



First Lutheran Church
Sioux Falls, South Dakota

2008 Foundation Annual Report

First Lutheran Church Foundation Board Members



Current Foundation Board

Bruce Bogue
Larry Hamre
Paula Jensen
Mike Jerstad
Shantel Krebs
Ben Kyte
Greg Leonard
Bill Simpson
Larry Toll

Nominating Report

(3-year terms)
Mike Jerstad
Chris Nelson
Ron Moegenburg

Minutes of the 2007 Annual Meeting of the First Lutheran Church Foundation • Feb. 3, 2008



First Lutheran Foundation President Larry Toll called the meeting to order.

Approval of the Minutes

Mr. Toll referenced the minutes of the 2006 annual meeting held on Jan. 28, 2007. There were no other additions to the minutes. A motion was made, it was duly seconded, and the minutes were approved.

Foundation Report

Forty-five years ago, the members of First Lutheran Church had the foresight to establish a foundation that was designed to provide for perpetual support for the missions of our church. The parable of the mustard seed is evident in the First Lutheran Church Foundation today. We have grown to assets of almost \$6.8 million. In 2008, the Foundation's contribution to the church budget will be approximately \$188,000. Our members have been open to meet with Pastor Dave Johnson and hear the story of the Foundation. Thank you to Chris Nelson who has served the Foundation board with his valuable knowledge and heartfelt commitment.

Report of the Foundation Investment Committee member

Larry Hamre indicated that it was a good year for the Foundation. We ended the year with \$6,787,291.71, up \$435,000. The Foundation received more than \$200,000.00 in gifts for 2007. The Foundation

portfolio was conservatively positioned with almost 40% invested in bonds and 60% in stocks. With this mix, the return for 2007 was 6.81%. The portfolio had only one significant asset shift this year. The Foundation moved half of the bond portfolio from the short duration fund back to the intermediate fund. Thank you to Pastor Dave Johnson and Foundation Administrative Assistant Barb Peterson for their service on behalf of the Foundation. We are thankful also for Business Administrator Marilyn McNeill's assistance with the Foundation. We would also like to again thank Chris Nelson for sharing his investment expertise with the Foundation.

No New Business was brought before the meeting.

Report of the Nominating Committee

Mr. Toll presented the name of Ben Kyte to replace Chris Nelson. Mr. Toll also presented the name of Paula Jensen to continue with a second term. There being no other nominations made, the motion was seconded and carried.

A motion to adjourn the meeting was made and seconded. The meeting adjourned with the singing of "On Our Way Rejoicing."

Respectfully submitted,

Paula Jensen
Secretary



Report of the Foundation President

Larry Toll, President

2008 was another year where First Lutheran Church members and friends continued to make gifts to the First Lutheran Church Foundation. Approximately 90 people made contributions that totaled more than \$200,000—money that will be invested as wisely as our investment committee can in these trying times. This money will hopefully grow and continue to provide support for the mission of our church for years to come.

The Foundation has but one mission and that is to provide for the ongoing operations of the church and the missions the church is trying to fulfill. In 2008, the Foundation provided about \$188,000 in support of that mission. The adverse impact of the current economy has put the Foundation Board in a difficult position as you can see by the attached financial

statements. In spite of that, the Foundation Board has voted to continue at a significant funding level for the church operations for 2009.

On a personal note as my service on the board comes to a close, I want to thank those donors who have entrusted their resources to the Foundation. Those gifts added to the existing assets will continue to provide a significant level of support for our church budget. I want to thank all the board members who give graciously of their time and talent to ensure we have a professionally managed organization. Lastly, without Foundation Administrative Assistant Barb Peterson, Business Administrator Marilyn McNeill, and particularly Pastor Dave Johnson's efforts, we would not be where we are today. Thank you all for your service!



Report of the First Lutheran Church Foundation

Larry Hamre, Treasurer

The First Lutheran Foundation ended 2008 with a balance of \$5,525,472. The Foundation received gifts of \$228,014.15 in 2008, and it disbursed \$187,640.70 from earnings to the ministries of First Lutheran Church. The disbursements are reflective of the prior three years of investment performance and are adjusted annually. Investment performance was down 17.42% for 2008 which represents a loss of 1,261,820. Our performance underperformed the benchmarks by 1.36%. This will likely require a reduction in our annual disbursement to First Lutheran Church for 2009. Our current investment mix is 50% bonds, 44% stocks and 6% cash. Historical levels have been as high as 60% stocks and 40% bonds. Our board will monitor the markets and likely over time adjust the investment mix to our advantage as the economy recovers from this correction.

These are extraordinary times for investors. The global economy and the world's markets are experiencing one of the most challenging and troubling periods on record. While our balances

have declined, our principal is still intact. However, our inflation reserve has eroded considerably. We will need to rebuild this reserve to protect not only future distributions, but also to maintain the value of the dollar due to the effects of inflation. History shows that periods of turmoil and steep market declines have subsequently proven to be the best times to invest. Now is your opportunity to invest in the Foundation with your gifts, to provide perpetual funding of the many ministries of First Lutheran Church. The 45-plus year history and growth of the Foundation is truly reflective of the ongoing support and many gifts of First Lutheran members.

I would like to thank the Foundation Board members for their vision and ongoing commitment to the care and growth of the Foundation. The board wishes to give a special thank you to Pastor Dave Johnson, Foundation Administrative Assistant Barb Peterson and Business Administrator Marilyn McNeill for their collective efforts and their contributions to our board.

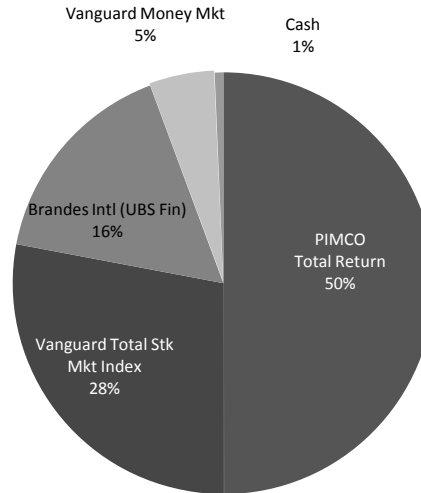
First Lutheran Church Foundation Quarterly Financial Summary • Dec. 31, 2008



First Lutheran Church Foundation
Quarterly Financial Summary
12/31/2008

Investments	Account Value
PIMCO Total Return	\$ 2,761,983.52
Vanguard Total Stk Mkt Index	\$ 1,546,020.18
Brandes Intl (UBS Fin)	\$ 904,467.13
Vanguard Money Mkt	\$ 275,335.45
Cash	\$ 37,665.89
FLC Foundation Total	\$ 5,525,472.17

CURRENT INVESTMENT MIX



PIMCO Short-Term started 5/11/04 - 5/31/06
Vanguard Admiral MM 2/7/05
Vanguard Stk to Money Mkt 2/24/06
Brandes Intl (UBS Fin)

Jan Mgmt/Fees Exp	\$ 5,043.13
Feb Mgmt/Fees Exp	\$ 7.18
Mar Mgmt/Fees Exp	\$ 109.40
Apr Mgmt/Fees Exp	\$ 5,279.99
May Mgmt/Fees Exp	\$ 2,196.47
Jun Mgmt/Fees Exp	\$ 1,890.20
Jul Mgmt/Fees Exp	\$ 5,142.64
Aug Mgmt/Fees Exp	\$ 56.38
Sep Mgmt/Fees Exp	\$ 36.44
Oct Mgmt/Fees Exp	\$ 4,473.38
Nov Mgmt/Fees Exp	\$ 95.25
Dec Mgmt/Fees Exp	\$ 636.11
TOTAL	\$ 24,966.57

Per Auditors - Mgmt & Prof Fees not required to be accted for - can be listed on this rept or if they prefer a je to Adm Fee Acct plus fund performance

Investments	Account Value 12/31/07	Principal +/-	Account Value 12/31/08	Return	Benchmark
PIMCO Total Return	2,635,188.93		2,761,983.52	4.82%	MM bncd Citibank BIG
PIMCO Short	-		-		
Vanguard Total Stk Mkt Index Fc	2,453,541.75		1,546,020.18	-36.99%	S&P 500 Index
Brandes Intl (UBS Fin)	1,413,873.89		904,467.13	-39.20%	ACWexUS
		- \$70K to Chkg 1/18/08 + \$75K 7/15/08 fr Chkg +20K 10/6/08+\$93.5K 12/08			
Vanguard Money Mkt (Admiral)	154,291.59		275,335.45	2.77%	MM bench shd = ret
Total Funds	\$ 6,656,896.16		\$ 5,487,806.28	-17.42%	-16.06%

Checking Account \$ 130,395.55 -\$92,729.66 \$ 37,665.89

Total Investments	2007	2008 YTD	Net Change
	\$ 6,787,291.71	\$ 5,525,472.17	\$ 1,261,819.54

Benchmark:

Citibank BIG	7.02%	PIMCO Perf	\$126,794.59
S&P 500 Index	-37.06%	Vanguard Perf	-\$904,977.71
ACWexUS	-37.03%	Brandes (UBS) Perf	-\$509,406.76
		Total Performance	-\$1,287,589.88

* Returns may vary from published performance due to timing of contributions/withdrawals.

2007 Ending Bal	\$130,395.55	
Checking Account Activity		
Distribution	-\$187,640.70	
Fr Money Mkt	\$70,000.00	
To Money Mkt	-\$188,500.00	
Dev/Office Exp	-\$10,758.14	-\$14,837.11 Office Exp
Thrivent Premium	-\$177.63	
Audit Expense	-\$3,901.34	
Gifts/Memorials	\$228,014.15	Checking Activity:
Interest Income	\$234.00	-\$92,729.66
2008 Ending Bal	\$37,665.89	



First Lutheran Church Foundation Statement of Financial Position

Description	Audited		Unaudited
	12/31/2006	12/31/2007	12/31/2007
ASSETS			
Cash	\$ 29,969	\$ 130,396	\$ 37,666
Bequests Receivable		\$ -	\$ -
Investments			
Money Market Fund	\$ 272,291	\$ 212,044	\$ 275,335
International Equities	\$ 1,269,249	\$ 1,356,121	\$ 904,467
PIMCO Short-term Fund	\$ -	\$ -	\$ -
Pimco Total Return Fund	\$ 1,863,509	\$ 2,635,189	\$ 2,761,984
Vanguard Emerging Markets Stock Index Fund	\$ -	\$ -	\$ -
Vanguard Total Stock Market Index Fund/Admiral Shares	\$ 2,916,779	\$ 2,453,542	\$ 1,546,020
Total Mutual Funds	\$ 6,321,828	\$ 6,656,896	\$ 5,487,806
Total Assets	\$ 6,351,797	\$ 6,787,291	\$ 5,525,472
NET ASSETS			
Benevolence & Killian Mission	\$ 180,161	\$ 187,533	\$ 104,970
Caring Ministry	\$ 304,663	\$ 304,663	\$ 304,663
Elderly & Rogness Seminar	\$ 371,373	\$ 387,638	\$ 293,892
Kirk Scholarship	\$ 18,663	\$ 19,473	\$ 14,774
Media - Broadcast	\$ 1,471,345	\$ 1,653,867	\$ 1,376,900
Media - Print	\$ 232,584	\$ 242,674	\$ 184,112
Norder Scholarship	\$ 10,530	\$ 10,987	\$ 8,336
Organ Maintenance	\$ 31,298	\$ 32,655	\$ 44,885
Property & Archives	\$ 31,449	\$ 37,814	\$ 29,435
Reserve	\$ (22,171)	\$ (37,221)	\$ (34,324)
Undesignated	\$ 3,374,289	\$ 3,440,622	\$ 2,756,560
Visitation	\$ 284,388	\$ 296,725	\$ 225,120
Worship & Music	\$ 7,507	\$ 52,833	\$ 49,908
Sunday School	\$ 18,464	\$ 18,464	\$ 18,464
Youth	\$ 129,502	\$ 138,565	\$ 110,751
Total Net Assets By Fund	\$ 6,444,046	\$ 6,787,292	\$ 5,488,447
Bequests Receivable	\$ (92,249)	\$ -	\$ -
	\$ 6,351,797	\$ 6,787,292	\$ 5,488,447
REVENUES AND OTHER SUPPORT			
Gifts	\$ 356,702	\$ 200,947	\$ 228,014
Dividends and Interest	\$ 184,041	\$ 225,957	\$ 310,360
Realized Gains/Unrealized Appreciation	\$ 593,815	\$ 225,360	\$ (1,597,716)
Total Revenues and Other Support	\$ 1,134,558	\$ 652,264	\$ (1,059,342)
EXPENSES			
Program Services (Distributions to FLC)	\$ 166,844	\$ 202,078	\$ 187,641
Management and General	\$ 19,980	\$ 14,691	\$ 14,837
Total Expenses	\$ 186,824	\$ 216,769	\$ 202,478
Change in Net Assets	\$ 947,734	\$ 435,495	\$ (1,261,820)