

Music
Church
 COMMUNITY
 Teaching
 Faith
 Commandments
 REVERENCE
 Blessings
 Talent
 Mercy
 Spirit
 GOD
 Youth
 Son
 Prayer
 Rejoice
 Savior
 Strength
 HOLY
 Love
 LEARNING
 COVENANT
 Refuge
 Commitment
 Forgiveness
 MINISTRIES
 Stewardship
 Promise
 Peace
 Help
 NEIGHBORS
 CHILDREN
 Healing
 Together
 Presence
 Caring
 Christ
 Leadership
 Hospitality
 Vision
 TREASURE
 Word
 WORSHIP
 FOUNDATION
 FAMILY
 Sharing
 Renew
 Outreach
 Hope
 Grace
 Thanks
 Gift

First Lutheran Church Foundation 2016 Annual Report



First Lutheran Church
 Sioux Falls, South Dakota

FIRST LUTHERAN CHURCH FOUNDATION

BOARD MEMBERS

BOARD MEMBERS IN 2016:

Matt Bock
Mel Feuerstein
Larry Hamre
Janet Naessig
Martin Oyos

Eric Severson (FLC Treasurer)
Tom Simmons
Larry Toll
Marilyn Van Demark
Tom Wadsworth

NOMINATING REPORT

(3-year term)
Sommer Anderson
Larry Hamre
Marilyn Van Demark

MINUTES OF THE 2015 ANNUAL MEETING OF THE FIRST LUTHERAN CHURCH FOUNDATION

The meeting of the First Lutheran Church Foundation was called to order by President Don Scott. The minutes of last year's annual meeting were approved as written.

Foundation President's Report – Don announced that his second term is complete and he will be going off the board. He complemented the board members and thanked those who left the board in the past year – Chris Nelson, Walt Carlson and Micah Aberson. Don reported that Brian Bonde, a fundraising consultant, has been hired to conduct a fundraising program to grow legacy gifts to the Foundation. His services will be used for about six months. Don reminded those in attendance that all gifts to the church are important – regular church offerings, designated gifts and encouraged everyone to remember the Foundation.

Treasurer's Report – Larry Hamre walked everyone through the market conditions in 2015. He reported that the Foundation had a net return of -1.49 with a benchmark of -.88. He also mentioned that the Foundation received \$445,406.60 in gifts in 2015, one of the largest years for gifts to the Foundation in history. He reported on the allocation of our funds

41% domestic stocks, 8% international stocks, 7% emerging market stocks, 34% bonds, and 10% cash. In July, in light of market volatility, the investment committee moved \$500,000 into cash from the Vanguard Total Stock Market. The Foundation's gifts were also put into cash. They will continue to monitor market conditions.

Nominating Committee Report – Don Scott reported that the Nominating Committee consisted of Marilyn Van Demark, Martin Oyos and Don Scott. Janet Naessig and Tom Simmons are eligible for a second three-year term. Mel Feuerstein is also on the ballot for a three-year term. Larry Toll is presented on the ballot for a two-year term to replace Micah Aberson who resigned in September. There were no other nominations from the floor and the nominations were approved unanimously.

Don Scott turned the meeting over to the new president, Matt Bock. Matt asked if there was any other business to come before the annual meeting. There being none, the meeting was adjourned.

Respectfully submitted,
Tom Wadsworth, Secretary

REPORT OF THE FOUNDATION PRESIDENT

MATT BOCK



Matt Bock

The purpose of our Foundation is simply to support the mission of our church. Our purpose is fulfilled through the development of gifts to the Foundation, the prudent investment management of those gifts, and the distribution of funds annually to the Church.

In 2016, the Foundation was able to provide to the Church a distribution of \$281,339. In 2017, the Foundation plans to provide to the Church a distribution of \$320,574, an increase of more than 12%.

The Foundation's investment results for 2016 were in line with our expectation of a market return or better. Our investment committee continues to provide conservative and thoughtful management of our \$10.5 million in assets.

The Foundation received gifts of \$257,699, which was down significantly from our record gift receipts of \$445,407 in 2015. Our focus, in years past, has not been on the development of gifts but on the prudent management of the gifts.

In 2017, we are expanding our focus beyond investment management to encourage growth of the Foundation's assets through the receipt of planned gifts in addition to market appreciation. Our planned giving focus will start through the selection of our board members. We are fortunate to have an exceptionally dedicated group of individuals volunteering their time to serve on the Foundation board. Our Foundation board members have a diverse range of experiences and talents. We will attempt to continue to have a board

with a broad range of interests and expertise. This year we have nominated a marketing professional to join our board to assist in our focus of growing Foundation assets through planned gifts.

We will also be providing opportunities for church members to consider the Foundation as a part of their estate plan through the creation of a Legacy Society. The Foundation recognizes church members are called many times to share their financial resources and time both within the church and in support of causes outside of the church. Within the church, members are called upon to provide for annual gifts, capital gifts, and Foundation gifts. In support of the Foundation's goal to grow through gifts, the church and Foundation have approved the creation of a Legacy Society for planned giving to the Foundation. The Legacy Society will provide resources for making planned gifts and will provide recognition for church members who have made or plan to make a planned gift to the Foundation. You will hear more about the Legacy Society throughout 2017.

In developing our Legacy Society, we are reminded by scripture that "The point is this: the one who sows sparingly will also reap sparingly, and the one who sows bountifully will also reap bountifully. Each of you must give as you have made up your mind, not reluctantly or under compulsion, for God loves a cheerful giver." 2 Corinthians 9:6-7.

We look forward to the opportunities 2017 will bring for our Foundation to allow us all to serve as cheerful givers of our time and financial resources.

REPORT OF THE FOUNDATION TREASURER

LARRY HAMRE



Larry Hamre

The year was a tale of two distinctly different markets. The first six weeks belonged to the bears, while the last six weeks had the bulls in charge. The year got off to a rough start as major stock indices were down in excess of 10%. The Dow bottomed at 15,450, the yield on the 10-year treasury was 1.63% and oil was \$26 per barrel. Following the post-election euphoria, we almost saw the Dow touch 20,000, the 10-year treasury hit 2.55% and oil rebounded to \$50. All this occurred in the span of only 10 months.

After a very poor start, the market turned the corner and produced solid results this year. The S&P 500 was up 11.96% while international markets added 3.29%. Emerging markets were strong delivering 11.19% and the US Aggregate Bond index returned 2.65%. The Foundation returns are very close in comparison.

- Vanguard Total Stock 12.66%
- PIMCO Total Return 2.57%
- Harbor International .25%
- Vanguard Emerging Markets 11.73%

Year-end total assets equal \$10,554,058.15 versus prior year –end balance of \$9,913,036.45. Our current asset allocation is 58% stocks, 33% bonds and 9% cash. Our blended return based on this allocation is 7.86% for the year. This compares favorably with our benchmark indices' return of 7.76% for the year. In 2016, the Foundation distributed \$281,339.28 to the missions and programs of First Lutheran Church. The Foundation received gifts and memorials totaling \$257,699.36 for the year. Our Foundation also continues to fund an annual permanent inflation reserve to allow gifts given today to have the same purchasing power in future years. Many of our gifts are from estate distributions of our prior members which are largely unknown legacy gifts. We now plan to “offer thanks” to those members who wish to be recognized as Legacy Society members as we reveal the membership opportunities in 2017. The best part of making a planned gift is knowing you will forever make an impact on the lives touched by our church.

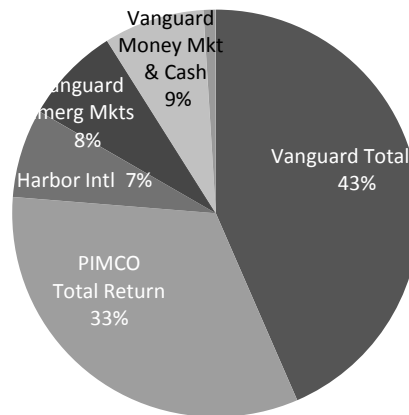
FIRST LUTHERAN CHURCH FOUNDATION QUARTERLY FINANCIAL SUMMARY DEC. 31, 2016

Quarterly Financial Summary 12/31/2016

| Investments | Account Value |
|------------------------------|-------------------------|
| Vanguard Total Stk Mkt Index | \$ 4,506,770.95 |
| PIMCO Total Return | \$ 3,404,437.58 |
| Harbor | \$ 730,923.69 |
| Vanguard Emerging Mkts | \$ 800,486.73 |
| Vanguard MM (& Receivable) | \$ 827,027.69 |
| Checking Account | \$ 101,757.00 |
| FLC Foundation Total | \$ 10,371,403.64 |

| Investments | Account Value |
|---------------------|-------------------------|
| Allianz Bequest | \$ 182,654.51 |
| Total Assets | \$ 10,554,058.15 |

CURRENT INVESTMENT MIX



| Investments | Account Value 12/31/15 | Principal +/- | Account Value 12/31/16 | Return | Benchmark |
|------------------------|---------------------------|---------------|---------------------------|--------------|--------------|
| Vanguard Total Stk | 4,000,179.56 | | 4,506,770.95 | 12.66% | 11.96% |
| PIMCO Total Return | 3,316,214.53 | | 3,404,437.58 | 2.57% | 2.65% |
| Harbor International | 729,117.43 | | 730,923.69 | 0.25% | 3.29% |
| Vanguard Emerging Mkts | 716,440.07 | | 800,486.73 | 11.73% | 11.19% |
| Total Funds | \$ 8,761,951.59 | | \$ 9,442,618.95 | 7.86% | 7.76% |

| | | | |
|----------------------------|--------------|--|---------------|
| Vanguard MM (Admr & Prime) | 940,770.04 | -255K dist Prime Redeemed to Ckg -666,496.31 Frm Ckg to Treasury 805K | 827,027.69 |
| Checking Account | \$ 27,660.31 | \$74,096.69 | \$ 101,757.00 |

| Total Investments | \$ 9,730,381.94 | \$ 10,371,403.64 | Net Change \$ 641,021.70 |
|-------------------|-----------------|------------------|-----------------------------|
|-------------------|-----------------|------------------|-----------------------------|

Benchmark:

| | |
|------------------------------|--------|
| Bloomberg Barclays US Ag Bnd | 2.65% |
| S&P 500 Index | 11.96% |
| MSCIXUS | 3.29% |
| MSCI-EM | 11.19% |

| | | |
|------------------|--------------|--------------|
| PIMCO Perf | \$88,223.05 | |
| Vanguard Perf | \$593,392.01 | |
| Harbor Perf | \$1,806.26 | |
| Checking Int/Div | \$59.32 | \$683,480.64 |
| | | Fund Perf |

| | | |
|-----------------------------|-----------------|--------------|
| Checking Account (MetaBank) | 2015 | \$27,660.31 |
| | Distribution | -281,339.28 |
| | To Money Mkt | -805,000.00 |
| | Fr Money Mkt | \$921,496.31 |
| Office Exp | Office Exp | -\$603.27 |
| -\$18,819.02 | Audit | -\$4,965.75 |
| | Consultant | -\$13,250.00 |
| | Gifts/Memorials | \$257,699.36 |
| Checking Activity: | Interest Income | \$59.32 |
| \$74,096.69 | 2016 Ending Bal | \$101,757.00 |

STATEMENT OF FINANCIAL POSITION

| Description | Audited | | Unaudited |
|---|---------------------|---------------------|----------------------|
| | 12/31/2014 | 12/31/2015 | 12/31/2016 |
| ASSETS | | | |
| Cash | \$ 5,917 | \$ 27,660 | \$ 101,757 |
| Bequests Receivable | \$ - | \$ 182,655 | \$ 182,655 |
| Investments | | | |
| Money Market Fund | \$ 152,260 | \$ 940,770 | \$ 827,028 |
| Harbor International Equities | \$ 758,083 | \$ 729,117 | \$ 730,924 |
| Pimco Total Return Fund | \$ 3,294,738 | \$ 3,316,215 | \$ 3,404,438 |
| Vanguard Emerging Markets Stock Index Fund | \$ 846,318 | \$ 716,440 | \$ 800,487 |
| Vanguard Total Stock Market Index Fund/Admiral Shares | \$ 4,594,786 | \$ 4,000,180 | \$ 4,506,771 |
| | | | |
| Total Mutual Funds | \$ 9,646,186 | \$ 9,702,722 | \$ 10,269,647 |
| | | | |
| Total Assets | \$ 9,652,103 | \$ 9,913,036 | \$ 10,554,058 |
| NET ASSETS | | | |
| Benevolence | \$ 252,045 | \$ 241,882 | \$ 251,884 |
| Caring Ministry | \$ 434,835 | \$ 425,945 | \$ 446,936 |
| Elderly & Rogness Seminar | \$ 492,361 | \$ 472,508 | \$ 492,046 |
| Media - Broadcast | \$ 2,348,610 | \$ 2,269,956 | \$ 2,463,977 |
| Media - Print | \$ 308,394 | \$ 295,959 | \$ 308,197 |
| Organ Maintenance | \$ 170,101 | \$ 163,602 | \$ 170,469 |
| Property & Archives | \$ 48,840 | \$ 46,870 | \$ 48,809 |
| Reserve | \$ 12,399 | \$ 26,637 | \$ 26,579 |
| Undesignated | \$ 4,851,360 | \$ 5,265,952 | \$ 5,510,492 |
| Lankford Traditional Music | \$ - | \$ - | \$ 100,000 |
| Visitation | \$ 377,080 | \$ 361,875 | \$ 376,839 |
| Worship & Music | \$ 74,832 | \$ 71,819 | \$ 74,788 |
| Youth (includes Sunday School and Kirk Scholarship) | \$ 281,245 | \$ 270,033 | \$ 283,042 |
| | | | |
| Total Net Assets By Fund | \$ 9,652,103 | \$ 9,913,036 | \$ 10,554,058 |
| REVENUES AND OTHER SUPPORT | | | |
| Gifts | \$ 154,892 | \$ 446,105 | \$ 257,699 |
| Annuity | | \$ 182,655 | |
| Dividends and Interest | \$ 273,109 | \$ 381,519 | \$ 225,599 |
| Realized Gains/Unrealized Appreciation | \$ 366,670 | \$ (481,090) | \$ 457,881 |
| Total Revenues and Other Support | \$ 794,671 | \$ 529,189 | \$ 941,180 |
| EXPENSES | | | |
| Program Services (Distributions to FLC) | \$ 506,833 | \$ 262,490 | \$ 281,339 |
| Management and General | \$ 4,845 | \$ 5,765 | \$ 18,819 |
| Total Expenses | \$ 511,678 | \$ 268,255 | \$ 300,158 |
| | | | |
| Change in Net Assets | \$ 282,993 | \$ 260,934 | \$ 641,022 |

| Foundation Distribution to First Lutheran Church | *2014 | 2015 | 2016 |
|--|-------------------|-------------------|-------------------|
| Undesignated | \$ 273,166 | \$ 140,937 | \$ 152,579 |
| Adult Discipleship | \$ 26,760 | \$ 13,664 | \$ 14,367 |
| Youth & Family | \$ 14,849 | \$ 7,758 | \$ 8,227 |
| Outreach | \$ 13,692 | \$ 6,995 | \$ 7,354 |
| Worship & Music | \$ 2,165 | \$ 2,074 | \$ 2,183 |
| Media - Broadcast | \$ 125,858 | \$ 64,936 | \$ 68,583 |
| Media - Print | \$ 16,768 | \$ 8,558 | \$ 8,999 |
| Property & Admin Service | \$ 2,645 | \$ 1,355 | \$ 1,425 |
| Caring Ministry | \$ 22,187 | \$ 11,726 | \$ 12,573 |
| Organ Fund | \$ 8,745 | \$ 4,487 | \$ 5,049 |
| | \$ 506,833 | \$ 262,490 | \$ 281,339 |

*2014 Includes Special 50-year Anniversary Additional Distribution of \$250,000