



**First Lutheran Church**

Sioux Falls, South Dakota



FIRST LUTHERAN CHURCH  
Worship Services • Saturday 5:00 PM • Sunday 8:15 AM • 9:45 AM • 11:15 AM

**2009**

**FOUNDATION ANNUAL REPORT**



## FIRST LUTHERAN CHURCH FOUNDATION BOARD MEMBERS

### **Board members in 2009 included:**

Bruce Bogue  
Larry Hamre  
Paula Jensen  
Mike Jerstad  
Ben Kyte  
Chris Nelson  
Greg Leonard  
Ron Moegenburg  
Bill Simpson

### **Nominating Report**

*(1-year term)*  
Greg Leonard  
  
*(3-year terms)*  
Larry Hamre  
Don Scott  
Bill Simpson



## MINUTES OF THE 2008 ANNUAL MEETING OF THE FIRST LUTHERAN FOUNDATION ♦ Feb. 1, 2009

First Lutheran Foundation President Larry Toll called the meeting to order. Mr. Toll referenced the minutes of the 2007 annual meeting held on Feb. 3, 2008. 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 Larry Toll**

In 2008 approximately 90 people made contributions to the First Lutheran Church Foundation totaling more than \$200,000. The Foundation has but one mission and that is to provide for the ongoing operations of the church and the missions the church is working to fulfill. During 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. In spite of that, the Foundation Board has voted to continue at a significant funding level for the church operations of 2009. As my service comes to a close, I want to thank the donors who have entrusted their resources to the Foundation. I want to thank the board members, Foundation Administrative Assistant Barb Peterson, Business Administrator Marilyn McNeill and particularly Pastor Dave Johnson.

### **Financial Report by Treasurer Larry Hamre**

We want to say good-bye and good riddance to 2008! The Foundation ended 2008 with a balance of \$5,525,472. The Foundation received gifts of \$228,024.15 in 2008. The Foundation 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. The investment performance was down 17.42% for 2008, which represented a loss of \$1,261,820. This will likely require a reduction in our annual disbursement to First Lutheran Church for 2009. Our current mix is 50% bonds, 44% stocks and 6% cash. Our board will monitor the markets and likely over time adjust the investment mix to our advantage as the economy recovers from this correction. While our balances have declined, our principal is still intact. However, the inflation reserve has eroded considerably. Now is the time to invest in the Foundation. 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 Larry Toll for his service on the Foundation Board, along with his leadership. I would also like to thank the Foundation Board along with Barb Peterson, Marilyn McNeill and a special thank you to Pastor Dave Johnson.

Mr. Toll presented the names of Mike Jerstad (returning board member), Chris Nelson and Ron Moegenburg to fill the vacancies on the board. There were no other nominations from the floor. The motion to add these three to the board was made, seconded and carried.

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



We began 2009 with much uncertainty. There was uncertainty around the future of the economy. There was uncertainty around how we as a First Lutheran Church Foundation Board would protect the value of the gifts given by members of First Lutheran Church.



Ben Kyte

Mostly there was uncertainty around what the Foundation would be able to do to support the mission of First Lutheran Church.

Aided by the strong leadership of the board of the First Lutheran Church Foundation, I believe the prayers of many of the First Lutheran Church members were answered in that the Foundation had a very successful year. As 2009

drew to a close, the Foundation was rewarded with a year-to-date December return of nearly 18%.

The mission of the First Lutheran Church Foundation has always been to support the ongoing operations of First Lutheran Church. As we began 2009, the Foundation struggled with the extent to which it could continue that support. As the financial markets continued to deteriorate at the end of 2008 through the first three months of 2009 the Foundation saw its assets decline in value. When the situation seemed to be at its worst, the current and past leadership of the Foundation stood out. The Foundation and First Lutheran Church have benefited from wisdom and experience of many of its members who have served on the Foundation's board. With the Foundation's practice over the years of conservative, steady financial distributions to First Lutheran Church, we were able to make a distribution in 2009 of slightly less than 2% of the Foundations assets. This is a very impressive achievement considering that it occurred during one of the worst financial market downturns since the Great Depression.

I would like to thank all of those who made financial gifts to the Foundation in 2009. The Foundation and First Lutheran Church are always grateful for any amount that is given to support the ongoing mission of the church. In 2009 the Foundation received gifts totaling \$18,736. In these uncertain times, these gifts are very much appreciated.

Finally, I would like to thank all those Foundation board members who give so much of their time for the ultimate benefit of First Lutheran Church. I would like to recognize Bruce Bogue, whose term expires at the end of 2009. In addition, I would like to thank Pastor Dave Johnson and Barb Peterson for their efforts in speaking to members on behalf of the Foundation. And finally, thanks to Marilyn McNeill and the business office staff at First Lutheran for all their help in preparing information and answering questions. Thank you all for all that you do.

Aided by the strong leadership of the board of the First Lutheran Church Foundation, I believe the prayers of many of the First Lutheran Church members were answered in that the Foundation had a very successful year.

I would like to thank all of those who made financial gifts to the Foundation in 2009.



# REPORT OF THE FOUNDATION TREASURER

## CHRIS L. NELSON

The First Lutheran Church Foundation closed 2009 with assets of \$6,397,869.51. Earnings for 2009 were \$968,846.18, and gifts received were \$18,736.07. Given that the financial crisis was still unfolding in January, the board took a step of faith and set a distribution to the church of \$100,000.

Fortunately, after bottoming in March, the markets recovered strongly. The Foundation earned 17.99% in the past 12 months



Chris L. Nelson

compared to the benchmark return of 17.27%, outperforming by .62%. The board should be commended for maintaining its discipline and long-term investment focus during the crisis.

The market volatility and losses are difficult to endure, but too often, at the point of maximum pain, the assets that have declined the most are sold, and the ones that have performed the best are purchased, ensuring poor future performance when the trends reverse. For 2009, the Vanguard 500 index fund returned 28.82%; the Emerging Markets index returned 9.72% (acquired Oct. 26, 2009); the Brandes International fund returned 16.02%; and the PIMCO bond fund returned 13.46%. The current asset mix is 49% equities, 49% bonds and 2% cash.

Several years ago the Foundation made the wise decision to try to preserve the purchasing value of the principal. When one considers that a dollar in 1978 has been reduced by inflation to just 30 cents today, the preservation effort becomes critical. Foundation's long-term horizon and willingness to be disciplined investors will benefit the assets for the future. Indeed, last year's treasurer's report hinted at the hoped for recovery during the darkest days.

With the market rally, the inflation reserve has been rebuilt, and for 2010 the Foundation is able to set a distribution of \$106,925 for First Lutheran Church.

Given the important role the Foundation continues to play in the ministry of First Lutheran, I would encourage everyone to plan a gift, current or deferred, to the Foundation. Because of gifts like these, First Lutheran Church enjoys a stronger ministry today and will continue to do so in the future. Pastor Dave Johnson or any board member would welcome the opportunity to share the Foundation's mission with you.

I am grateful to serve with board members who possess an outstanding vision and commitment to the Foundation. Special thanks are due

to Pastor Dave Johnson, our ambassador, and Barb Peterson, his administrative assistant, for their work in increasing the Foundation's membership. Throughout the year, Business Administrator Marilyn McNeill provides valuable assistance to the board as well, for which I am thankful.

**Given the important role the Foundation continues to play in the ministry of First Lutheran, I would encourage everyone to plan a gift, current or differed, to the Foundation.**

# FIRST LUTHERAN CHURCH FOUNDATION

## QUARTERLY FINANCIAL SUMMARY ♦ Dec. 31, 2009



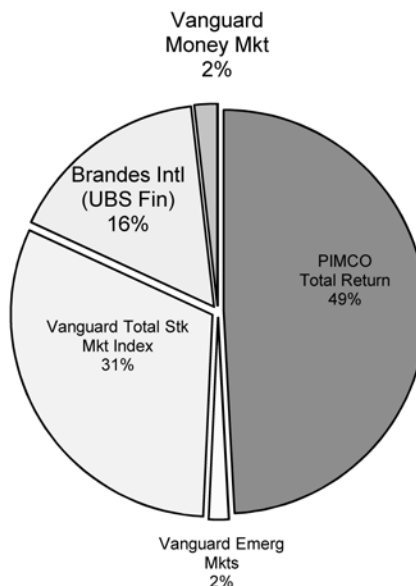
**First Lutheran Church Foundation**  
**Quarterly Financial Summary**  
**12/31/2009**

Investments	Account Value
PIMCO Total Return	\$ 3,144,051.29
Vanguard Emerging Mkts	103,215.41
Vanguard Total Stk Mkt Index	\$ 1,991,663.82
Brandes Intl (UBS Fin)	\$ 1,041,754.80
Vanguard Money Mkt	\$ 115,967.14
Cash	\$ 1,217.05
<b>FLC Foundation Total</b>	<b>\$ 6,397,869.51</b>

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	\$ 3,716.83
Feb Mgmt/Fees Exp	\$ 1.80
Mar Mgmt/Fees Exp	\$ 82.43
Apr Mgmt/Fees Exp	\$ 3,812.03
May Mgmt/Fees Exp	\$ 1,382.88
Jun Mgmt/Fees Exp	\$ 414.69
Jul Mgmt/Fees Exp	\$ 2,734.20
Aug Mgmt/Fees Exp	\$ 41.98
Sep Mgmt/Fees Exp	\$ 245.76
Oct Mgmt/Fees Exp	\$ 2,398.28
Nov Mgmt/Fees Exp	\$ 4,975.08
Dec Mgmt/Fees Exp	\$ 3,049.79
<b>TOTAL</b>	<b>\$ 22,855.75</b>

**CURRENT INVESTMENT MIX**



Investments	Account Value 12/31/08	Principal +/-	Account Value 12/31/09	Return	Benchmark
PIMCO Total Return	2,761,983.52		3,144,051.29	13.46%	Citibank BIG
PIMCO Short	-		-		
Vanguard Total Stk	1,546,020.18		1,991,663.82	28.82%	S&P 500 Index
Vanguard Emerging Mkts***	-	100,000	103,215.41	9.72%	MSCI-EM
Brandes Intl (UBS Fin)	904,467.13		1,041,754.80	16.02%	ACWexUS

\*\*\* Purchased 10/29/09

Vanguard Money Mkt (Admiral)	275,335.45	-20K, +10K-50K -100K	115,967.14	0.52%	0.52%
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<b>Total Funds</b>	<b>\$ 5,487,806.28</b>		<b>\$ 6,396,652.46</b>	<b>17.99%</b>	<b>17.27%</b>
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Checking Account	\$ 37,665.89	-\$36,448.84	\$ 1,217.05		
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	2008	2009YTD	Net Change
<b>Total Investments</b>	<b>\$ 5,525,472.17</b>	<b>\$ 6,397,869.51</b>	<b>\$ 872,397.34</b>

**Benchmark:**

Citibank BIG	5.06%	PIMCO Perf	\$382,067.77
S&P 500 Index	26.46%	Vanguard Perf	\$449,490.74
ACWexUS	41.45%	Brandes (UBS) Perf	137,287.67
MSCI-EM	8.41%	<b>Total Performance</b>	<b>\$968,846.18</b>

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



# FIRST LUTHERAN CHURCH FOUNDATION

## STATEMENT OF FINANCIAL POSITION

Description	Audited		Unaudited
	12/31/2007	12/31/2008	12/31/2009
<b>ASSETS</b>			
Cash	\$ 130,396	\$ 37,666	\$ 1,217
Bequests Receivable	\$ -	\$ -	\$ -
Investments			
Money Market Fund	\$ 212,044	\$ 286,671	\$ 115,967
International Equities	\$ 1,356,121	\$ 893,131	\$ 1,041,755
Pimco Total Return Fund	\$ 2,635,189	\$ 2,761,984	\$ 3,144,051
Vanguard Emerging Markets Stock Index Fund	\$ -	\$ -	\$ 103,215
Vanguard Total Stock Market Index Fund/Admiral Shares	\$ 2,453,542	\$ 1,546,020	\$ 1,991,664
<b>Total Mutual Funds</b>	<b>\$ 6,656,896</b>	<b>\$ 5,487,806</b>	<b>\$ 6,396,652</b>
<b>Total Assets</b>	<b>\$ 6,787,291</b>	<b>\$ 5,525,472</b>	<b>\$ 6,397,870</b>
<b>NET ASSETS</b>			
Benevolence & Killian Mission	\$ 187,533	\$ 141,995	\$ 166,811
Caring Ministry	\$ 304,663	\$ 304,663	\$ 304,663
Elderly & Rogness Seminar	\$ 387,638	\$ 293,892	\$ 345,000
Kirk Scholarship	\$ 19,473	\$ 14,774	\$ 17,340
Media - Broadcast	\$ 1,653,867	\$ 1,376,900	\$ 1,591,842
Media - Print	\$ 242,674	\$ 184,112	\$ 216,092
Norder Scholarship	\$ 10,987	\$ 8,336	\$ 9,783
Organ Maintenance	\$ 32,655	\$ 44,885	\$ 49,660
Property & Archives	\$ 37,814	\$ 29,435	\$ 34,229
Reserve	\$ (37,221)	\$ (34,324)	\$ (32,600)
Undesignated	\$ 3,440,622	\$ 2,756,560	\$ 3,230,742
Visitation	\$ 296,725	\$ 225,120	\$ 264,223
Worship & Music	\$ 52,833	\$ 49,908	\$ 53,579
Sunday School	\$ 18,464	\$ 18,464	\$ 18,464
Youth	\$ 138,565	\$ 110,751	\$ 128,041
<b>Total Net Assets By Fund</b>	<b>\$ 6,787,292</b>	<b>\$ 5,525,472</b>	<b>\$ 6,397,870</b>
Bequests Receivable	\$ -	\$ -	\$ -
	<b>\$ 6,787,292</b>	<b>\$ 5,525,472</b>	<b>\$ 6,397,870</b>
<b>REVENUES AND OTHER SUPPORT</b>			
Gifts	\$ 200,947	\$ 228,014	\$ 18,736
Dividends and Interest	\$ 225,957	\$ 310,360	\$ 262,810
Realized Gains/Unrealized Appreciation	\$ 225,360	\$ (1,597,716)	\$ 706,055
<b>Total Revenues and Other Support</b>	<b>\$ 652,264</b>	<b>\$ (1,059,342)</b>	<b>\$ 987,601</b>
<b>EXPENSES</b>			
Program Services (Distributions to FLC)	\$ 202,078	\$ 187,641	\$ 100,568
Management and General	\$ 14,691	\$ 14,837	\$ 14,636
<b>Total Expenses</b>	<b>\$ 216,769</b>	<b>\$ 202,478</b>	<b>\$ 115,204</b>
<b>Change in Net Assets</b>	<b>\$ 435,495</b>	<b>\$ (1,261,820)</b>	<b>\$ 872,397</b>