2008 Annual Report

UNITED CHURCH FOUNDATION

OUR MISSION

The United Church Foundation strengthens the Church's ministries through the faithful stewardship of resources by offering all parts of the United Church of Christ sound financial management services.

OUR VISION

As we begin our second century of ministry guided by the principles and beliefs of the United Church of Christ, the United Church Foundation strives to be the preferred provider of financial services to the churches, associations, conferences and other institutions of the United Church of Christ and to expand our ministry to include ecumenical partners and beyond.

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FROM THE PRESIDENT

No question about it: 2008 will go down as one of the most dramatic years in financial history. Our nation witnessed the meltdown of banks, investment firms and Fortune 500 companies once thought invulnerable. The world's largest Ponzi scheme was uncovered, wiping out the wealth of thousands of people and organizations who had invested their futures with Bernard Madoff. The Dow Jones Industrial Average lost a third of its value, and the Standard & Poor's 500 suffered its third-worst loss with a 38% decline. In an effort to revive the economy, the US government began an unprecedented series of bailouts of American banking and business.

At the United Church Foundation, we have of course been affected by the overall market downturn — but we are pleased to report that we avoided some of the year's more dramatic losses thanks to our commitment to responsible investment. We were not invested in Lehman Brothers, for instance, and had stayed well away from sub-prime lending in general. In fact, our Corporate

Social Responsibility office had long been part of an ecumenical group of investors calling for tighter regulation of sub-prime lending, recognizing not only the financial but also the moral concerns inherent in this practice. While we have fielded many calls from anxious investors, we have been able to calm most of our clients' fears, reminding them of the long-term nature of endowment investing. And we have encouraged caution in realizing losses that on paper appear unnerving.

Many believe our economy is undergoing a restructuring that will alter the landscape of business and industry. While our nation may have entered uncharted waters, we at the United Church Foundation have always believed in taking the long-term view. Yes, the equity portions of our portfolios have suffered; but year-end returns ended in generally the same position as the overall market. And we're pleased to report that our fixed-income portfolio finished the year in positive territory, softening the blow to equities in the Foundation's Balanced Funds. Our Chief Investment Officer, Catherine Waterworth, believes the market will begin to rebound by the end of 2009.

At a recent meeting of executives of denominational investment groups, I was pleased to see that the Foundation leads many denominations in at least two important areas. We are the only denomination represented at the meeting to provide daily Net Asset Values — and therefore, daily transactions — to investors, and we offer more investment options. Internally, the Foundation staff continues to work toward achieving the Strategic Plan that was published in 2008. As a group, the staff selected a subset of Guiding Principles on which to focus in the coming year: holding investor needs and expectations paramount, encouraging teamwork, maintaining the highest standards of financial integrity and accountability, constantly seeking skill improvement, rewarding initiative and creativity, and maintaining an unwavering commitment to service excellence.

As we move into 2009, we naturally hope for an improved market and therefore better performance for our investors. But we remain committed to viewing the market through a long-term lens, knowing that despite corrections and downturns, the market promises the greatest opportunity for inflation-adjusted growth that honors the gifts of generations and permits endowments to serve their constituencies for years to come.

We look forward to hearing from you with any questions or concerns, and trust you will let us know how we can better meet your expectations. And if you're attending General Synod, please be sure to stop by and say hello!

Sincerely,

Donald G. Hart

Donald G. Hart
President

- The Foundation welcomed two new staff members in 2008. In June, Michelle Andrée joined the staff as Controller, bringing a disciplined approach, a team-oriented work ethic and a pleasant demeanor to the staff mix. A few months later, Carla Monzo came on board as Marketing Administrative Assistant, enhancing the Foundation's communiction and outreach efforts and pitching in wherever she is needed. The Foundation is delighted to have both women on the team!

- Seeking to live into its socially responsible investing objectives, the Foundation occasionally finds ownership of particular shares inadequate to allow participation in corporate engagements or shareholder actions. So in October, the Board of Directors voted to establish the Social Action Fund, a separate portfolio that will hold stocks selected solely to achieve social responsibility goals and respond to General Synod resolutions. Why a separate fund? The Securities & Exchange Commission currently requires an investor to hold a minimum of $2,000 worth of a stock for at least one year before bringing or signing onto shareholder resolutions. The separate Social Action Fund gives the managers of the Foundation's nine funds the flexibility they need to buy and sell shares to provide the best performance for the Foundation's investors. Funded by contributions, rather than by investor funds, the Social Action Fund will initially invest in Caterpillar, Motorola and Smithfield Foods.

Members of the Board of Directors (from left): Susie Huang, Edward Davis, Stella Schoen, Jim Moos, Sandy Hulse

Members of the Board of Directors (from left): Steve Gray, Pete Thompson, Bill Epke, Nesa Joseph, Steve Guy

- Following a 2007 board recommendation to become more environmentally friendly, the Foundation continued to find new ways to improve. In 2008, the quarterly newsletter *UCFocus* was converted to 25% Mixed Sources paper, and future publications will follow this standard at a minimum. The Foundation also began offering the newsletter in an electronic (PDF) version. If you would like to switch to the e-version of *UCFocus*, just contact the Foundation.

- Continuing a strong commitment to investor education, the Foundation expanded its quarterly newsletter mid-way through 2008, going from four to six pages. The new format permits lengthier reports from the Chief Investment and Social Responsibility officers, and now includes a two-page, tear-out education article. The newsletters — and the separate education articles — are all available online at ucfoundation.org.

- Despite the challenging market, the Foundation accepted a number of new accounts in 2008 — including two endowments totaling over $20 million — bringing total accounts under management to 2,111, with investors representing each of the UCC's 37 geographic conferences.

- Because the year 2009 represents the Foundation's 100th anniversary, preparations began to commemorate this important milestone. Keep an eye out for exciting changes as the Foundation celebrates a century of service.

MARKET REVIEW and OUTLOOK

Catherine Waterworth
Chief Investment Officer

Financial markets tumbled deeply into bear market territory in 2008 as confidence and trust in the global financial system sharply eroded, especially in the final quarter of the year. As home foreclosures rose and losses mounted on mortgage and other asset-backed securities, banks, corporations, investors and individuals found that they had taken on too much debt. The financial landscape radically changed as large financial institutions required government help to stay afloat. Freddie Mac and Fannie Mae, two government-sponsored enterprises that were chartered by Congress to help support the mortgage market in 1938 and 1968, respectively, were placed in conservatorship by the government as poorly performing mortgages mounted on their balance sheets.

Late in the third quarter, Lehman Brothers filed for bankruptcy, the largest in US history, and set off a cavalcade of unexpected consequences, contributing to a systemic crisis in the financial system that caused Merrill Lynch, Wachovia and AIG, the largest insurer in the world, to cease being independent corporations. Credit markets seized up and liquidity in the markets became scarce as hedge funds and other investors moved quickly to reduce leverage. Lending dried up around the world as financial institutions moved to protect their capital from further erosion from credit losses and investors increasingly grew fearful that borrowers would be unable to pay back loans.

Governments and central banks in the US, Europe and Asia took unprecedented, dramatic measures, pledging trillions of dollars of stimulus to inject liquidity into the system through direct investment and other programs. The Federal Reserve reduced short-term rates to a range of 0% to 0.25% while the flight to quality reduced Treasury yields in all maturities. In the US, Congress passed the Troubled Asset Relief Program (TARP) to provide hundreds of billions of dollars of stimulus spending.

As fear in the financial markets rose, the economy fell off a cliff, with consumers and businesses abruptly curbing their spending. The annual rate of Gross Domestic Product (GDP) growth was negative in the last two quarters of 2008, the first back-to-back negative quarters since 1991. Negative growth reduced GDP for the year to 1.1%, well below the 3% annual growth trend over the last decade. Consumer spending dropped more than 3% in the last two quarters of the year, the first consecutive negative quarters of that magnitude since records began being kept in 1947. Job losses during the year were the most since 1945, as unemployment rose to 7.2% by year-end from just 4.2% at the beginning of the year, and 2.6 million jobs were lost in 2008, most in the last quarter. In early December, the National Bureau of Economic Research verified that a recession had begun in the US. in December 2007.

The rapid deterioration in the economy, employment, consumer spending and the continued downward pressure on housing prices took a heavy toll on financial markets in 2008. The lack of confidence was felt in all segments of the market with the exception of US Treasuries. Global stock prices, corporate bonds, mortgage-backed securities and commodities plunged as concerns about the viability of the financial system rose to levels last seen during the Great Depression. The S&P 500 lost 37%, its third worst performance since 1937. Non-US markets fared even worse as the MSCI EAFE (Europe, Asia and Far East) Index returned -43.09% while emerging markets, the best performing sector in the prior five years, dropped -53.94%. Corporate bonds returned a loss of 4.94%. Oil, which had risen to more than $147 a barrel in mid-July, collapsed to end the year at just under $45 a barrel.

INVESTMENT PERFORMANCE AS OF DECEMBER 31, 2008

	AVERAGE TOTAL RATES OF RETURN		ANNUALIZED						
	Returns on UCF funds are presented net of fees	Quarter	One Year	Three Years	Five Years	Ten Years	Current Yield	Unit Value	Market Value
MANAGED FUNDS	**Fixed-Income Fund**	**3.27%**	**1.48%**	**4.19%**	**3.71%**	**4.89%**	**5.1%**	**$4.2831**	**$210.0M**
	Barclay's Government Credit Bond Index (BGC)	6.42%	5.70%	5.56%	4.64%	5.64%			
	Domestic Core Equity Fund (*Inception 10/01/05*)	**-22.27%**	**-37.43%**	**-7.30%**	**N/A**	**N/A**	**3.2%**	**$7.3555**	**$191.3M**
	S&P 500 Index	-21.94%	-37.00%	-8.36%					
	Small Cap Equity Fund (*Inception 10/01/05*)	**-27.40%**	**-39.40%**	**-9.16%**	**N/A**	**N/A**	**0.8%**	**$6.9669**	**$47.7M**
	Russell 2000 Index	-26.12%	-33.79%	-8.29%					
	International Equity Fund (*Inception 10/01/05*)	**-22.92%**	**-44.60%**	**-8.09%**	**N/A**	**N/A**	**5.0%**	**$7.3466**	**$71.4M**
	EAFE Index	-19.96%	-43.38%	-7.35%					
	Cash & Equivalent Fund *(annualized)*	**0.73%**	**1.91%**	**4.03%**	**N/A**	**N/A**	**0.8%**	**$1.0000**	**$13.2M**
	Lipper Money Market Funds Index *(annualized)*	0.43%	2.41%	3.88%					
FUNDS OF FUNDS	**Total Equity Fund** *(61.3% Domestic Large Cap, 15.5% Domestic Small Cap, 23.2% International)*	**-23.19%**	**-39.66%**	**-7.99%**	**-4.00%**	**-4.11%**	**3.2%**	**$7.3631**	**$306.5M**
	S&P 500 Index	-21.94%	-37.00%	-8.36%	-2.19%	-1.39%			
	Conservative Balanced Fund *(Inception 01/01/06)* *(35.8% Equity, 64.2% Fixed-Income)*	**-6.31%**	**-14.68%**	**N/A**	**N/A**	**N/A**	**4.4%**	**$8.8368**	**$1.3M**
	Policy Index (35% S&P 500, 65% BGC)	-4.09%	-11.17%						
	Moderate Balanced Fund *(60.4% Equity, 39.6% Fixed-Inome)*	**-12.28%**	**-24.54%**	**-3.48%**	**0.24%**	**1.13%**	**4.0%**	**$6.2526**	**$295.0M**
	Policy Index (60% S&P 500, 40% BGC)	-11.21%	-21.91%	-2.71%	0.72%	1.70%			
	Aggressive Balanced Fund *(Inception 01/01/06)* *(75.4% Equity, 24.6% Fixed-Income)*	**-16.31%**	**-30.53%**	**N/A**	**N/A**	**N/A**	**3.7%**	**$7.8065**	**$7.4M**
	Policy Index (75% S&P 500, 25% BGC)	-15.33%	-27.86%						

Members of the Investment Committee (from left): Jessica Portis (Summit Strategies), Sandy Hulse, Don Hart, Susie Huang, Sylvia Ferrell-Jones, Steve Guy, Kate Waterworth. Not pictured: Doug Hatfield, Bill Kiesel, David Klassen, Mark Parthemer, Harold Smith.

2009 OUTLOOK

When will the markets stabilize? Will the government money pledged to prop up national economies result in an economic recovery, protect jobs and steady the housing market and the banking system?

Unfortunately, no one knows for certain. Some economists see recovery in the second half of 2009, but many are calling for weakness to persist throughout 2009. The most pessimistic see the global contraction lasting several years if the government is unsuccessful in getting credit flowing again in restored, fully functional financial markets. Until confidence is restored in the banking system, it is difficult to see stabilization in the financial markets let alone recovery.

A number of issues need to be worked out for a sustainable recovery. The flow of credit to financial institutions, corporations and consumers must be restored. Banks must eliminate bad assets from their balance sheets, rebuild capital ratios and begin lending again in line with stronger lending standards. Housing prices must stabilize and inventories of unsold homes must be reduced. Consumers must repair their balance sheets and regain confidence that the unemployment rate will reverse direction. Industries must restructure to remain competitive in a global economy. The government must balance short-term stimulus objectives with long-term benefits and deficit reduction targets. The Federal Reserve must fight deflationary forces in the near term and be vigilant about inflationary pressures that the massive stimulus programs may trigger in the future.

Few of us have experienced a period when endowment values have declined so precipitously, combined with the prospect of a significant reduction in future contributions due to rising unemployment. But remember that in the past century, financial markets endured two world wars, a great depression and numerous recessions — yet recovered in each case to set new highs. Looking at past bear markets, years of sharp negative returns are often followed by years of strong returns.

Patience will likely be required as the economy recovers, but we believe the current situation will follow the path of historic experience. Endowments, built as they are on investments from previous generations, have the advantage of a long-term investment horizon — and the United Church Foundation will continue to offer a family of well-balanced, carefully managed investment funds to meet the needs of the church for generations to come.

Kathryn O'Neill
Director of
Corporate Social Responsibility

Socially responsible investing remains a vital component of the service the United Church Foundation offers its investors — and 2008 proved to be an important year in this arena. While many investors think of socially responsible investing primarily in terms of screens that exclude companies from a portfolio based on the main sources of the company's revenue (alcohol, gambling, tobacco, weapons), the Foundation also engages in active shareholding that holds the potential to create positive change. Working in collaboration with ecumenical partners through the Interfaith Center on Corporate Responsibility (ICCR), the Foundation advocates for improvements in the governance, social, and environmental policies of the corporations in which we invest.

In 2008, shareholder advocacy in the form of shareholder resolutions and corporate dialogues highlighted the importance of strong corporate policies that support human rights and credible business practices —

- In coordination with other faith-based investors and ministries of the United Church of Christ, the Foundation strengthened dialogues with chocolate manufacturers regarding child labor on West African cocoa farms — an ongoing engagement that has increased pressure on Mars, Nestle, Hershey and other chocolate companies, to accept responsibility for their supply chains.

- Serving an important role in a shareholder engagement with Coca-Cola on their operations in water-stressed areas of India, the Foundation hosted two meetings between shareholders and Coca-Cola representatives. The shareholder group continues to advocate for more transparency on the impacts of Coca-Cola factories in India, and how they are working to minimize inadequate water supplies for families.

- The Foundation co-filed a shareholder resolution with Chevron, asking for a report on the company's competitive positioning and compliance with greenhouse gas regulatory standards in its operations and products.

- Never in more stark relief than in the current economic climate, executive compensation practices came under additional fire in 2008. The Foundation co-filed a shareholder resolution with IBM to promote the adoption of a shareholder advisory vote on the executive compensation packages of the company's named executive officers.

The Foundation also actively exercises the "power of the proxy" in accordance with our Proxy Voting Guidelines. In 2008, the Foundation voted more than 300 domestic and global proxies, and many issues reflected shareholder resolutions brought before the corporations' investors. Focusing on issues of justice and good corporate governance, the guidelines direct the Foundation to use proxies to promote greater board diversity, equitable pay structures within companies, global and human rights, and more. In challenging poor corporate practices, shareholder advocates help safeguard a company's financial performance and enhance the long-term sustainability of a company's operations. Attention to more than a decade of shareholder opposition to corporate sub-prime lending practices, for instance, would have helped prevent many of the home foreclosures now occurring, not to mention the failure of many of the sub-prime lenders themselves. Our Proxy Voting Guidelines remain a "living" document, adapting to new issues and new information on best practices.

For nearly 30 years, the Foundation and our ICCR partners have actively represented our investors, pushing for positive change to create a cleaner, safer and more just world. We look forward to continuing this important ministry on behalf of the churches and organizations of the United Church of Christ.

Members of the Board of Directors (from left): John Thomas, Barbara Everett, Bob Goodchild, Sylvia Ferrell-Jones, Matt Brown

THE BROWN ENDOWMENT

Established to provide grants to UCC seminarians, ministers and pastoral leaders in global overseas partner churches, the Richard and Helen Brown Endowment Fund for Pastoral Scholarships supports the education of clergy for "ministry in an increasingly global, diverse, and complex world." Scholarship recipients are nominated by various ministries of the UCC, with the United Church Foundation serving as Trustee. In 2008, the Endowment provided $281,075 to 54 Brown scholars and 22 continuing education events. The seven UCC seminaries selected 18 scholarship recipients, two of which funded international students from the Philippines and Germany. COREM bodies chose 10 additional scholars, Wider Church Ministries selected 17 individuals and four organizations in 12 countries, and Local Church Ministries recommended 18 conferences receive funding for 27 individuals and events. In 2008, Brown Scholars hail from 15 countries, with 68% of recipients women, 32% men.

From Lancaster Theological Seminary's class of 2009, Brown Scholar Kristen Curlee identifies her passion as "creating worship that connects people of all ages to one another and God," and enjoys bringing a variety of music, art and images to worship. With particular interests in womanist and liberation theology, interfaith dialogue, social justice and advocacy, Kristen credits her scholarship with permitting her to attend a UCC seminary rather than one geographically closer to her home. While studying at Lancaster, Kristen has served as the Christian Education director at a local church and as the Youth Ministry Coordinator for the Central Atlantic Conference. After ordination, she hopes to serve a small urban or suburban church in the DC metro area. "The Brown scholarship meant I was able to attend seminary full-time instead of part-time," says Kristen. "And I was able to start a full year earlier than I would have without it."

In her native Philippines, the Rev. Marma Urbano spent almost 30 years ministering and advocating for human rights in the volatile Filipino political climate. But when her advocacy work led to death threats in 2006, Marma came to the US seeking political asylum. Drawn to United Theological Seminary of the Twin Cities after learning of the seminary's focus on justice, Marma earned a Diploma in Advanced Theological Studies, studying and writing on the development of a ministry program that is responsive to the needs of the four million members of the Filipino Diaspora currently living in the US. After graduation, Marma plans to continue her work by pastoring and participating in ecumenical work in partnership with the UCC in the Philippines. "I am very grateful for the Brown scholarship," Marma says. "Without financial assistance, I wouldn't have survived. It's difficult to be in a situation without support. With the funding, I didn't have to worry about books, housing, and the rest. The scholarship freed me to be more focused on study. It's been a great help."

Honored to serve as trustee for the Brown Endowment, the United Church Foundation invests this endowment in a balanced portfolio of investments to ensure support for generations of scholars to come.

BOARD OF DIRECTORS

At the United Church Foundation, we are blessed with a cadre of highly skilled professionals who offer their time and share their expertise for no monetary reward. In the for-profit world, corporate board members receive handsome compensation for their time and service. Our Board Members' incredible gift of time and service enables the Foundation to benefit from the wisdom of individuals who could easily sit on the boards of large mutual funds, but who instead place their talents in the church's service. Their volunteer service on our board saves the Foundation thousands of dollars and ensures that our investors pay some of the lowest fees anywhere. We're proud of the people who serve the United Church of Christ in this way, and honor their contribution.

The Rev. Matthew P. Brown
The Rev. Edward Davis
Mr. William Epke
Ms. Barbara Everett, Chair
Ms. Sylvia G. Ferrell-Jones
Mr. Robert V. Gabon
Mr. Robert M. Goodchild
The Rev. Stephen C. Gray
Mr. Steven J. Guy
Ms. Susan S. Huang
The Rev. Dr. Sandra Hulse
Dr. Nesa Joseph
Ms. Stella A. Schoen
The Rev. Dr. Harold C. Smith
Ms. Serilda J. (Pete) Thompson

Member Emeritus
Mr. Richard A. Hopkins

Ex-officio
The Rev. John H. Thomas
General Minister & President
The Rev. James A. Moos
Chair, UCC Executive Council

INVESTMENT COMMITTEE

Ms. Sylvia G. Ferrell-Jones*
Lexington, MA

Mr. Steven J. Guy*, Chair
Pottstown, PA

Mr. Donald G. Hart
Cliffside Park, NJ

Mr. Douglas Hatfield
Hillsboro, NH

Ms. Susan S. Huang*
Greenwich, CT

The Rev. Sandra S. Hulse*
Tallahassee, FL

Mr. William R. Kiesel
Trafalgar, IN

Mr. David Klassen
New York, NY

Mr. Mark Parthemer
West Palm Beach, FL

Dr. Harold C. Smith*
New York, NY

* Members of the Board of Directors

OUR STAFF

Donald G. Hart, *President*

Amy Johnson, *Executive Associate*

Doreen Forrest, *Executive Assistant to Mr. Hart*

Milly Hernandez, *Account Representative*

Nelson R. Murphy, *Director of Education & Marketing*

Carla Monzo, *Marketing Administrative Assistant*

Michelle Andrée, *Controller*

Fred Vitek, *Senior Accountant*

Michele Hamilton, *Accountant*

Financial Statements
as of December 31, 2008

Ernst & Young LLP
5 Times Square
New York, New York 10036-6530
Tel: 212 773 3000

Report of Independent Auditors

To the Board of Directors of United Church Foundation, Inc.

We have audited the accompanying statement of financial position of United Church Foundation, Inc. (the "Foundation") as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the United Church Foundation, Inc.'s 2007 financial statements and, in our report dated March 28, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Foundation's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Church Foundation, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Ernst & Young LLP

March 24, 2009

UNITED CHURCH FOUNDATION, INC.

Statements of Financial Position

December 31, 2008 and 2007

ASSETS	2008	2007
Cash and cash equivalents	$ 708,768	$ 495,748
Cash and securities held under securities lending program	17,913,983	122,412,605
Investments and investments on loan under securities lending program	536,614,883	725,995,389
Accrued investment income	3,068,381	3,817,917
Receivable from UCF Common Investment Funds	293,327	697,977
Accounts receivable	6,816	122,722
Prepaid expenses	42,100	91,781
Other assets	102,477	55,382
TOTAL ASSETS	$ 558,750,735	$ 853,689,521
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued expenses	$ 583,550	$ 1,081,585
Payable to brokers and dealers in securities	17,913,983	122,412,605
Total	18,497,533	123,494,190
Funds held for benefit of others		
UCF Common Investment Funds	465,695,885	627,000,080
New Hampshire Conference Consolidated Investment Fund	26,395	11,821
Liabilities under split interest agreements	29,272,086	40,907,359
Endowments	38,494,465	53,171,310
Total funds held for benefit of others	533,488,831	721,090,570
TOTAL LIABILITIES	551,986,364	844,584,760
Net Assets		
Unrestricted	1,199,595	1,473,111
Temporarily restricted	54,175	2,132,553
Permanently restricted	5,510,601	5,499,097
TOTAL NET ASSETS	6,764,371	9,104,761
TOTAL LIABILITIES AND NET ASSETS	$ 558,750,735	$ 853,689,521

See notes to financial statements

UNITED CHURCH FOUNDATION, INC.

Statement of Activities

For the Year Ended December 31, 2008 with Summarized Financial Information for 2007

	2008				2007
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Total
REVENUES, GAINS (LOSSES) AND RECLASSIFICATIONS					
Contributions	$ 1,271	$	$ 11,504	$ 12,775	$ 8,082
Income earned on investments	17,228	201,269		218,497	208,796
Fees earned on managed funds	3,708,012			3,708,012	4,326,800
Reimbursement for services rendered to other entities	151,839			151,839	116,134
Net realized (losses) gains on investments sold	(9,864)	75,972		66,108	105,790
Unrealized (depreciation) appreciation on investments	(187,114)	(2,073,579)		(2,260,693)	235,705
Net assets released from restriction	282,040	(282,040)		-	-
TOTAL REVENUES, GAINS (LOSSES) AND RECLASSIFICATIONS	3,963,412	(2,078,378)	11,504	1,896,538	5,001,307
EXPENSES AND GRANTS					
Administration of Common Investment Funds	1,487,541			1,487,541	1,328,207
Investment-related expenses	1,916,771			1,916,771	2,155,588
Corporate social responsibility coordination	82,306			82,306	111,004
Marketing program expenses	451,993			451,993	441,837
Grants paid from endowments	298,317			298,317	276,252
TOTAL EXPENSES AND GRANTS	4,236,928			4,236,928	4,312,888
(DECREASE) INCREASE IN NET ASSETS	(273,516)	(2,078,378)	11,504	(2,340,390)	688,419
NET ASSETS, BEGINNING OF YEAR	1,473,111	2,132,553	5,499,097	9,104,761	8,416,342
NET ASSETS, END OF YEAR	$ 1,199,595	$ 54,175	$ 5,510,601	$ 6,764,371	$ 9,104,761

See notes to financial statements

UNITED CHURCH FOUNDATION, INC.

Statements of Cash Flows

For the Years ended December 31,2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$ (2,340,390)	$ 688,419
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Unrealized depreciation (appreciation) on investments	2,260,693	(235,705)
Net realized gains on investments sold	(66,108)	(105,790)
Depreciation and amortization	22,461	20,745
Contributions to permanently restricted net assets	(11,504)	(7,344)
Changes in operating assets and liabilities:		
Decrease (increase) in assets related to funds held for benefit of others	187,601,739	(31,257,376)
(Decrease) increase in funds held for benefit of others	(187,601,739)	31,257,376
Net decrease (increase) in other assets and liabilities	337,603	(155,192)
Net cash provided by operating activities	202,755	205,133
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from liquidation of units of participation in the UCF Common Investment Funds	283,092	261,134
Purchases of units of participation in the UCF Common Investment Funds and other investments	(214,774)	(201,022)
Purchases of equipment and other capitalized items	(69,557)	(21,425)
Net cash (used in) provided by investing activities	(1,239)	38,687
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to permanently restricted net assets	11,504	7,344
Net cash provided by financing activities	11,504	7,344
NET INCREASE IN CASH AND CASH EQUIVALENTS	213,020	251,164
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	495,748	244,584
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 708,768	$ 495,748

See notes to financial statements

1. ORGANIZATION AND PURPOSE

The United Church Foundation, Inc. (the "Foundation"), an associated ministry of the United Church of Christ (UCC), is a tax-exempt, not-for-profit entity established to receive gifts from individuals and organizations, to hold such funds and property as may be entrusted or conveyed to it by UCC-related organizations, and administer and invest such funds. In that respect, the Foundation provides professional investment management services to local churches, conferences and other entities affiliated with the UCC. The Foundation is also the designated fiscal agent of the planned giving program of the UCC, which is directed by the Financial Development Ministries of the Office of General Ministries. Funds raised through the planned giving programs are managed by the Foundation in a gift annuity fund, a pooled income fund and in separate trusts. From time to time the Foundation is also named as trustee of endowments that benefit other UCC-related entities.

The Foundation carries out its investment management services through various Common Investment Funds. Investors receive units of participation in the Common Investment Funds based on the determinations of market values. Units may be issued or redeemed daily. Net investment income is accrued daily and included in the unit value. At the end of each quarter, a dividend is declared and credited to each account based on the units of participation owned on the date of declaration.

Investments are made pursuant to guidelines established by the Investment Committee of the Foundation, which include parameters requiring exclusion of investment in securities of entities considered unsuitable because of social or moral concerns.

The Foundation is a not-for-profit organization exempt from income taxes under Section 501(a) of the Internal Revenue Code (the "Code") and, accordingly, is qualified as a tax-exempt organization under Section 501(c)(3) of the Code. As a not-for-profit organization, the Foundation is exempt from New York State and New York City income and sales taxes. The Foundation has been classified as an organization which is not a private foundation and has been designated as a publicly supported organization under Section 509(a)(1) of the Code and qualifies for the maximum charitable contribution deduction for donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Net asset classifications

Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained in perpetuity, but permit the Foundation to expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by the actions of the Foundation.

When a prior year donor restriction expires, the restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation reports restricted contributions whose stipulations were met in the same year as unrestricted contributions.

Unrestricted net assets represent resources over which the Board of Directors and management of the Foundation have full discretion with respect to use.

b. Investments

Investments in marketable equity and fixed income securities are stated at fair value as determined by quoted market prices. For certain thinly-traded fixed-income securities, market prices are obtained from the Foundation's investment brokers. Mutual funds are carried at fair values based on their published unit values. When marketable securities are acquired by gift, they are recorded at market value on the date of receipt.

Investment transactions are accounted for on the date the securities are purchased or sold. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Realized gains and losses on the sale of investments are the differences between proceeds received and the average cost of the securities sold.

In the Common Investment Funds and the Pooled Income Fund, the net realized gains are reinvested, while net investment income is distributed quarterly to participants in the funds in the form of additional units of participation or a cash payment.

Pursuant to a total return investment policy, the Foundation uses a spending rate to determine the amount to be made available for spending from some of its endowment funds. The spending rate on these endowments is 5%, which is applied to funds' average quarterly market values for the 5 years preceding the fiscal year.

c. Contributions

The Foundation records as revenue the following types of contributions when they are received unconditionally at their fair value: cash, securities, and gifts of long-lived and other assets.

d. Cash and cash equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less, other than cash held for the benefit of others and those held in the investment portfolio, to be cash equivalents.

e. Other assets

Other assets include the cost of purchased software and equipment, which are amortized over the estimated useful lives of the assets, typically 3 to 5 years.

f. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the amounts reported in the financial statements for revenue and expenses during the reporting period and amounts reported in the accompanying notes. Actual results could differ from those estimates.

g. Benefit costs

Pension and medical insurance costs are funded by quarterly payments as determined by The Pension Boards—United Church of Christ (Pension Boards), a related entity of the UCC. Such costs totaled approximately $225,000 in 2008 and $217,000 in 2007.

h. Summarized Prior Year Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

3. INVESTMENTS

a. Composition of investments

Investments are comprised of the following types of securities:

	2008		2007	
	Cost*	Fair value	Cost*	Fair value
Fixed-income investments				
Short-term investments and cash	$ 52,120,835	$ 52,120,835	$ 24,342,095	$ 24,342,095
Corporate bonds	137,057,302	135,105,859	135,987,192	137,682,727
U.S. Government and agency bonds	30,811,786	33,613,641	93,185,605	97,487,373
Mortgage-backed securities	19,692,224	13,345,517	21,432,277	21,225,001
Private placement	22,150	22,150	25,150	25,150
Life insurance contracts	75,866	121,879	75,866	117,192
Government insured or guaranteed mortgage loans	9,493	9,493	10,367	10,367
Total fixed-income investments	239,789,656	234,339,374	275,058,552	280,889,905
Equity investments				
Mutual funds, common investment funds and exchange-traded funds	57,937,810	33,794,427	45,472,136	40,204,703
Common stocks	333,067,356	268,481,082	352,128,329	404,900,781
Total equity investments	391,005,166	302,275,509	397,600,465	445,105,484
Total investments	$ 630,794,822	$ 536,614,883	$ 672,659,017	$ 725,995,389

* *For fixed-income securities cost is amortized cost*

b. Income earned on investments

Income earned on investments in the accompanying statement of activities excludes that portion attributable to funds held for benefit of others. Including amounts held for the benefit of others, the total investment income earned during 2008 and 2007 was as follows:

Portion attributable to:	2008	2007
Foundation assets	$ 218,497	$ 208,796
Funds held for benefit of others	22,283,197	21,842,542
TOTAL	$ 22,501,694	$ 22,051,338

c. Net realized gains (losses) on investments sold

Net realized gains (losses) on investments sold in the accompanying statement of activities excludes gains (losses) attributable to funds held for benefit of others. Including amounts held for benefit of others, the net gains (losses) on investments sold during 2008 and 2007 was as follows:

Portion attributable to:	2008	2007
Foundation assets	$ 66,108	$ 105,790
Funds held for benefit of others	(39,452,370)	45,822,962
TOTAL	$ (39,386,262)	$ 45,928,752

d. Unrealized appreciation (depreciation) on investments

Unrealized appreciation (depreciation) on investments in the accompanying statement of activities excludes that portion attributable to funds held for benefit of others. Including amounts held for benefit of others, the total unrealized appreciation (depreciation) on investments in 2008 and 2007 was as follows:

	Year ended December 31, 2008	2007
Beginning of year	$ 53,336,372	$ 71,816,701
End of year	(94,179,939)	53,336,372
Change in unrealized depreciation	$ (147,516,311)	$ (18,480,329)

The change in unrealized appreciation (depreciation) includes the change in value of investments, or the difference between average cost and current fair value of the portfolio, as follows:

Portion attributable to:	2008	2007
Foundation assets	$ (2,260,693)	$ 235,705
Funds held for benefit of others	(145,255,618)	(18,716,034)
TOTAL	$ (147,516,311)	$ (18,480,329)

e. Derivatives

In conjunction with certain investing activities, the Foundation may from time to time acquire derivative instruments, such as covered call options or certain fixed-income securities. The use of such derivative instruments is limited. Derivative instruments are recorded at fair market value. Gains and losses are classified in net investment gains on investments sold in the statement of activities.

f. Risks and Uncertainties

The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect amounts reported in the financial statements.

The Investment Committee of the Foundation establishes guidelines to ensure that the investments in each of the Foundation's Common Investment Funds meet the ethical, moral and social expectations of the United Church of Church, and that appropriate diversification within each Fund is maintained. Investment managers retained by the Foundation are monitored by the Investment Committee to ensure that each manager adheres to these guidelines. Each of the Foundation's Common Investment Funds spreads investment risk across many securities in the portfolio to minimize potential losses. The Foundation's funds also diversify across asset classes (stocks and bonds), investment styles (growth and value) and capitalization size (large and small caps). While such broad diversification cannot prevent loss, it can mitigate losses suffered in one part of the market that may be offset by gains realized in another part.

The Foundation has established diversification guidelines in an effort to achieve an appropriate combination of asset classes within the Total Equity and Balanced Funds. Asset classes are identified based on their appropriateness for the Foundation's investment program, their long-term return and volatility characteristics and the diversification benefits offered within a multiple manager and a multiple asset class structure. The actual distribution of assets within the Total Equity and Balanced Funds will be allowed to fluctuate within the policy guidelines, and it may be adjusted as deemed appropriate to mitigate risk.

The investment guidelines for cash and cash equivalents or fixed-income portfolios limit the amount of credit concentration by limiting the percentage of a particular manager's portfolio to a maximum of 5% of any one issuer (excluding the US Government or its agencies or instrumentalities). In addition, any manager's portfolio should be appropriately diversified. For equity portfolios, the same 5% limit on any single issuer applies to 75% of the value of each manager's portfolio. For the remaining 25% of the value of the manager's portfolio, a more concentrated risk of up to 8% of the value of the portfolio may be taken on any one issuer.

In addition to the limits on concentration in the Foundation's portfolio related to a single issuer, no more than 25% of the market value of each manager's portfolio may be invested in companies in which the combined holdings of the manager's clients constitute 10% or more of the outstanding stock.

4. FAIR VALUE MEASUREMENTS

In September 2006, the Financial Accounting Standards Board issued Statement No. 157, *Fair Value Measurements (*Statement 157). Statement 157 applies to financial statements issued for fiscal years beginning after November 15, 2007 and the Foundation adopted the provisions of Statement 157 effective January 1, 2008. The adoption of SFAS 157 did not have a material impact on the Foundation's financial statements.

Fair Value Hierarchy

Statement 157 applies to all financial instruments that are measured and reported on a fair value basis, defines fair value and establishes a framework for measuring fair value. Statement 157 requires companies to classify and disclose the fair value of financial instruments according to a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The three levels of fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

A review of fair value hierarchy classifications is conducted annually. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities.

Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

The following tables set forth by level within the fair value hierarchy investment assets and liabilities as of December 31, 2008 and changes in fair value of the Foundation's Level 3 investments during the year ended December 31, 2008:

FAIR VALUE MEASUREMENTS
AS OF DECEMBER 31, 2008

	Total	Quoted market prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Fixed-income investments				
Short-term investments and cash	$ 52,120,835	$ 52,120,835	$	$
Corporate bonds	135,105,859		135,105,859	
U.S. Government and agency bonds	33,613,641		33,613,641	
Mortgage-backed securities	13,345,517		13,345,517	
Private placement	22,150			22,150
Life insurance contracts	121,879			121,879
Government insured or guaranteed mortgage loans	9,493			9,493
Total fixed-income investments	234,339,374	52,120,835	182,065,017	153,522
Equity investments				
Mutual funds, common investment funds and exchange-traded funds	33,794,427	33,568,020	226,407	
Common stocks	268,481,082	268,481,082		
Total equity investments	302,275,509	302,049,102	226,407	
Total investments	$ 536,614,883	$ 354,169,937	$ 182,291,424	$ 153,522

CHANGES IN LEVEL 3 INVESTMENTS
DECEMBER 31, 2008

	Beginning balance	Net purchases, sales issuances and	Unrealized gains (losses)	Ending balance
Fixed-income investments				
Private placement	$ 25,150	$ (3,000)	$	$ 22,150
Life insurance contracts	117,192		4,687	121,879
Government insured or guaranteed mortgage loans	10,367	(874)		9,493
Total fixed-income investments	152,709	(3,874)	4,687	153,522
Total investments	$ 152,709	$ (3,874)	$ 4,687	$ 153,522

5. SECURITIES LENDING PROGRAM

The Foundation participates in a securities lending program through its custodian bank. It is the policy to hold, as collateral, cash or short-term fixed-income securities in amounts at least equal to the market value of the investments on loan until the loaned securities are returned. The market value of securities under loan at December 31, 2008 and 2007 was approximately $17 million and $119 million, respectively. Cash and short-term, fixed-income securities held as collateral under the securities lending program are classified as payable to brokers and dealers in securities in the accompanying statements of financial position. At December 31, 2008, such collateral was classified as Level 1 in the fair value hierarchy as described in Note 4. This amount is not included in the chart in Note 4.

6. FUNDS HELD FOR BENEFIT OF OTHERS

The Foundation is the agent for third-party beneficiaries or the beneficiary of a number of split-interest agreements with donors. Some of these split-interest agreements are gift annuity contracts that provide that the Foundation shall pay to the designated beneficiaries an annual amount until the death of the designated beneficiaries. The payments continue even if the assets of the gift annuity fund have been exhausted. The Foundation records the assets received at fair value. The actuarially determined present value of payments to be made to the designated beneficiaries as of December 31, 2008 and 2007, is $15,613,015 and $15,227,576, respectively. The residual amount represents a gift annuity reserve. Upon the death of the beneficiaries, the assets of the gift annuity fund are held by the Foundation in accordance with the agreements.

The assets of split-interest agreements related to a pooled income fund and charitable remainder trusts are included in the total assets and the related liabilities to lifetime and remainder third-party beneficiaries are classified as liabilities under other split-interest agreements in the accompanying statements of financial position. Under these agreements, the Foundation controls the donated assets and distributes to the donor or donor's designee a predetermined amount or percentage or, in the case of pooled income funds, all of the income generated from those assets until such time as stated in the agreement (usually upon the death of the donor or donor's designee). The Foundation will distribute to any third-party beneficiaries their respective remainder interests upon the death of the respective life income beneficiary and be able to use any portion of the gifts in which it has a beneficial interest.

Some states in which the Foundation issues charitable gift annuity contracts require the Foundation to register with the appropriate agencies of that state and to file reports with those agencies annually. In addition, some states require the Foundation to hold a certain amount of unrestricted net assets or other reserves. The Foundation believes it has met all legal requirements in most states and that it has adequate reserves to meet all state requirements. In those states that require registration and reporting but where the Foundation has not completed the process of registration, the Foundation is near completion of meeting the necessary legal requirements imposed by those states. There is a possibility that some states may impose penalties for the contracts that have been written prior to meeting the state's legal requirements, or that the Foundation will be precluded from issuing new contracts until the filing requirements are met. In the opinion of the Foundation's management, these matters will not have a material adverse effect on the Foundation's financial position, changes in net assets or cash flows.

The Foundation manages certain investments on behalf of local congregations and other entities affiliated with the UCC. Because the Foundation has no ownership of or residual interest in these investments, a liability equal to the fair value of the investments is included in the accompanying statements of financial position as funds held for the benefit of others.

When the Foundation is named as trustee of an endowment fund to be held for the benefit of another charitable beneficiary, the fair value of the assets received is recorded at fair value and included in the assets of the Foundation. The Foundation also records an equal amount as a liability in funds held for benefit of others and the income is paid to the third-party beneficiary in accordance with the instructions of the donor.

7. NET ASSET CLASSIFICATIONS

In August 2008, the Financial Accounting Standards Board issued Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* (FAS 117-1). FAS 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FAS 117-1 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Connecticut adopted UPMIFA effective October 1, 2007. The Foundation is registered in the State of Connecticut; however its offices are located and its business conducted in the State of New York. The Foundation has adopted FAS 117-1 for the year ended December 31, 2008. The Board of Directors, the governing body of the Foundation, determined that the Richard and Helen Brown Endowment Fund meet the definition of endowment funds under the definition of UPMIFA.

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Generally, if the corpus of an endowment and or contribution will at some future time become available for spending, it is recorded as temporarily restricted; if the corpus never becomes available for spending it will be reported as permanently restricted

The donors of the Richard and Helen Brown Endowment Fund stipulated that the fund be used for pastoral scholarships. Based on this stipulation, the Board of Directors has designated the principal as permanently restricted net assets. The Board of Directors has set up specific guidelines and policies for the income available for distribution, administrative expenses and annual distributions criteria that would best serve the needs of the United Church of Christ pastoral scholarship support. The amount available for distribution is classified as temporarily restricted net assets. When the appropriate distributions are made, the temporarily restricted net assets are released of the restriction.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending polices for endowment assets based on the Board approved guidelines and policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes.

The income available for distribution is 5% of the 5-year moving average value of the endowment fund. All expenses for administration of the endowment fund as well as scholarships are paid from the amount available for distribution. Annual distributions are made in accordance with policy guidelines.

The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets.

CHANGES IN ENDOWMENT NET ASSETS
DECEMBER 31, 2008

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment Assets, beginning of year	$ 748,833	$ 2,132,553	$ 5,499,097	$ 8,380,483
Contributions			11,504	11,504
Income earned on Investments	17,228	201,269		218,497
Net realized (losses) gains on investments sold	(9,864)	75,972		66,108
Unrealized depreciation on investments	(187,114)	(2,073,579)		(2,260,693)
Endowment assets released from restriciton	282,040	(282,040)		
Expenses paid from endowments	(3,232)			(3,232)
Grants paid from endowments	(295,085)			(295,085)
Net change in endowment assets	(196,027)	(2,078,378)	11,504	(2,262,901)
Endowment Assets, end of year	$ 552,806	$ 54,175	$ 5,510,601	$ 6,117,582

COMPOSITION OF ENDOWMENT NET ASSETS
DECEMBER 31, 2008

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor designated endowment funds	$	$	$ 5,510,601	$ 5,510,601
Other endowment funds:				
Undesignated	552,806			552,806
Designated		54,175		54,175
Total other endowment funds	552,806	54,175		606,981
Total endowment funds	$ 552,806	$ 54,175	$ 5,510,601	$ 6,117,582

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for pastoral scholarships. During 2008 and 2007, temporarily restricted net assets were released in the amounts of $282,040 and $260,963, respectively, representing payments of pastoral scholarships.

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent contributions made into the Richard and Helen Brown Endowment for Pastoral Scholarships.

10. RELATED PARTY TRANSACTIONS

A portion of the operating expenses is incurred and billed to the Foundation by the Pension Boards, a related entity of the UCC. Such expenses are allocated on the basis of formulae, which are approved by the respective Boards of Trustees/Directors. Rent is allocated based upon square footage occupied. The total of such costs allocated by or paid to the Pension Boards in 2008 and 2007 was approximately $1,071,000 and $1,004,000, respectively. As of December 31, 2008 and 2007, amounts due to the Pension Boards of approximately $119,000 and $215,000, respectively, are included in accrued expenses in the accompanying statements of financial position. In addition, the Foundation compensates the Financial Development Ministry of the Office of General Ministries for certain activities performed on behalf of the Common Investment Funds. Such amounts are not material.

SCHEDULE A

UNITED CHURCH FOUNDATION, INC.
COMMON INVESTMENT FUNDS

Schedules of Assets, Liabilities and Fund Balances

December 31, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents net of unsettled investment transactions	$ -	$ 768,630
Investments	546,663,448	723,090,747
Cash and investments held under securities lending program	17,913,983	122,412,605
Accrued investment income	3,068,381	3,817,917
TOTAL ASSETS	$ 567,645,812	$ 850,089,899
LIABILITIES		
Unsettled investment transactions net of cash and cash equivalents	$ 11,034,328	$ -
Payable to brokers and dealers in securities	17,913,983	122,412,605
Payable to United Church Foundation, Inc.	293,327	697,977
Accrued expenses	46,321	360,442
TOTAL LIABILITIES	29,287,959	123,471,024
FUND BALANCES		
Income account	(1,056,241)	(273,314)
Participants' principal account	539,414,094	726,892,189
TOTAL FUND BALANCES	538,357,853	726,618,875
TOTAL LIABILITIES AND FUND BALANCES	$ 567,645,812	$ 850,089,899

The above schedules reflect the assets, liabilities, and fund balances of the funds held in the Foundation's Common Investment Funds. The Common Investment Funds hold investments for the funds held under split-interest agreements, endowments held for others and the Foundation's assets. The total fund balances not included in these categories ($465,695,885) are included in the Statements of Financial Position as funds held for benefit of others--UCF Common Investment Funds. Cash and cash equivalents that the Foundation holds for the benefit of others are reported as investments in the Foundation's Statements of Financial Position. Changes in fund balances are shown on the following page.

UNITED CHURCH FOUNDATION, INC.
COMMON INVESTMENT FUNDS

Schedules of Changes in Fund Balances

For the Years ended December 31,2008 and 2007

Income Account	2008	2007
INCOME AND EXPENSES		
Income earned on investments	$ 22,469,626	$ 21,983,928
Management fee paid to UCF operating fund	(3,708,012)	(4,326,800)
Net investment income	18,761,614	17,657,128
DISTRIBUTIONS TO PARTICIPANTS		
Income paid to participants	4,955,250	4,961,778
Income used to purchase additional units	14,589,291	12,891,719
Total distributions to participants	19,544,541	17,853,497
DECREASE IN FUND BALANCE	(782,927)	(196,369)
FUND BALANCE, BEGINNING OF YEAR	(273,314)	(76,945)
FUND BALANCE, END OF YEAR	$ (1,056,241)	$ (273,314)

Participants' Principal Account	2008	2007
PARTICIPANT ACTIVITY		
Purchase of units of participation	$ 23,362,304	$ 38,020,594
Income used to purchase additional units	14,589,291	12,891,719
Liquidation of units of participation	(38,505,039)	(45,505,723)
NET (DECREASE) INCREASE IN UNITS OF PARTICIPATION	(553,444)	5,406,590
INVESTMENT ACTIVITY		
Investment expenses charged against principal	(290,618)	(807,544)
Net realized (losses) gains on investments sold	(39,500,086)	45,831,462
Unrealized depreciation on investments	(147,133,947)	(18,485,804)
TOTAL INVESTMENT ACTIVITY	(186,924,651)	26,538,114
(DECREASE) INCREASE IN FUND BALANCES	(187,478,095)	31,944,704
FUND BALANCES, BEGINNING OF YEAR	726,892,189	694,947,485
FUND BALANCES, END OF YEAR	$ 539,414,094	$ 726,892,189

SCHEDULE B

UNITED CHURCH FOUNDATION, INC.
SPLIT-INTEREST AGREEMENT FUNDS

Schedules of Assets, Liabilities and Fund Balances

December 31, 2008 and 2007

	2008				2007
ASSETS	Gift Annuity Fund	Pooled Income Fund	Charitable Remainder Trusts	Total	Total
Cash and cash equivalents	$ 27,139	$ 11,862	$ 238,463	$ 277,464	$ 539,320
Investment in UCF Common Investment Funds (CIF)	16,277,293	2,325,679	9,785,413	28,388,385	38,914,607
Other investments	144,121	36,000	275,378	455,499	1,278,368
Accrued investment income	127,531	29,918	78,737	236,186	260,512
TOTAL ASSETS	16,576,084	2,403,459	10,377,991	29,357,534	40,992,807
LIABILITIES					
Accrued income payable to participants		29,918		29,918	28,473
TOTAL LIABILITIES		29,918	-	29,918	28,473
FUND BALANCES	$ 16,576,084	$ 2,373,541	$ 10,377,991	$ 29,327,616	$ 40,964,334

The amounts shown above as Fund Balances represent the liabilities payable to life-income and remainder beneficiaries under split-interest agreements. The Fund Balance of the Gift Annuity Fund represents the present value of liabilities due to donors and other third party beneficiaries (“beneficiaries”) plus additional amounts held as gift annuity reserves for these beneficiaries. As of December 31, 2008 and 2007, the gift annuity reserves were $963,069 and $7,601,774, respectively. Changes in these balances appear on the following page.

UNITED CHURCH FOUNDATION, INC.
SPLIT-INTEREST AGREEMENT FUNDS

Schedules of Changes in Fund Balances

For the Year Ended December 31, 2008 with Summarized Financial Information for 2007

	2008				2007
	Gift Annuity Fund	Pooled Income Fund	Charitable Remainder Trusts	Total	Total
REVENUES					
Received from participants	$ 3,159,122	$ 6,849	$ 23,648	$ 3,189,619	$ 2,543,913
Income earned on CIF investments	582,554	114,238	358,453	1,055,245	1,028,268
Income earned on other investments	4,772	44	21,804	26,620	62,238
TOTAL REVENUES	3,746,448	121,131	403,905	4,271,484	3,634,419
EXPENSES					
Administration of Planned Giving Funds	271,488	30,417	205,311	507,216	385,183
TOTAL EXPENSES	271,488	30,417	205,311	507,216	385,183
DISTRIBUTIONS TO PARTICIPANTS					
Annuities paid	2,219,672			2,219,672	2,169,914
Payments to life income beneficiaries		116,220	841,963	958,183	1,026,925
Payments to charitable remainder beneficiaries	1,668,285	77,701	654,276	2,400,262	1,404,110
TOTAL DISTRIBUTIONS TO PARTICIPANTS	3,887,957	193,921	1,496,239	5,578,117	4,600,949
INVESTMENT GAINS					
Net realized gains on CIF investments sold	491,863	43,912	80,269	616,044	458,193
Net realized (losses) gains on other investments sold	(23,474)		147,088	123,614	73,822
Unrealized (depreciation) appreciation on CIF investments	(6,271,609)	(204,424)	(3,774,281)	(10,250,314)	1,165,858
Unrealized appreciation (depreciation) on other investments	(37,049)	18,000	(293,164)	(312,213)	9,218
NET INVESTMENT GAINS (LOSSES)	(5,840,269)	(142,512)	(3,840,088)	(9,822,869)	1,707,091
(DECREASE) INCREASE IN FUND BALANCES	(6,253,266)	(245,719)	(5,137,733)	(11,636,718)	355,378
FUND BALANCES, BEGINNING OF YEAR	22,829,350	2,619,260	15,515,724	40,964,334	40,608,956
FUND BALANCES, END OF YEAR	$ 16,576,084	$ 2,373,541	$ 10,377,991	$ 29,327,616	$ 40,964,334
COMPOSITION OF FUND BALANCES					
Held for the benefit of United Church Foundation, Inc.				$ 55,530	$ 56,975
Held for the benefit of other charitable remainder beneficiaries				29,272,086	40,907,359
TOTAL FUND BALANCES				$ 29,327,616	$ 40,964,334

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