

# FOUNDATION ANNUAL REPORT



First Lutheran Church  
Sioux Falls, South Dakota



# 2011

# FIRST LUTHERAN CHURCH FOUNDATION BOARD MEMBERS

## BOARD MEMBERS IN 2011 INCLUDED:

Corey Halstenson (FLC Treasurer)	Martin Oyos
Ron Moegenburg	Ben Kyte
Larry Hamre	Don Scott
Chris Nelson	Greg Leonard
Mike Jerstad	Bill Simpson

## NOMINATING REPORT

(3-year term)  
Micah Aberson  
Rich Lauer  
Chris Nelson

## MINUTES OF THE 2010 ANNUAL MEETING OF THE FIRST LUTHERAN CHURCH FOUNDATION JAN. 30, 2011

First Lutheran Foundation President, Ben Kyte, called the meeting to order. Mr. Kyte referenced the minutes of the 2009 annual meeting held on January 31, 2010. There were no other additions to the minutes. A motion was made, it was duly seconded and the minutes were approved.

### FOUNDATION REPORT BY PRESIDENT BEN KYTE

President Kyte began by stating that he is humbled by the implied respect and trust given to its leaders when the Foundation receives a gift of any size. When a gift is given to the Foundation, its donors are sending a strong message that the Foundation and its leaders have been good shepherds of the resources given to it over the years, and they trust we will continue to protect and shepherd the donation given to the Foundation to continue to do God's work in perpetuity.

The Foundation and its board members recognize the responsibilities that come from this message, and the 2010 results are evidence of that. The assets of the Foundation grew to a record \$7,173,484 at 2010 year-end. In addition, the assets had a strong return that allowed the Foundation to continue its support of the mission of First Lutheran Church with a distribution of \$106,925 or 2% of its assets. We were also fortunate to receive gifts totaling more than \$54,000. The Foundation is always very thankful for these donations as they will continue to support the mission of First Lutheran Church for years to come.

President Kyte thanked all the Foundation board members who have given so much of their time and talents for the ultimate benefit of First Lutheran Church. He recognized Paula Jensen, whose term expires in January. Paula has served as secretary for several years, and her service has truly been appreciated. Mr. Kyte also thanked Church Business Administrator Marilyn McNeill and the business office staff at First Lutheran for all of their help in preparing information and answering questions.

### REPORT OF THE FOUNDATION TREASURER CHRIS L. NELSON

In Chris's absence, President Ben Kyte presented the Treasurer's report.

The First Lutheran Church Foundation closed 2010 with assets of \$7,173,484. We are grateful for the gifts received of \$54,098.07. The recovery in the financial markets allowed the Foundation to pay a distribution to First Lutheran Church of \$107,000 for 2010. The Foundation recorded a 12.8% return for 2010 versus a benchmark of 10.9% for an outperformance of 1.9%. The investment committee completed two asset changes during the year. An underperforming international manager, Brandes, was replaced with Harbor International and Vanguard Emerging Markets; also 10% of the PIMCO bond holdings were sold and the proceeds invested in the Vanguard Total Stock Market equity fund. These have been successful changes, adding value since implementation.

The individual assets classes had the following returns for 2010. The PIMCO Total Return bond fund earned 8.7%, the Vanguard Total Stock Market returned 17.05%, the Vanguard Emerging Markets returned 18.77%, and the Harbor International returned 14.44%. The current asset mix is 43% domestic stocks, 18% international stocks, 38% bonds and 1% cash. The cash will be quickly used to fund the distribution for 2011.

The Foundation continues to protect the assets against the corrosive effects of inflation. The Foundation has been blessed with a board that can maintain an investment discipline through some of the most turbulent markets since the Great Depression. This discipline has and will continue to benefit the Foundation and First Lutheran far into the future. For 2011, the Foundation has designated a payout to First Lutheran of \$150,000 and an increase of \$44,000 above last year's distribution.

Mr. Kyte asked if there were any questions on the report. There were none.

Mr. Kyte presented the name of Ben Kyte and Greg Leonard to return to the board and Martin Oyos to join the board. There were no nominations from the floor. The motion to add these three to the board was made, seconded and carried.

Mr. Kyte brought up new business regarding the Foundation By-laws. The By-laws have not been changed since 1964. The following changes were brought by the Foundation board to the annual meeting:

#### **Article II–Membership**

Sec.1. The members of this Corporation shall consist of all members in good standing of the First Lutheran ~~Congregation~~ of Church in Sioux Falls, South Dakota.

#### **Article III–Meetings**

Sec. 1. Annual meeting. The annual meeting of the Corporation shall be held immediately following the annual meeting of the First Lutheran ~~Congregation~~ Church in Sioux Falls, South Dakota

#### **Article IV–Board of Directors**

Sec. I The Board of Directors of this Corporation shall consist of ten (10) persons. Nine members of the Board shall be members in good standing of the Corporation and shall be elected in the manner and for the term of office as hereinafter provided. The tenth member of the Board shall be the ~~Chairman of the Board of Trustees~~ Treasurer of the First Lutheran ~~Congregation~~ Church in Sioux Falls, South Dakota.

Sec. 4. Nominating committee. Fifteen (15) days prior to the annual meeting of the ~~Board of Directors~~ Corporation, the Board shall appoint a nominating committee consisting of three (3) persons, whose duty shall be to nominate candidates to fill the office of Director for the ensuing three (3) year period. The names of the proposed candidates shall be presented by the nominating committee at the annual meeting of the membership. In addition to the names of candidates presented by the nominating committee, any nominations from the floor may be also presented.

#### **Article V–Officers**

Sec. 5. The Treasurer shall chair the Investment Committee. The Treasurer shall keep the records and accounts in such a manner as to enable a true and accurate accounting of the financial transactions of the Corporation. ~~to be portrayed.~~

#### **Article VI–Committees**

Sec.1. The Corporation shall have the following committees to be selected by the Board of Directors, the membership of which, except the Executive Committee, may consist of either a member of the Board or of the general membership of the Corporation, to wit: The Executive Committee, the ~~Finance~~ Investment Committee, the Nominating Committee.

Sec. 4. The ~~Finance~~ Investment Committee shall have the responsibility of considering and recommending investments to the Board of Directors.

#### **Article VII–Management and Distribution of Funds**

Sec. 3. No portion of the income derived from the undesignated endowment funds may be withdrawn from the Corporation and used for any purpose which might not be in conformity with the purpose and objectives of the Corporation as set forth in Article II of the Articles of Incorporation, except upon an affirmative vote of two thirds (2/3) of the members of the Board of Directors and a two-thirds(2/3) vote of the Financial Services Board or its successor of the First Lutheran ~~Congregation~~ Church in Sioux Falls, South Dakota.

#### **Certificate**

Amended this 30th day of January, 2011

Corey Halstenson  
Greg Leonard  
Larry Hamre  
Ron Moegenburg  
Paulette Jensen  
Chris Nelson  
Michael Jerstad  
Don Scott  
Bennett Kyte  
William Simpson

Mr. Kyte asked for any questions or discussion of these revisions. There were none. A motion was made, it was duly seconded and approved.

A motion to adjourn the meeting was made and seconded. The meeting adjourned.

Respectfully submitted,

Paula Jensen, secretary

## REPORT OF THE FOUNDATION PRESIDENT BEN KYTE

As referenced from the articles of incorporation of the First Lutheran Church Foundation, its purpose is to receive gifts and bequests, to hold the principal in perpetuity, and to expend the income derived there from for purposes as may be undertaken, approved or supported by the First Lutheran congregation.

To that end, I can report the board of directors of the First Lutheran Church Foundation has faithfully served that mission in 2011. As evidence of the board's service, I would like to highlight some of their activities from 2011. To encourage awareness of its efforts among First



Ben Kyte

Lutheran, members of the board held regular temple talks and forums. To continue our success into the future, the Foundation has continued to recruit strong and diversified board members who understand and appreciate the important mission of the Foundation.

The investments of the Foundation continued to be managed wisely with the ability to maintain their current day purchasing power through the funding of our inflation reserve while still providing ongoing financial support to the missions of First Lutheran Church. All of these actions are evidence that the First Lutheran Church Foundation shares one common purpose with First Lutheran Church, which is to support the mission efforts its members have deemed important.

It is important for members of First Lutheran Church to understand and appreciate the value of the "inflation reserve" mentioned above and the role it plays for the Foundation. This important financial management tool has served the Foundation extremely well over the years. The primary function of the inflation reserve is to preserve the purchasing power of the gifts given to the Foundation in today's dollar. For example a gift of \$1,000 given in 1990, adjusted for inflation, would only be worth \$585 in 2010. By maintaining an inflation reserve, the Foundation is able to provide a more consistent income to First Lutheran Church while protecting the desire of the donors to provide income to the missions of First Lutheran Church in perpetuity. Additionally the inflation reserve can act as a cushion in times of severe financial market volatility such as occurred in the recent years of 2001, 2002, 2008 and 2009. During those times, the inflation reserve allowed the Foundation to continue to make distributions to First Lutheran Church. Without such an inflation reserve, the Foundation would have been unable to make distributions in those years.

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THE FOUNDATION HAS BECOME NOT ONLY A FINANCIAL RESOURCE TO FIRST LUTHERAN CHURCH, BUT IT HAS ALSO BECOME A VEHICLE THROUGH WHICH MEMBERS AND FRIENDS CAN LEAVE THEIR OWN LEGACY TO FIRST LUTHERAN.

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As for my years serving on the Foundation board, I feel I have been fortunate to participate in what I believe is one of the many jewels of First Lutheran Church. The Foundation has become not only a financial resource to First Lutheran Church, but it has also become a vehicle through which members and friends can leave their own legacy to First Lutheran. Whether that legacy is a small gift or a large donation, it allows everyone to participate, in perpetuity, with the good works of First Lutheran Church. My hope is that through the wise management of the gifts given to the Foundation that all of us will have the desire and confidence to establish our own legacy with First Lutheran Church.

The Foundation results for 2011 speak to the commitment and shared purpose it has with First Lutheran Church. The Foundation distributed \$150,000 or 2.5% of average assets to First Lutheran Church in 2011. We began the year with total assets of \$7,173,484. To this amount was added nearly \$21,000 in gifts from church members and friends. Although this amount may seem small it should be noted that Foundation gifts historically come in a random fashion and are the fruits of seeds planted many years ago. As we end 2011, our total assets amount to \$7,035,122. In what was a very volatile and difficult year in the financial markets the investment strategy and prudent management of our financial resources served the Foundation very well.

Finally, I would like to take this opportunity to thank all the Foundation board members who gave so much of their time and energy in 2011 to ensure First Lutheran Church benefitted fully from its Foundation. I would also like to recognize board members Ron Moegenburg and Mike Jerstad whose terms will expire in January. Both Ron and Mike brought special talents to the board which we are very grateful they were willing to share with us. Finally the business of the Foundation does not function without the support of the First Lutheran Church business office staff and specifically Business Administrator Marilyn McNeill. The entire board thanks the staff and Marilyn for their efforts.

## REPORT OF THE FOUNDATION TREASURER CHRIS L. NELSON

The First Lutheran Church Foundation ended 2011 with assets of \$7,035,122. During 2011, the Foundation gratefully received gifts of \$ 21,412. The strong recovery of the markets in the past two years allowed the Foundation to pay out \$150,699 to support the ministries of First Lutheran Church during the year.

If one looked at the U.S. stock market's beginning and end point, one could conclude that 2011 was a trendless year. Yet the actual price movement was anything but trendless. The stock market began the year rallying by 10% through April, only to have the European sovereign debt crisis and a slowing



Chris L. Nelson

U.S. economy cause the market to drop almost 30%. As the economic recession fears subsided, though not the European crisis, the domestic markets clawed their way back to flat. The European distress also impacted the international and emerging markets, which have yet to recover. The overall portfolio returned -.49% against a benchmark return of 1.15%. The investment committee took advantage of the market's decline and rebalanced 5% from bonds to stocks. This has added value as the markets recovered. The Foundation takes a long-term view and does not place too much emphasis on the market's short-term volatility. The focus continues to be on the appropriate asset allocation, rebalancing that allocation and on mutual funds that will outperform over the long term. The Foundation is fortunate to have an experienced investment committee comprised of volunteers. Such expertise costs other Foundations tens of thousands of dollars annually.

The individual assets classes had the following returns for 2011. The PIMCO Total Return bond fund earned 4.16%, the Vanguard Total Stock Market returned 1.08%, the Vanguard Emerging Markets returned -18.77%, and the Harbor International returned -11.2%. The current asset mix is 50% domestic stocks, 16% international stocks, 34% bonds and 0% cash.

The Foundation continues to protect the assets against the corrosive effects of inflation. When one realizes that a dollar

from 1978 has the purchasing power of only 29 cents today, this protection will prove critical to the Foundations long-term financial health. The Foundation has been blessed with a board that can maintain an investment discipline through some of the most turbulent markets since the Great Depression. This discipline has and will continue to benefit the Foundation and First Lutheran far into the future. As one would expect with the weak market performance, the distribution for 2012 has been reduced. Despite the weak market performance for 2011, the long-term focus of the Foundation still allows a distribution for 2012 of \$149,435.

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PLEASE CONSIDER JOINING ALL THOSE WHO HAVE MADE GIFTS TO SUPPORT THE FOUNDATION AND FIRST LUTHERAN CHURCH. ANY OF THE BOARD MEMBERS OR PASTORS WOULD WELCOME THE OPPORTUNITY TO SHARE THE FOUNDATION'S MISSION WITH YOU.

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The Foundation has been a strong supporter of First Lutheran through the decades and at times has contributed almost 10% of the church's operating budget. This support can only continue if members of the congregation continue to remember the Foundation when making annual gifts and in their estate plans. Because of those who have made such gifts, First Lutheran enjoys not only a stronger ministry today but also for the future. Please consider joining all those who have made gifts to support the Foundation and First Lutheran Church. Any of the board members or pastors would welcome the opportunity to share the Foundation's mission with you.

I am grateful to serve with board members who hold a strong vision and deep commitment to the Foundation and First Lutheran Church.

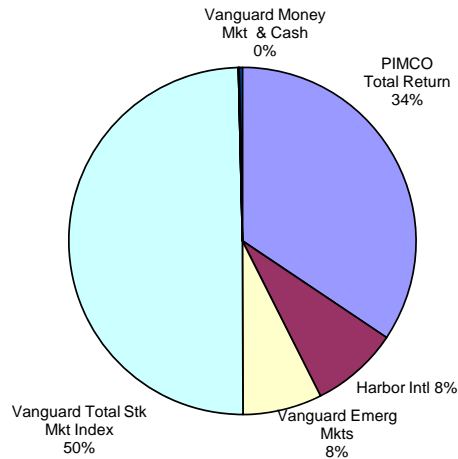
I want to thank Ron Moegenburg and Mike Jerstad for their service to the Foundation the last six years. I am also appreciative of the valuable assistance Business Administrator Marilyn McNeill provides the Foundation.

# FIRST LUTHERAN CHURCH FOUNDATION QUARTERLY FINANCIAL SUMMARY DEC. 31, 2011

**First Lutheran Church Foundation**  
**Quarterly Financial Summary**  
**12/31/2011**

**CURRENT INVESTMENT MIX**

Investments	Account Value
PIMCO Total Return	\$ 2,419,019.16
Harbor	\$ 576,029.81
Vanguard Emerging Mkts	\$ 518,783.77
Vanguard Total Stk Mkt Index	\$ 3,495,056.81
Vanguard Money Mkt	\$ 7,583.84
Cash	\$ 18,648.65
<b>FLC Foundation Total</b>	<b>\$ 7,035,122.04</b>



Investments	Account Value 12/31/10	Principal +/-	Account Value 12/31/11	Return	Benchmark
PIMCO Total Return	2,731,245.42	-73106.64 to MM for Dist	2,419,019.16	4.16%	7.85%
Vanguard Total Stk	3,067,152.95		3,495,056.81	1.08%	2.10%
Harbor Interna l	648,155.59		576,029.81	-11.20%	-13.70%
Vanguard Emerging Mkts	637,671.87		518,783.77	-18.77%	-18.40%

Total Funds	\$ 7,084,225.83	-	\$ 7,008,889.55	-0.49%	1 15%
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Vanguard MM (Admr & Prime)	8,975.47	+73106.64 frm Pimco/-80.5K to ckg for dist; -+4167.10 fr UBS*	7,583.84		
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Checking Account	\$ 72,540.48	-\$53,891.83	\$ 18,648.65
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Brande Intl Resi ual	7 742 52	-4360.41 to MM*	-	-13.70%
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Total Investments	\$ 7,173,484.30	-	\$ 7,035,122.04	Net Change \$ (138,362.26)
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<b>Benchmark:</b>				
Citibank BIG	7.85%	PIMCO Perf	-237,479.99	
S&P 500 Index	2.10%	Vanguard Perf	309,017.45	
MSCIXUS	-13.70%	Brandes	-3,382.11	
MSCI-EM	-18.40%	Harbor	-72,125.78	
		Checking Int	\$37.67	3,932.76

\*Fees from UBS transfer

Checking Account (MetaBank)	2010 Ending Bal	\$72,540.48	Permanantly Rest Principal 2010	\$ 4,562,773.67
	Distribution	-150,699.52	Inflation Reserve 2010	\$ 1,474,631.47
	Fr Money Mkt	7,500.00	2011 Gifts YTD	\$21,411.89
Office Exp	Fr Money Mkt	\$73,000.00	Total Restricted	\$ 6,058,817.03
-\$5,141.87	Office Exp/Thrivent	-\$993.87	3X% 2011 inflation	\$ 181,764.51
	Audit Expense	-\$4,148.00	Total Rest & Bd Restricted	\$ 6,240,581.54
Checking Activity:	Gifts/Memorials	\$21,411.89	2011YTD Total Investments	\$ 7,035,122.04
-\$53,891.83	Interest Income	\$37.67		\$ 794,540.50
	2011 Ending Bal	\$18,648.65		

# STATEMENT OF FINANCIAL POSITION

Description	Audited		Unaudited
	12/31/2009	12/31/2010	12/31/2011
<b>ASSETS</b>			
Cash	\$ 1,217	\$ 72,540	\$ 18,649
Bequests Receivable	\$ -	\$ -	\$ -
Investments			
Money Market Fund	\$ 115,967	\$ 8,975	\$ 7,584
Brandes/Harbor International Equities	\$ 1,041,755	\$ 655,898	\$ 576,030
Pimco Total Return Fund	\$ 3,144,051	\$ 2,731,245	\$ 2,419,019
Vanguard Emerging Markets Stock Index Fund	\$ 103,215	\$ 637,672	\$ 518,784
Vanguard Total Stock Market Index Fund/Admiral Shares	\$ 1,991,664	\$ 3,067,153	\$ 3,495,057
<b>Total Mutual Funds</b>	<b>\$ 6,396,652</b>	<b>\$ 7,100,944</b>	<b>\$ 7,016,473</b>
<b>Total Assets</b>	<b>\$ 6,397,870</b>	<b>\$ 7,173,484</b>	<b>\$ 7,035,122</b>
<b>NET ASSETS</b>			
Benevolence & Killian Mission	\$ 166,811	\$ 86,763	\$ 183,072
Caring Ministry	\$ 304,663	\$ 304,663	\$ 307,942
Elderly & Rogness Seminar	\$ 345,000	\$ 386,217	\$ 378,584
Kirk Scholarship	\$ 17,340	\$ 19,411	\$ 19,028
Media - Broadcast	\$ 1,591,842	\$ 1,785,796	\$ 1,759,791
Media - Print	\$ 216,092	\$ 241,909	\$ 237,126
Norder Scholarship	\$ 9,783	\$ 10,953	\$ 10,736
Organ Maintenance	\$ 49,660	\$ 54,351	\$ 53,299
Property & Archives	\$ 34,229	\$ 38,303	\$ 37,544
Reserve	\$ (32,600)	\$ (21,728)	\$ (23,016)
Undesignated	\$ 3,230,742	\$ 3,625,971	\$ 3,536,692
Visitation	\$ 264,223	\$ 295,793	\$ 289,942
Worship & Music	\$ 53,579	\$ 58,491	\$ 57,247
Sunday School	\$ 18,464	\$ 18,464	\$ 19,298
Youth	\$ 128,041	\$ 168,128	\$ 167,837
<b>Total Net Assets By Fund</b>	<b>\$ 6,397,870</b>	<b>\$ 7,173,486</b>	<b>\$ 7,035,122</b>
	\$ -		
	<b>\$ 6,397,870</b>	<b>\$ 7,173,486</b>	<b>\$ 7,035,122</b>
<b>REVENUES AND OTHER SUPPORT</b>			
Gifts	\$ 18,736	\$ 54,098	\$ 21,412
Dividends and Interest	\$ 262,810	\$ 266,212	\$ 190,516
Realized Gains/Unrealized Appreciation	\$ 706,055	\$ 567,842	\$ (194,449)
<b>Total Revenues and Other Support</b>	<b>\$ 987,601</b>	<b>\$ 888,152</b>	<b>\$ 17,479</b>
<b>EXPENSES</b>			
Program Services (Distributions to FLC)	\$ 100,568	\$ 106,925	\$ 150,700
Management and General	\$ 14,636	\$ 5,614	\$ 5,142
<b>Total Expenses</b>	<b>\$ 115,204</b>	<b>\$ 112,539</b>	<b>\$ 155,841</b>
<b>Change in Net Assets</b>	<b>\$ 872,397</b>	<b>\$ 775,644</b>	<b>\$ (138,362)</b>

## DISTRIBUTION TO FLC MINISTRIES

Foundation Distribution to First Lutheran Church	2009	2010	2011
Undesignated	\$ 52,742	\$ 55,131	\$ 81,126
Adult Discipleship	\$ 6,839	\$ 6,978	\$ 8,061
Youth and Family	\$ 2,657	\$ 2,904	\$ 3,959
Outreach	\$ 3,515	\$ 3,576	\$ 4,124
Worship & Music	\$ 491	\$ 831	\$ 1,326
Media - Broadcast	\$ 28,764	\$ 31,650	\$ 37,234
Media - Print	\$ 4,280	\$ 4,370	\$ 5,049
Property & Admin Service	\$ 641	\$ 690	\$ 805
Caring Ministry	\$ -	\$ -	\$ 7,899
Organ Maintenance	\$ 639	\$ 794	\$ 1,118
	<b>\$ 100,568</b>	<b>\$ 106,925</b>	<b>\$ 150,699</b>



“First Lutheran is like a home to me. All of my closest friends are there and I spend as much time there as I do at home. Without it, it would be like part of me is missing.” –Mya Baca

“I love volunteering to fold bulletins for the senior bulletin mailing—but most of all I love the fellowship and kindness that I receive when I come to First Lutheran.” –Sandy Holleman



“With my severely progressed state of multiple sclerosis, I am so thankful for First Lutheran’s Media Ministries and the Sunday morning telecast. Hearing God’s word through sermon and song lifts me up and gives me hope for the next week.” –Jon Schmidt



## First Lutheran Church

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