time-to-time and including all exhibits and attachments thereto (collectively, the “Offering Circular”).

The undersigned hereby irrevocably subscribes for and agrees to purchase Variable-Rate Investment Accounts in the principal amount indicated on the signature page hereof. Simultaneously with the execution of this Agreement, the undersigned is making the payment set forth on the signature page (the “Payment”), in the form of a check, money order, banker’s draft or wire transfer made payable to or deposited into the account of the Methodists Helping Methodists Fund.

The undersigned hereby represents and warrants to the Foundation as follows:

A) The Variable-Rate Investment Accounts are being purchased for the undersigned’s own account for investment purposes only, not for the account of any other person and not with a view to distribution, assignment or resale to others.

B) The undersigned has been furnished with and has carefully read the Offering Circular, including but not limited to the information disclosed under “Risk Factors.” The undersigned is familiar with and understands the terms and condition of the Investment Accounts, the terms of this Offering and the proposed activities of the Methodists Helping Methodists Fund (the “Fund”). The undersigned has been afforded the opportunity to discuss the Variable-Rate Investment Accounts and the proposed activities of the Fund with its representatives and to obtain all additional documents and information requested by the undersigned relating to the Variable-Rate Investment Accounts.

C) The undersigned agrees to look only to those assets of the Fund for repayment of the principal amount of the Variable-Rate Investment Accounts and interest thereon. Such assets will consist solely of payments received by the Fund with respect to Mortgage Loans made by it, as well as the investments and cash reserve that the Fund intends to maintain with respect to the Investment Accounts, all as more fully described in the Offering Circular.

D) With respect to tax and other financial considerations involved in this investment, the undersigned is not relying on any advice or opinions from the Foundation or any person acting on its behalf. The undersigned has carefully considered and has, to the extent the undersigned believes appropriate, discussed with his or her legal, tax, accounting and financial advisors the suitability of an investment in the Variable-Rate Investment Accounts for his or her particular tax and financial situation and has determined that the Variable-Rate Investment Accounts for which the undersigned is subscribing are a suitable investment.

E) The undersigned will indemnify and hold harmless the Foundation and any officer, employee, director, member, control person, agent or representative of the Foundation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, by reason of or arising from any breach of the undersigned’s warranties, covenants or agreements set forth herein against losses, liabilities and expenses for which any such indemnified person actually and reasonably incurred by the Foundation or such person in connection with such action, suit or proceeding.

F) This agreement shall be enforced, governed, and construed in all respect in accordance with the law of the State of Colorado, shall be binding upon the undersigned, the undersigned’s heirs, estate, legal representatives, successors and assigns and shall inure to benefit of the Foundation, its successors and assigns.

\_\_\_\_\_ Initial(s)

G) Please indicate how you wish to receive your interest payments:

\_\_\_\_\_ by ACH directly to your checking/savings account (provide a cancelled check)

or

\_\_\_\_\_ an increase in the principal amount of the account (default option)

H) We wish to subscribe, as follows, on behalf of the United Methodist Church named below.

Principal amount of Variable-Rate Account subscribed for \$ \_\_\_\_\_

Dated \_\_\_\_\_ (month, day, year)

**Authorization of Investment**

This certifies that the Administrative Board/Council of the \_\_\_\_\_

United Methodist Church, at \_\_\_\_\_

\_\_\_\_\_ (address, city, state, zip)

adopted the following resolution: Resolved that members of the \_\_\_\_\_ Committee

authorize that \$ \_\_\_\_\_ be invested in Investment Account in the “Methodists Helping

Methodists” Fund, issued by the Mountain Sky United Methodist Foundation, Inc.

Dated \_\_\_\_\_ (month, day, year)

Signed:

\_\_\_\_\_  
Chair, Ad Board/Council \_\_\_\_\_ (date)

Printed Name \_\_\_\_\_ Phone/Email \_\_\_\_\_

\_\_\_\_\_  
Senior Pastor \_\_\_\_\_ (date)

Printed Name \_\_\_\_\_ Phone/Email \_\_\_\_\_

\_\_\_\_\_  
Church Treasurer \_\_\_\_\_ (date)

Printed Name \_\_\_\_\_ Phone/Email \_\_\_\_\_

\_\_\_\_\_  
Chair, Finance/Endowment Committee \_\_\_\_\_ (date)

Printed Name \_\_\_\_\_ Phone/Email \_\_\_\_\_

Accepted this date \_\_\_\_\_  
Mountain Sky United Methodist Foundation, Inc.  
A Colorado non-profit corporation on behalf of the  
Methodists Helping Methodists Fund

By: \_\_\_\_\_  
Executive Director

## **SUBSCRIPTION AGREEMENT: FIXED-RATE FOR CHURCHES/AGENCIES**

This Subscription Agreement (the “Agreement”) is made by and between the Mountain Sky United Methodist Foundation, Inc., a Colorado non-profit corporation (the “Foundation”), administrator of the Methodists Helping Methodists Fund (the “Fund”), and the undersigned prospective investor who is subscribing for Fixed-Rate Investment Accounts of Participation (the “Fixed-Rate Investment Accounts”) in the Fund to be issued by the Foundation pursuant to the Offering Circular and as amended from time-to-time and including all exhibits and attachments thereto (collectively, the “Offering Circular”).

The undersigned hereby irrevocably subscribes for and agrees to purchase Fixed-Rate Investment Accounts in the principal amount indicated on the signature page hereof. Simultaneously with the execution of this Agreement, the undersigned is making the payment set forth on the signature page (the “Payment”), in the form of a check, money order, banker’s draft or wire transfer made payable to or deposited into the account of the Methodists Helping Methodists Fund.

The undersigned hereby represents and warrants to the Foundation as follows:

A) The Fixed-Rate Investment Accounts are being purchased for the undersigned’s own account for investment purposes only, not for the account of any other person and not with a view to distribution, assignment or resale to others.

B) The undersigned has been furnished with and has carefully read the Offering Circular, including but not limited to the information disclosed under “Risk Factors.” The undersigned is familiar with and understands the terms and condition of the Fixed-Rate Investment Accounts, the terms of this Offering and the proposed activities of the Methodists Helping Methodists Fund (the “Fund”). The undersigned has been afforded the opportunity to discuss the Fixed-Rate Investment Accounts and the proposed activities of the Fund with its representatives and to obtain all additional documents and information requested by the undersigned relating to the Fixed-Rate Investment Accounts.

C) The undersigned agrees to look only to those assets of the Fund for repayment of the principal amount of the Fixed-Rate Investment Accounts and interest thereon. Such assets will consist solely of payments received by the Fund with respect to Mortgage Loans made by it, as well as the investments and cash reserve that the Fund intends to maintain with respect to the Fixed-Rate Investment Accounts, all as more fully described in the Offering Circular.

D) With respect to tax and other financial considerations involved in this investment, the undersigned is not relying on any advice or opinions from the Foundation or any person acting on its behalf. The undersigned has carefully considered and has, to the extent the undersigned believes appropriate, discussed with his or her legal, tax, accounting and financial advisors the suitability of an investment in the Fixed-Rate Investment Accounts for his or her particular tax and financial situation and has determined that the Fixed-Rate Investment Accounts for which the undersigned is subscribing are a suitable investment.

E) The undersigned will indemnify and hold harmless the Foundation and any officer, employee, director, member, control person, agent or representative of the Foundation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, by reason of or arising from any breach of the undersigned’s warranties, covenants or agreements set forth herein against losses, liabilities and expenses for which any such indemnified person actually and reasonably incurred by the Foundation or such person in connection with such action, suit or proceeding.

F) This agreement shall be enforced, governed, and construed in all respect in accordance with the law of the State of Colorado, shall be binding upon the undersigned, the undersigned’s heirs, estate, legal representatives, successors and assigns and shall inure to benefit of the Foundation, its successors and assigns.

\_\_\_\_\_ Initial(s)

G) Please indicate how you wish to receive your interest payments:  
\_\_\_\_\_ by ACH directly to your checking/savings account (provide a cancelled check)  
or  
\_\_\_\_\_ an increase in the principal amount of the account (default option)

H) We wish to subscribe, as follows, in a Fixed-Rate Account in the amount of  
\$ \_\_\_\_\_ for the following period:  
\_\_\_\_\_ 12 months \_\_\_\_\_ 24 months \_\_\_\_\_ 36 months \_\_\_\_\_ 48 months \_\_\_\_\_ 60 months

We understand that there is a penalty for early withdrawal of principal from this Time Account.

**Authorization of Investment**

This certifies that the Administrative Board/Council of the \_\_\_\_\_  
United Methodist Church, at \_\_\_\_\_  
\_\_\_\_\_ (address, city, state, zip)

adopted the following resolution: Resolved that members of the \_\_\_\_\_ Committee  
authorize that \$ \_\_\_\_\_ be invested in an Investment Account in the “Methodists  
Helping Methodists Fund”, issued by the Mountain Sky United Methodist Foundation, Inc.

Dated \_\_\_\_\_ (month, day, year)

Signed:

\_\_\_\_\_  
Chair, Ad Board/Council \_\_\_\_\_ (date)  
Printed Name \_\_\_\_\_ Phone/Email \_\_\_\_\_

\_\_\_\_\_  
Senior Pastor \_\_\_\_\_ (date)  
Printed Name \_\_\_\_\_ Phone/Email \_\_\_\_\_

\_\_\_\_\_  
Church Treasurer \_\_\_\_\_ (date)  
Printed Name \_\_\_\_\_ Phone/Email \_\_\_\_\_

\_\_\_\_\_  
Chair, Finance/Endowment Committee \_\_\_\_\_ (date)  
Printed Name \_\_\_\_\_ Phone/Email \_\_\_\_\_

Accepted this date \_\_\_\_\_  
Mountain Sky United Methodist Foundation, Inc.  
A Colorado non-profit corporation on behalf of the  
Methodists Helping Methodists Fund

By: \_\_\_\_\_

# Authorized Signature Card *(for institutional accounts only)*

This form replaces all previous signature cards.  
 Addendums to existing signature cards are not allowed.

Mountain Sky United Methodist Foundation, Inc.  
 7350 E Progress Pl, Suite 205  
 Greenwood Village, CO 80111  
 Phone: 303-778-6370 Fax: 303-777-6292  
 info@MountainSkyUMF.org

Effective Date: \_\_\_\_\_

Church Name: \_\_\_\_\_  
 City: \_\_\_\_\_  
 State: \_\_\_\_\_

Primary Contact Name: \_\_\_\_\_  
 Position at church: \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Email: \_\_\_\_\_

Account Number(s): List all that apply or write "ALL".  
 Use a different form if signers differ per account.

Number of signatures required for withdrawals & transfers: \_\_\_\_\_ (at least two required)  
 FACSIMILE SIGNATURE(S) ALLOWED?  Yes  No  
 SCAN/EMAIL SIGNATURE(S) ALLOWED?  Yes  No

[ X ]

Printed Name: \_\_\_\_\_

**SIGNATURE(S):** The undersigned certifies the accuracy of the information he/she has provided and acknowledges receipt of a completed copy of this form. For more than four signers, use a second form.

Authorized Signer  View Online Statements

[ X ]

(1) \_\_\_\_\_

Printed Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 D.O.B. \_\_\_\_\_ S.S.N. \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Email: \_\_\_\_\_

Authorized Signer  View Online Statements

[ X ]

(2) \_\_\_\_\_

Printed Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 D.O.B. \_\_\_\_\_ S.S.N. \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Email: \_\_\_\_\_

Authorized Signer  View Online Statements

[ X ]

(3) \_\_\_\_\_

Printed Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 D.O.B. \_\_\_\_\_ S.S.N. \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Email: \_\_\_\_\_

Authorized Signer  View Online Statements

[ X ]

(4) \_\_\_\_\_

Printed Name: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 D.O.B. \_\_\_\_\_ S.S.N. \_\_\_\_\_  
 Phone: \_\_\_\_\_  
 Email: \_\_\_\_\_

**CERTIFICATION OF AUTHORITY:** I certify that the elected committees have voted and authorized by resolution to add or remove these authorized signers to the accounts as listed at the top of this form. I represent that I am (check one):

I am a previous signer, or  I am the appointed pastor, or  I am an elected Trustee.

[ X ] \_\_\_\_\_ Date \_\_\_\_\_

Printed Name: \_\_\_\_\_ Title: \_\_\_\_\_

## **Authorized Signature Card Instructions**

**To protect your investments**, the Foundation requires signatures to make withdrawal or transfers on all accounts. Keeping the Foundation updated of any changes as soon as they occur will enable us to honor withdrawal and transfer requests in a timely manner.

### **When to use this form:**

1. New account
2. Changes to existing accounts
3. Removal of a Signer/Online Statement Access (examples: due to death, departure from the church, completion of the Signer's term, committee action, personal decision)
4. Addition of a Signer/Online Statement Access

A church may choose to use one form for all accounts or use a separate form for each account if there are different Authorized Signers on different accounts.

The Foundation uses a banking model. Therefore, for all new accounts and when Signers are added or removed a new form must be submitted. We do not allow addendums to this card. Signers are required to provide Date of Birth (DOB) and a Social Security Number (SSN) for identification purposes.

**Continuity of Authority:** At the bottom of the form, a previous signer must approve the changes. If there are no current authorized signers, the appointed pastor or an elected trustee must provide this continuity.

**Best Practice:** Review authorized signers annually at the yearly church/charge conference.

### **Return completed cards by mail, email, or fax:**

Mountain Sky United Methodist Foundation, Inc.  
7350 E Progress Pl, Ste 205  
Greenwood Village, CO 80111

Phone 303-778-6370  
Fax 303-777-6292  
Email [info@MountainSkyUMF.org](mailto:info@MountainSkyUMF.org)

For additional copies of this form, visit our website: <https://www.MountainSkyUMF.org/forms>

**APPENDIX C: 2017 – 2016 Audited Financials**



**Rocky Mountain United Methodist Foundation, Inc.**

**Financial Statements**

**December 31, 2017 and 2016**

**(With Independent Auditor's Report Thereon)**

*Kundinger, Corder & Engle, P.C.*

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*Certified Public Accountants*

## **Independent Auditor's Report**

### **Board of Directors Rocky Mountain United Methodist Foundation, Inc.:**

We have audited the accompanying financial statements of Rocky Mountain United Methodist Foundation, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of changes in net assets 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.

### **Auditor's 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 auditor's 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 audit opinion.

**Board of Directors  
Rocky Mountain United Methodist Foundation, Inc.**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain United Methodist Foundation, Inc. as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Keundinger, Casden & Congle, P.C.*

May 18, 2018

**Rocky Mountain United Methodist Foundation, Inc.**  
**Statements of Financial Position**  
**December 31, 2017 and 2016**

	<u>Operating Fund</u>		<u>MHM Fund</u>		<u>Investments Fund</u>		<u>Planned Giving Fund</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>										
Current assets:										
Cash and cash equivalents	\$ 73,769	23,226	–	–	–	–	–	–	73,769	23,226
Short-term investments (notes 2 and 3)	375,251	349,774	1,770,569	3,302,126	(835,583)	(820,656)	–	–	1,310,237	2,831,244
Loans receivable (note 5)	–	–	456,433	327,148	–	–	–	–	456,433	327,148
Accounts receivable and other assets	18,139	7,251	23,136	13,758	–	–	–	–	41,275	21,009
Interfund activity	(127,558)	(50,023)	127,558	50,023	–	–	–	–	–	–
Investment funds held for others (notes 2, 3 and 4)	–	–	–	–	30,524,010	25,561,778	–	–	30,524,010	25,561,778
Total current assets	<u>339,601</u>	<u>330,228</u>	<u>2,377,696</u>	<u>3,693,055</u>	<u>29,688,427</u>	<u>24,741,122</u>	<u>–</u>	<u>–</u>	<u>32,405,724</u>	<u>28,764,405</u>
Non-current assets:										
Loans receivable (note 5)	–	–	7,802,262	5,647,613	–	–	–	–	7,802,262	5,647,613
Long-term investments (notes 2 and 3)	–	–	408,301	349,164	–	–	41,184	38,554	449,485	387,718
Furniture and equipment, net (note 6)	11,389	16,977	5,002	7,504	–	–	–	–	16,391	24,481
Cash surrender value of insurance policies (note 3)	–	–	–	–	–	–	154,585	126,869	154,585	126,869
Trust and annuity pool assets (notes 2 and 3)	–	–	–	–	–	–	557,435	367,372	557,435	367,372
Total non-current assets	<u>11,389</u>	<u>16,977</u>	<u>8,215,565</u>	<u>6,004,281</u>	<u>–</u>	<u>–</u>	<u>753,204</u>	<u>532,795</u>	<u>8,980,158</u>	<u>6,554,053</u>
Total assets	<u>\$ 350,990</u>	<u>347,205</u>	<u>10,593,261</u>	<u>9,697,336</u>	<u>29,688,427</u>	<u>24,741,122</u>	<u>753,204</u>	<u>532,795</u>	<u>41,385,882</u>	<u>35,318,458</u>
<b>Liabilities:</b>										
Current liabilities:										
Accounts payable and accrued expenses	\$ 41,417	57,104	–	–	–	–	–	1,038	41,417	58,142
Investor amounts payable (note 5)	–	–	7,272,625	5,425,266	–	–	–	–	7,272,625	5,425,266
Liability under annuity gifts (note 1(i))	–	–	–	–	–	–	17,600	18,356	17,600	18,356
Investment funds held for others (note 4)	–	–	–	–	30,524,010	25,561,778	–	–	30,524,010	25,561,778
Total current liabilities	<u>41,417</u>	<u>57,104</u>	<u>7,272,625</u>	<u>5,425,266</u>	<u>30,524,010</u>	<u>25,561,778</u>	<u>17,600</u>	<u>19,394</u>	<u>37,855,652</u>	<u>31,063,542</u>
Non-current liabilities:										
Investor amounts payable (note 5)	–	–	2,911,064	3,860,215	(835,583)	(820,656)	–	–	2,075,481	3,039,559
Liability under annuity gifts (note 1(i))	–	–	–	–	–	–	169,034	160,811	169,034	160,811
Due to beneficiaries (note 1(h))	–	–	–	–	–	–	547,722	333,235	547,722	333,235
Total noncurrent liabilities	<u>–</u>	<u>–</u>	<u>2,911,064</u>	<u>3,860,215</u>	<u>(835,583)</u>	<u>(820,656)</u>	<u>716,756</u>	<u>494,046</u>	<u>2,792,237</u>	<u>3,533,605</u>
Total liabilities	<u>41,417</u>	<u>57,104</u>	<u>10,183,689</u>	<u>9,285,481</u>	<u>29,688,427</u>	<u>24,741,122</u>	<u>734,356</u>	<u>513,440</u>	<u>40,647,889</u>	<u>34,597,147</u>
<b>Net assets:</b>										
Unrestricted net assets (note 8):										
Operating	(8,148)	424	214,519	245,202	–	–	(22,336)	(19,199)	184,035	226,427
Board-designated	–	–	–	–	–	–	41,184	38,554	41,184	38,554
Board-designated endowments	317,721	289,677	195,053	166,653	–	–	–	–	512,774	456,330
Total net assets	<u>309,573</u>	<u>290,101</u>	<u>409,572</u>	<u>411,855</u>	<u>–</u>	<u>–</u>	<u>18,848</u>	<u>19,355</u>	<u>737,993</u>	<u>721,311</u>
Commitments (note 10)										
Total liabilities and net assets	<u>\$ 350,990</u>	<u>347,205</u>	<u>10,593,261</u>	<u>9,697,336</u>	<u>29,688,427</u>	<u>24,741,122</u>	<u>753,204</u>	<u>532,795</u>	<u>41,385,882</u>	<u>35,318,458</u>

See the accompanying notes to the financial statements.

**Rocky Mountain United Methodist Foundation, Inc.**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2017**

	<b>Operating Fund</b>	<b>MHM Fund</b>	<b>Investments Fund</b>	<b>Planned Giving Fund</b>	<b>Total</b>
<b>Changes in unrestricted net assets:</b>					
<b>Support and revenue</b>					
MHM Fund income (note 5)	\$ —	314,650	—	—	314,650
Less MHM Fund expense (note 5)	—	(136,133)	—	—	(136,133)
Net MHM Fund income	—	178,517	—	—	178,517
Management fee income	176,648	—	—	—	176,648
Contributions	6,144	—	—	—	6,144
Investment return, net (note 2)	56,814	94,332	—	2,038	153,184
Other revenue	21,325	631	—	—	21,956
Total support and revenue	260,931	273,480	—	2,038	536,449
<b>Expenses</b>					
Program services	220,492	156,888	—	2,545	379,925
Management and general	114,148	25,694	—	—	139,842
Total expenses	334,640	182,582	—	2,545	519,767
<b>Change in net assets</b>	(73,709)	90,898	—	(507)	16,682
<b>Net assets at beginning of year:</b>					
Unrestricted net assets	290,101	411,855	—	19,355	721,311
<b>Transfers</b>	93,181	(93,181)	—	—	—
<b>Net assets at end of year:</b>					
Unrestricted net assets	309,573	409,572	—	18,848	737,993
Total net assets at end of year	\$ 309,573	409,572	—	18,848	737,993

See the accompanying notes to the financial statements.

**Rocky Mountain United Methodist Foundation, Inc.**  
**Statement of Changes in Net Assets**  
**Year Ended December 31, 2016**

	<b>Operating Fund</b>	<b>MHM Fund</b>	<b>Investments Fund</b>	<b>Planned Giving Fund</b>	<b>Total</b>
<b>Changes in unrestricted net assets:</b>					
<b>Support and revenue</b>					
MHM Fund income (note 5)	\$ —	251,719	—	—	251,719
Less MHM Fund expense (note 5)	—	(116,362)	—	—	(116,362)
Net MHM Fund income	—	135,357	—	—	135,357
Management fee income	143,700	—	—	—	143,700
Contributions	6,564	—	—	—	6,564
Investment return, net (note 2)	25,364	65,087	—	7,622	98,073
Other revenue	224	864	—	—	1,088
Total support and revenue	175,852	201,308	—	7,622	384,782
<b>Expenses</b>					
Program services	176,327	110,719	—	4,962	292,008
Management and general	57,746	18,104	—	—	75,850
Total expenses	234,073	128,823	—	4,962	367,858
<b>Change in net assets</b>	(58,221)	72,485	—	2,660	16,924
<b>Net assets at beginning of year (as previously reported):</b>					
Unrestricted net assets	208,903	163,873	—	16,695	389,471
Temporarily restricted net assets	139,419	—	—	—	139,419
Permanently restricted net assets	—	175,497	—	—	175,497
Total net assets at beginning of year	348,322	339,370	—	16,695	704,387
Reclassification of unrestricted net assets (note 7)	139,419	175,497	—	—	314,916
Reclassification of temporarily restricted net assets (note 7)	(139,419)	—	—	—	(139,419)
Reclassification of permanently restricted net assets (note 7)	—	(175,497)	—	—	(175,497)
<b>Net assets at end of year:</b>					
Unrestricted net assets	290,101	411,855	—	19,355	721,311
Temporarily restricted net assets	—	—	—	—	—
Permanently restricted net assets	—	—	—	—	—
Total net assets at end of year	\$ 290,101	411,855	—	19,355	721,311

See the accompanying notes to the financial statements.

**Rocky Mountain United Methodist Foundation, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	Operating Fund		MHM Fund		Investments Fund		Planned Giving Fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Cash flows from operating activities:</b>										
Change in net assets	\$ (73,709)	(58,221)	90,898	72,485	–	–	(507)	2,660	16,682	16,924
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:										
Depreciation and amortization	5,588	6,745	2,502	2,501	–	–	–	–	8,090	9,246
Transfers	93,181	–	(93,181)	–	–	–	–	–	–	–
Change in value of charitable gift annuities	–	–	–	–	–	–	23,885	6,063	23,885	6,063
Net unrealized and realized gains on investments	(50,044)	(21,510)	(52,092)	(20,416)	–	–	(5,531)	(2,338)	(107,667)	(44,264)
(Increases) decreases in operating assets:										
Accounts receivable and other assets	(10,888)	18,919	(9,378)	2,287	–	–	–	–	(20,266)	21,206
Interfund activity	77,535	57,651	(77,535)	(57,651)	–	–	–	–	–	–
Decreases in operating liabilities:										
Accounts payable and accrued expenses	(15,687)	(9,555)	–	–	–	–	(1,038)	–	(16,725)	(9,555)
Net cash provided by (used in) operating activities	\$ 25,976	(5,971)	(138,786)	(794)	–	–	16,809	6,385	(96,001)	(380)
<b>Cash flows from investing activities:</b>										
Purchases of property and equipment	\$ –	(4,463)	–	–	–	–	–	–	–	(4,463)
Proceeds from sale of investments	32,277	36,717	–	–	–	–	3,426	6,819	35,703	43,536
Purchases of investments	(7,710)	(8,093)	1,524,512	(472,886)	–	–	(525)	(4,047)	1,516,277	(485,026)
Net change in due to beneficiaries	–	–	–	–	–	–	(3,292)	11,754	(3,292)	11,754
Issuance of MHM loans receivable	–	–	(3,093,998)	(1,266,397)	–	–	–	–	(3,093,998)	(1,266,397)
Collections of MHM loans receivable	–	–	810,064	416,177	–	–	–	–	810,064	416,177
Net cash provided by (used in) investing activities	24,567	24,161	(759,422)	(1,323,106)	–	–	(391)	14,526	(735,246)	(1,284,419)
<b>Cash flows from financing activities:</b>										
Change in MHM Fund investor amounts payable	–	–	898,208	1,323,900	–	–	–	–	898,208	1,323,900
Payments on charitable gift annuities	–	–	–	–	–	–	(16,418)	(21,949)	(16,418)	(21,949)
Net cash provided by (used in) financing activities	–	–	898,208	1,323,900	–	–	(16,418)	(21,949)	881,790	1,301,951
<b>Net increase (decrease) in cash and cash equivalents</b>	50,543	18,190	–	–	–	–	–	(1,038)	50,543	17,152
<b>Cash and cash equivalents, beginning of year</b>	23,226	5,036	–	–	–	–	–	1,038	23,226	6,074
<b>Cash and cash equivalents, end of year</b>	\$ 73,769	23,226	–	–	–	–	–	–	73,769	23,226
<b>Supplemental disclosures of cash flow information:</b>										
Cash paid during the year for interest	\$ –	–	131,556	116,362	–	–	–	–	131,556	116,362

See the accompanying notes to the financial statements.

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements

December 31, 2017 and 2016

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### (1) Summary of Significant Accounting Policies

#### (a) Organization

United Methodist Foundation Rocky Mountain Conference, Inc. d.b.a. Rocky Mountain United Methodist Foundation, Inc. (the Foundation) was established by the Annual Conference of the Rocky Mountain Conference (the Conference) in 1987, as recommended in paragraph 2513 in the 2016 Book of Discipline of The United Methodist Church, for the purpose of securing and conserving gifts for the future of the United Methodist churches of the Conference. The Foundation enhances the ministries of United Methodist churches and related agencies by providing services that help strengthen their fiscal base and promote faithful financial stewardship from members.

The Foundation serves United Methodist churches and agencies in the following ways:

- Helping establish and promote endowment programs.
- Offering four investment funds to suit various financial objectives while meeting the social principles of the United Methodist Church.
- Providing loans to churches and agencies for capital improvement needs.

The Foundation serves individual United Methodists by:

- Offering a stable investment opportunity in the Methodists Helping Methodists (MHM) Fund.
- Assisting in exploring a giving plan that will protect and provide for themselves and their families' future, while also remembering their church or other United Methodist ministries.

As part of the Foundation's services, the MHM Fund extends first and second mortgage loans to United Methodist churches and agencies in Colorado, Wyoming, Utah and Montana, for new construction, renovation projects or refinancing of existing loans.

The Foundation's primary sources of net revenue and support are management fees charged for handling investments, as well as interest income from the MHM Fund.

#### (b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

#### (c) Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. At December 31, 2017 and 2016, the Foundation has no temporarily or permanently restricted net assets.



# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### (e) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less, and which are not held by investment managers as a part of an investment portfolio, to be cash equivalents.

#### (f) Investments

Investments are recorded at fair value. Fair value is determined as more fully described in note 3.

The Foundation pools its investments for portfolio management purposes. The pool units are assigned to the individual investment account holders based on the fair value of the cash placed in the pool by each participant. Likewise, the income and realized and unrealized gains and losses of the investment pool are allocated to the pool participants based on their pro-rata share of units.

In May 2015, the Financial Accounting Standards Board issued ASU No. 2015-07, *Disclosures of Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The standard is effective for years beginning after December 31, 2016. The Foundation has adopted ASU 2015-07 for the year ended December 31, 2017.

Investment return consists of the Foundation's distributive share of any interest, dividends, and capital gains and losses generated from the investment pool. Investment gain or loss (including realized and unrealized gains and losses on investments) is included in the change in net assets in the statements of changes in net assets as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. Investments held for others are treated as custodial accounts; therefore, the related investment income is not reflected in the accompanying statements of activities.

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (g) Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash, investments and loans receivable. Cash accounts may, during the year, exceed the federally insured limit set by the Federal Deposit Insurance Corporation (FDIC). The Foundation reduces credit risk by placing its cash and money market accounts with creditworthy, high quality financial institutions as determined by management. Investments are made according to the investment policies adopted by the Foundation's board of directors. These guidelines provide for a balanced diversified portfolio with investments in equities, fixed income and other securities with performance measured against appropriate indices. Outside parties are contracted by the Foundation for the purpose of providing investment management.

Credit risk with respect to the Foundation's loans receivable is limited due to the Foundation's loan policies which set a maximum loan size for each loan and also limit the total amount loaned to a borrower. In addition, the loans are secured by a deed of trust in first or second lien position on real property.

#### (h) Due to Beneficiaries

The Foundation receives and distributes assets under certain types of agency and intermediary arrangements: life insurance policies and perpetual trusts. In both cases, the Foundation accepts assets from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to an outside church or other third party beneficiary other than the Foundation. The transferred funds under perpetual trusts are managed along with the Foundation's investments.

The benefit to the third party beneficiaries of \$154,585 and \$126,869 at December 31, 2017 and 2016, respectively under the life insurance policies and \$393,137 and \$206,366 under the perpetual trusts is reflected as a liability on the accompanying statements of financial position and total \$547,722 and \$333,235 as of December 31, 2017 and 2016, respectively.

#### (i) Charitable Gift Annuities

The Foundation enters into charitable gift annuities which require annuity payments to be made to designated beneficiaries for the remainder of their lives. The assets contributed are valued at fair market value as of the date of the gift. In each case, a liability for future annuity payments is established using discount rates and actuarial assumptions established by the American Council for Gift Annuities for determining the amount of charitable donation allowed. Each annuitant designates a beneficiary to receive 80% of his or her annuity assets upon maturity of the annuity. As of December 31, 2017 and 2016, the estimated payable to others, based on the asset and liability for each annuity, totals \$56,479 and \$41,979 and the estimated amount payable to the annuitants totals \$130,155 and \$137,188, respectively. The residual amount to the Foundation is treated as a restricted gift at the time of the contribution based on the donor's stipulated restrictions, if any, for the use of the residual value. Annually, the liability accounts are reduced by payments made to the life beneficiary and adjusted for changes in the actuarially computed present value of the remaining life of the annuitant.

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (j) Furniture and Equipment

Furniture and equipment are stated at cost or, if donated, at fair market value at the date of donation. The Foundation capitalizes all fixed asset purchases over \$500 with an estimated useful life of one or more years. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years.

#### (k) Allowance for Loan Loss

Management provides an allowance for loan losses based upon estimated collectability of the loans. Management's determination of the adequacy of the allowance is based upon past loss experience, economic conditions, and other relevant factors that in management's judgment deserve recognition. All loans are secured by deeds of trust in first or second lien position on real property. The Foundation's policy is to not loan more than 80% of the value of the property. In the event of default, where all collection efforts have been exhausted, the Foundation would begin the foreclosure process and attempt to sell the property to recover the loan balance. As of December 31, 2017 and 2016, all loans are current and the Foundation has not experienced any losses on these receivables. Therefore, no allowance for uncollectible amounts is recorded.

#### (l) Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of changes in net assets as net assets released from restrictions.

#### (m) Revenue Recognition

##### Interest Income

Interest income on loans is recognized when earned. Interest income is accrued to offset the interest expense payable related to these loans.

##### Management Fee and MHM Fund Income

Management fee income and MHM Fund income are recognized in the year in which they are earned. These amounts are related to performing investment services for, or lending money to, churches or other United Methodist entities within the Conference.

#### (n) Functional Allocation of Expenses

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

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

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### (1) Summary of Significant Accounting Policies, Continued

#### (o) Interfund Transactions

As part of the investment strategy of the MHM Fund, certain amounts have been invested into the Investment Funds Held for Others in the Investments Fund. As of December 31, 2017 and 2016, respectively, \$491,128 and \$1,356,243 of the MHM Fund was invested into the Investments Held for Others. This amount has been eliminated from the Investment Funds Held for Others and included in the MHM Fund in the statements of financial position.

Similarly, the Investments Fund has invested in the MHM Fund. As of December 31, 2017 and 2016, \$835,583 and \$820,656 of the Investment Funds Held for Others was invested into the MHM Fund.

#### (p) Income Taxes

The Foundation is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is a public charity under Section 170(b)(1)(A)(vi) of the Code under an independent ruling. Accordingly, the Foundation qualifies for the charitable contribution deduction. Income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income subject to tax in 2017 or 2016.

Management is required to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management believes that it has appropriate support for any tax positions taken and that none would require recognition of a liability or disclosure in the financial statements. The Foundation is exempt from the requirement to file Form 990, Return of Organization Exempt from Income Tax.

#### (q) Subsequent Events

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Foundation's financial statements were available to be issued on May 18, 2018, and this is the date through which subsequent events were evaluated. See note 12.

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

### (2) Investments

Total investments consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Balanced fund (Wespath)	\$ 13,519,454	9,587,938
Equity growth fund (Wespath)	6,618,176	5,974,025
Fixed income fund (Wespath)	5,386,314	5,219,619
Short-term fund (Texas Methodist Foundation)	5,528,008	4,380,633
Short-term cash fund (cash)	509,774	2,040,014
Short-term cash fund (MHM Fund) *	<u>835,583</u>	<u>820,656</u>
Total pooled investment units	32,397,309	28,022,885
MHM Fund cash	624,189	1,301,194
MHM (Texas Methodist Foundation (“TMF”))	455,252	444,689
MHM (United Methodist Development Fund (“UMDF”))	<u>200,000</u>	<u>200,000</u>
	33,676,750	29,968,768
Less inter-fund investments (note (1)(o))	<u>(835,583)</u>	<u>(820,656)</u>
Total investments	\$ <u>32,841,167</u>	<u>29,148,112</u>

\* This amount represents internal investments of short-term cash funds in the MHM Fund Certificates of Participation.

These investments are reported in the statements of financial position in the following categories at December 31:

	<u>2017</u>	<u>2016</u>
Short-term investments	\$ 1,310,237	2,831,244
Investment funds held for others	30,524,010	25,561,778
Long-term investments	449,485	387,718
Trust and annuity pool assets	<u>557,435</u>	<u>367,372</u>
Total investments	\$ <u>32,841,167</u>	<u>29,148,112</u>

Investment return, excluding that attributed to investments held for others, is summarized below:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 45,517	53,809
Net realized and unrealized gains, net of management fees	<u>107,667</u>	<u>44,264</u>
Net investment return	\$ <u>153,184</u>	<u>98,073</u>

### (3) Fair Value Measurements

The carrying amount reported in the statements of financial position for cash and cash equivalents approximate fair value because of the immediate or short-term maturities of these financial instruments.

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

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### (3) Fair Value Measurements, Continued

The Foundation reports its financial instruments in accordance with fair value standards. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and to minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the Foundation reports certain investments using the “practical expedient” method. The practical expedient allows net asset value per share, or its equivalent, to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the Foundation to classify these financial instruments into a three-level hierarchy, with the exception of those valued at net asset value per share (“NAV”), based on the priority of inputs to the valuation technique.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments included in Level 1 includes mutual funds, listed equities, listed derivatives, cash, and cash equivalents.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate and government bonds, less liquid and restricted equity securities and certain over-the-counter derivatives.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are in this category generally include limited partnership interests in corporate private equity and real estate funds, funds of hedge funds, and distressed debt.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of financial instruments and are not necessarily an indication of risk or liquidity.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that a change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the Foundation’s financial statements.

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

### (3) Fair Value Measurements, Continued

The following table summarizes the fair value hierarchy levels used by the Foundation for financial instruments measured at fair value on a recurring basis as of December 31, 2017:

	<u>Fair Value</u>	Assets Measured at NAV (a)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Balanced fund	\$ 13,519,454	13,519,454	–	–	–
Equity growth fund	6,618,176	6,618,176	–	–	–
Fixed income fund	5,386,314	5,386,314	–	–	–
Short-term fund	5,983,260	5,528,008	–	455,252	–
Short-term cash funds	1,133,963	–	1,133,963	–	–
UMDF loan fund	200,000	–	–	200,000	–
Total investments	<u>32,841,167</u>	<u>31,051,952</u>	<u>1,133,963</u>	<u>655,252</u>	<u>–</u>
Cash surrender value of policies	<u>154,585</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>154,585</u>
Total	<u>\$ 32,995,752</u>	<u>31,051,952</u>	<u>1,133,963</u>	<u>655,252</u>	<u>154,585</u>

The following table summarizes the fair value hierarchy levels used by the Foundation for financial instruments measured at fair value on a recurring basis as of December 31, 2016:

	<u>Fair Value</u>	Assets Measured at NAV (a)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Balanced fund	\$ 9,587,938	9,587,938	–	–	–
Equity growth fund	5,974,025	5,974,025	–	–	–
Fixed income fund	5,219,619	5,219,619	–	–	–
Short-term fund	4,825,324	4,380,634	–	444,690	–
Short-term cash funds	3,341,206	–	3,341,206	–	–
UMDF loan fund	200,000	–	–	200,000	–
Total investments	<u>29,148,112</u>	<u>25,162,216</u>	<u>3,341,206</u>	<u>644,690</u>	<u>–</u>
Cash surrender value of policies	<u>126,869</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>126,869</u>
Total	<u>\$ 29,274,981</u>	<u>25,162,216</u>	<u>3,341,206</u>	<u>644,690</u>	<u>126,869</u>

- (a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient, which is a reasonable estimate of fair value, have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

### (3) Fair Value Measurements, Continued

All assets have been valued using a market approach, except for Level 3 assets. The fair value of investments in short-term cash funds is based upon quoted market values and other observable inputs (Level 1). The fair value of the UMDF loan fund and the certificates of deposit in the short-term fund is based on interest rates for debt instruments with similar characteristics (Level 2). The fair value of pooled investment funds (Level 2) is based on financial information determined and reported by investment managers or on the basis of other information evaluated periodically by the Foundation. The cash surrender value of the life insurance policies held by the Foundation are valued based on the fair value of the Foundation's share of the cash surrender value of the respective life insurance company policy as represented by the insurance company (Level 3).

There were no changes in the valuation techniques during the current year. The Foundation recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

The following table summarizes the significant information related to investments valued using the practical expedient method as of December 31, 2017.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Balanced Fund:			
U.S. Equity Fund (a) *	\$ 6,602,124	Daily	**
Fixed Income Fund (b) *	2,835,197	Daily	**
International Equity Fund (c) *	2,947,079	Daily	**
Inflation Protection Fund (d) *	1,135,054	Daily	**
Equity Growth Fund:			
U.S. Equity Fund (a)	4,906,251	Daily	**
International Equity Fund (c)	1,711,925	Daily	**
Fixed Income Fund:			
Fixed Income Fund (b)	4,301,970	Daily	**
Inflation Protection Fund (d)	1,084,344	Daily	**
Short-term Fund (e) *	5,528,008	Daily	**

- (a) The U.S. Equity Fund holds investments of publicly-traded U.S. based real estate investment trusts, limited partnership interests in private U.S. real estate and other private investments (venture capital, buyouts, etc.) of U.S. companies.
- (b) The Fixed Income Fund holds publicly traded U.S. fixed-income securities, and fixed-income securities denominated in currencies other than the U.S. dollar. It also holds privately placed loans originated by the Positive Social Purpose Lending Program (e.g., affordable housing and community development loans).
- (c) The International Equity Fund holds real estate trusts and interests in private real estate and private equity partnerships located in foreign countries.
- (d) Inflation Protection Fund holds a combination of U.S. and foreign fixed income securities. The fund also invests in commodity futures contracts and holds senior secured loans.
- (e) This portion of the portfolio consists of certificates of participation in the TMF Loan Fund, MHM certificates of participation, and MHM checking account. The fair value of the certificates of participation is based on interest rates for debt instruments with similar characteristics.



# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

### (3) Fair Value Measurements, Continued

\* For each of these funds, the price at which investors buy, sell, or exchange units is the unit price or net asset value. The unit price is multiplied by the number of units held in each investor's account to determine the total value of the investor's holdings in the fund.

\*\* A redemption notice period of up to 15 days at the discretion of Wespath, the fund manager, is required for all redemptions greater than \$2 million. Otherwise, redemptions may be executed daily.

### (4) Investment Funds Held for Others

The Foundation manages separate investment funds for the benefit of churches and church agencies of the Rocky Mountain and Yellowstone Annual Conferences. Four funds are maintained to meet the different risk and income needs of the churches. These funds are subject to withdrawal. Withdrawals are either a specified amount, a percentage of account balances, or per specific requests from the churches. A management fee is collected as stipulated in the investment agreements and recognized as management fee income in the statements of activities.

Activity attributed to funds held for churches, which is not reflected in the statements of activities and statements of cash flows for the year ended December 31 is as follows:

	<u>2017</u>	<u>2016</u>
Invested balance at the beginning of the year	\$ 25,561,778	23,052,001
Purchases of investments	4,678,777	2,907,099
Net realized and unrealized gains	2,695,408	1,139,085
Interest and dividends	485,602	473,939
Proceeds from sales of investments	<u>(2,897,555)</u>	<u>(2,010,346)</u>
Invested balance at the end of the year	\$ <u>30,524,010</u>	<u>25,561,778</u>

### (5) MHM Funds

The Foundation administers the MHM Fund for the purpose of providing loans to credit-worthy United Methodist churches of the Rocky Mountain and Yellowstone Annual Conferences for building and improvement projects. Certificates of Participation are offered to United Methodist investors to generate capital to be loaned to the United Methodist churches.

The MHM Fund intends to use up to 90% of the proceeds of the certificates offered to fund mortgage loans. The remaining 10% of the proceeds will be held in a reserve fund and not loaned. The reserve fund will be invested in cash, money market funds, certificates of deposit, U.S. government obligations, and U.S. government agencies in accordance with the investment policies and guidelines adopted by the MHM Fund.

#### MHM Fund Loans Receivable

The mortgage loans receivable are issued to United Methodist churches of the Rocky Mountain and Yellowstone Annual Conferences and secured by the real property for which the mortgage was obtained. All loans are current and the Foundation has not experienced any losses on these mortgages receivable. Therefore, no allowance for uncollectable amounts is recorded. Interest income from mortgages is recorded when earned and was \$314,650 and \$251,719 for the years ended December 31, 2017 and 2016.

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

### (5) MHM Funds, Continued

As of December 31, 2017 and 2016, there is only one class of financing receivables, which is evaluated based on the following indicators: loan-to-value, collection experience, and other internal metrics. As of December 31, 2017 and 2016, there were no notes on non-accrual status or any notes 90 days or more past due.

Interest rates range from 4.25% to 5.25% per year. Loans may be amortized for a period of up to 20 years. Principal payments are expected to be collected as follows for the years ending December 31:

2018	\$ 456,433
2019	600,070
2020	631,758
2021	657,945
2022	561,303
Thereafter	<u>5,351,186</u>
	<u>\$ 8,258,695</u>

Texas Methodist Foundation (TMF) and United Methodist Development Fund (UMDF) participate in certain of the mortgage loans. The Foundation's participation in these loans ranges from 66% to 81%. At December 31, 2017, the Foundation had three outstanding participation loans receivable. Only the Foundation's share of these participation loans is recorded in the statements of financial position.

#### MHM Fund Investor Amounts Payable

The MHM Fund offers interest-bearing investment Certificates of Participation to United Methodist investors, which are included in the statements of financial position as MHM Fund investor amounts payable. These funds are used to provide loans to qualified churches for building and improvement projects. The certificates are unsecured obligations of the MHM Fund. Other assets or revenues of the Foundation are available to return interest on the certificates if necessary. Historically, approximately 99% of certificates are renewed when they mature.

Interest expense related to the MHM funds totaled \$136,133 and \$116,362 for the years ended December 31, 2017 and 2016, respectively. Interest rates below are shown as of December 31, 2017. Scheduled maturities of certificates of participation, as of December 31, 2017, are as follows:

Demand accounts, 0.50%	\$ 2,828,956
2018, 0.60% to 2.60%	4,443,669
2019, 1.10% to 2.25%	796,227
2020, 1.60% to 2.25%	948,669
2021, 1.85% to 3.25%	600,970
2022, 1.90% to 2.50%	<u>565,199</u>
	10,183,690
Less interfund investments (note (1)(o))	<u>(835,583)</u>
	<u>\$ 9,348,107</u>

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

### (6) Furniture and Equipment

Furniture and equipment consists of the following at December 31:

	<u>2017</u>	<u>2016</u>
Equipment and furnishings	\$ 51,624	51,624
Software	<u>26,169</u>	<u>26,169</u>
	77,793	77,793
Less accumulated depreciation	<u>(61,402)</u>	<u>(53,312)</u>
	<u>\$ 16,391</u>	<u>24,481</u>

### (7) Reclassification of Net Assets

During the year ended December 31, 2016, the Foundation researched and determined that certain amounts previously recorded as donor-restricted endowment funds were instead board-designated endowments. As a result of this clarification, permanently restricted net assets totaling \$175,497 were reclassified to unrestricted net assets. Accumulated earnings of \$139,419 on those endowment funds were also reclassified from temporarily restricted net assets to unrestricted net assets.

### (8) Designations of Unrestricted Net Assets

Unrestricted net assets are the resources currently available for operating purposes and those resources that have been designated by the board. At December 31, 2017 and 2016, the board has designated unrestricted net assets totaling \$41,184 and \$38,554 as a reserve for charitable gift annuity liabilities.

### (9) Endowment Funds

The Foundation's endowments consist of two funds designated by the board of directors to function as endowments. The Foundation's endowment funds consist of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Operating Fund general endowment	\$ 317,721	289,677
MHM Fund reserve endowment	<u>195,053</u>	<u>166,653</u>
Total board-designated endowment funds	<u>\$ 512,774</u>	<u>456,330</u>

	<u>Operating Fund Endowment</u>	<u>MHM Fund Endowment</u>	<u>Total</u>
Endowment net assets at January 1, 2016	\$ 266,227	153,528	419,755
Net investment return	22,121	12,757	34,878
Contributions	<u>1,329</u>	<u>368</u>	<u>1,697</u>
Endowment net assets at December 31, 2016	<u>289,677</u>	<u>166,653</u>	<u>456,330</u>
Net investment return	46,834	27,920	74,754
Distributions	(20,277)	-	(20,277)
Contributions	<u>1,487</u>	<u>480</u>	<u>1,967</u>
Endowment net assets at December 31, 2017	<u>\$ 317,721</u>	<u>195,053</u>	<u>512,774</u>

# Rocky Mountain United Methodist Foundation, Inc.

## Notes to Financial Statements, Continued

### (9) Endowment Funds, Continued

#### Return Objectives, Risk Parameters, and Strategies Employed for Achieving Objectives

The Foundation has adopted an investment policy with the objective to provide sufficient earnings in the form of a total return from capital appreciation and income to meet the Foundation's current and future needs. Endowment funds are maintained in a pooled investment portfolio. Interest, dividends, and realized and unrealized gains and losses in the investment pool are allocated monthly to the Foundation and endowment funds in proportion to each fund's share in the investment pool.

#### Distribution Policy and How the Investment Objectives Relate to Distribution Policy

The Foundation has adopted a policy of appropriating for distribution each year an amount based on prior year actual earnings on the endowment assets. This distribution policy applies to all endowment funds unless those funds, and associated designated investments, have their own distribution requirements. The Foundation will never spend more than seven percent of the rolling three-year average fair market value of the endowment funds. It is the intent that annual spending never diminish the original contributions. Withdrawals in excess of the spending policy may only be made in extreme circumstances and must be approved by a two-thirds vote of the board of directors.

Accordingly, the overall strategy for the management and investment of Foundation assets as well as the annual appropriation decision will consider all of the following criteria:

- (1) Duration and preservation of the endowment funds,
- (2) Purpose and function of the endowment funds,
- (3) General economic conditions,
- (4) Expected total return on investments,
- (5) The possible effect of inflation and deflation,
- (6) Other Foundation resources and assets, and
- (7) The investment policies of the Foundation.

### (10) Operating Leases

The Foundation leases a copy machine and office space under non-cancelable lease agreements which expire through January 2019. Future minimum lease payments required under the operating leases are as follows for the years ending December 31:

2019	\$ 16,025
2020	<u>167</u>
	<u>\$ 16,192</u>

Rent expense incurred during 2017 and 2016 was \$19,612 and \$20,453, respectively.

### (11) Related Party Transactions

The Foundation is structured to serve the Rocky Mountain Annual Conference and related entities within the United Methodist denomination. Therefore, the loan transactions that take place related to the MHM Fund are related party transactions. The funds held for churches and management fee income on the funds are also related party transactions in nature.

# **Rocky Mountain United Methodist Foundation, Inc.**

## **Notes to Financial Statements, Continued**

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### **(12) Yellowstone Conference United Methodist Foundation, Inc.**

Effective May 1, 2017, the Foundation entered into an operations services agreement with Yellowstone Conference United Methodist Foundation, Inc. (YCUMF) whereby the Foundation will provide, for a monthly fee, the full spectrum of its current products and services to YCUMF, as are legally allowed in the states of Montana, Wyoming, Utah, and Colorado. This agreement is in effect until (a) sixty day written notice of termination is provided to either party, or (b) the parties merge, provided the conditions for a merger are met. On February 23, 2018, the Foundation Board voted to proceed with a full merger with YCUMF.

