



WELS Foundation

Wisconsin Evangelical Lutheran Synod

Annual Report 2017

Helping people support ministry



Mission & vision

Placing memorial stones by the River Jordan (Joshua 4:4-9).

After the Israelites crossed the River Jordan to enter the Promised Land, they set up a stone memorial so that future generations would know the goodness of God. In the same way, WELS Foundation exists to help members whose gifts leave a monument of their faith that will be a blessing for many years to come.

Planned gifts provide funding for WELS congregations, schools, missions, and other affiliated ministries.



Organization overview

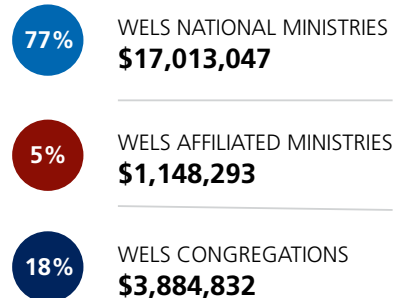
WELS Foundation exists to help God's people support gospel ministry through WELS. To carry out its mission WELS Foundation provides:

- knowledgeable planned giving support to WELS members through WELS Christian giving counselors and other WELS advancement representatives.
- various giving opportunities including charitable gift annuities, charitable remainder trusts, donor advised funds, and endowment administration.
- a website, wels.net/foundation with help and information about giving opportunities and options.

DISTRIBUTION TO SYNOD MINISTRIES

FY2015-FY2017

Over the last three years WELS Foundation has been privileged to administer and distribute \$22,046,172 in donor directed gifts to various WELS ministries.

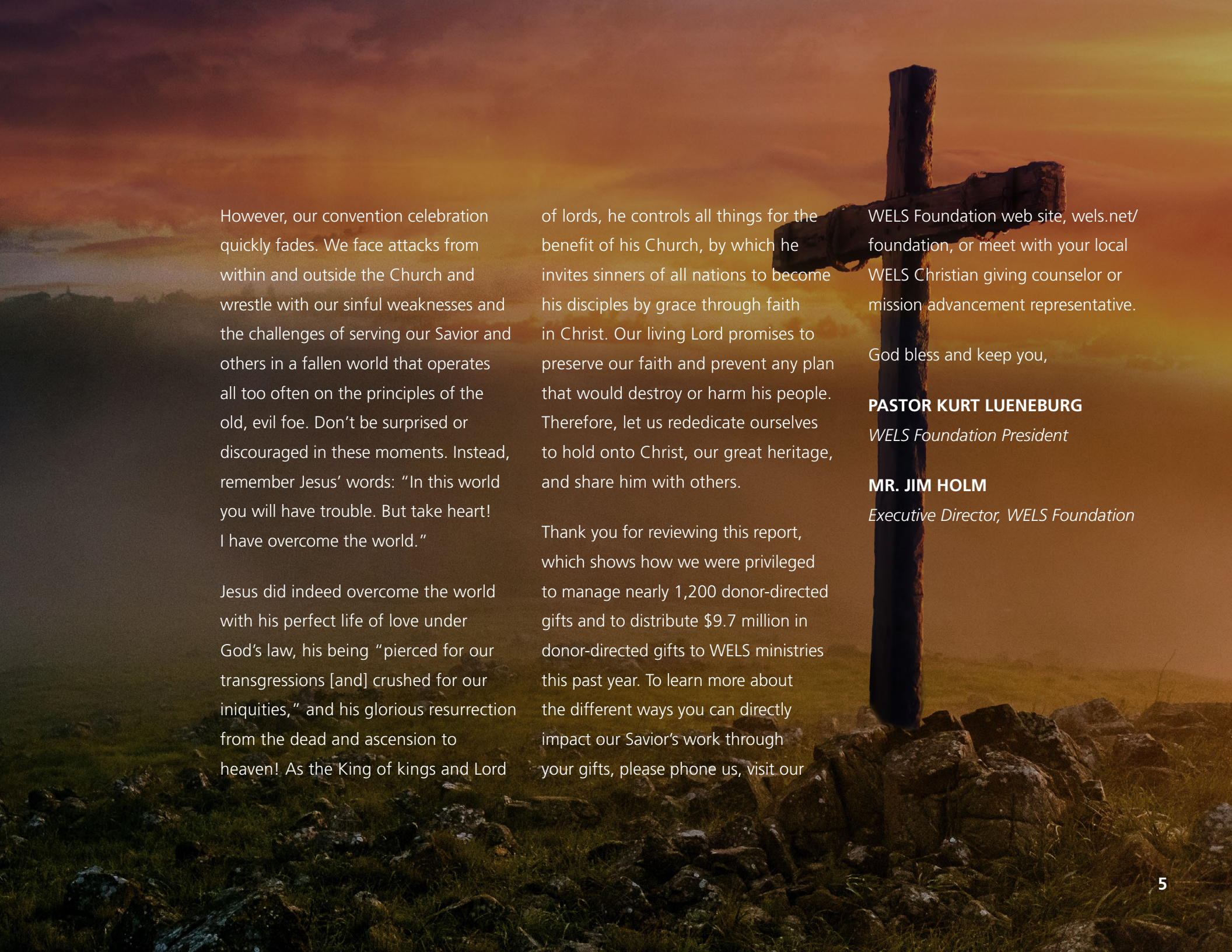




We thank the Lord for your generous gifts!

Dear Partners in Christ's kingdom of grace,

The 2017 synod convention celebrated "Our Great Heritage" in Jesus Christ—God's Son and the Savior of all sinners—and recommitted to studying and sharing Christ's love. We were filled with joy as we established fellowship with sister churches in Ethiopia, East Asia, and Hong Kong, and as we received reports of gospel endeavors from missionaries and ministry leaders. We felt more grateful to God for the rich spiritual and material blessings he's given us, and we asked him to bless our humble efforts to share the love of Christ with others. It was a wonderfully encouraging experience!



However, our convention celebration quickly fades. We face attacks from within and outside the Church and wrestle with our sinful weaknesses and the challenges of serving our Savior and others in a fallen world that operates all too often on the principles of the old, evil foe. Don't be surprised or discouraged in these moments. Instead, remember Jesus' words: "In this world you will have trouble. But take heart! I have overcome the world."

Jesus did indeed overcome the world with his perfect life of love under God's law, his being "pierced for our transgressions [and] crushed for our iniquities," and his glorious resurrection from the dead and ascension to heaven! As the King of kings and Lord

of lords, he controls all things for the benefit of his Church, by which he invites sinners of all nations to become his disciples by grace through faith in Christ. Our living Lord promises to preserve our faith and prevent any plan that would destroy or harm his people. Therefore, let us rededicate ourselves to hold onto Christ, our great heritage, and share him with others.

Thank you for reviewing this report, which shows how we were privileged to manage nearly 1,200 donor-directed gifts and to distribute \$9.7 million in donor-directed gifts to WELS ministries this past year. To learn more about the different ways you can directly impact our Savior's work through your gifts, please phone us, visit our

WELS Foundation web site, wels.net/foundation, or meet with your local WELS Christian giving counselor or mission advancement representative.

God bless and keep you,

PASTOR KURT LUENEBURG

WELS Foundation President

MR. JIM HOLM

Executive Director, WELS Foundation



Giving support

CONSULTING SERVICES

WELS Foundation provides planned giving support to WELS members through WELS Christian giving counselors who are specifically trained in both the spiritual and financial aspects of planned giving. The WELS Christian giving counselors coordinate planned giving efforts with other WELS advancement representatives, congregational planned giving committees, or directly with donors and their advisors. Find your local Christian giving counselor at wels.net/christiangivingcounselor.

EDUCATIONAL SEMINARS

WELS Foundation hosts monthly educational webinars. The monthly webinars include timely presentations on various planned giving topics such as Charitable Remainder Trust Essentials, Achieving Donor Goals with Gift Annuities, Working with Donors and Their Advisors, and Making the Right Choice between a Gift Annuity and a Charitable Remainder Trust.

The educational webinars are made available by WELS Foundation at no cost to WELS Christian giving counselors, advancement and development officers, and congregational planned giving committee leaders.

Contact WELS Foundation for recordings of past webinars or to participate in future sessions.

QUALIFIED CHARITABLE DISTRIBUTION

A qualified charitable distribution allows a donor who is 70.5 or older to give up to \$100,000 directly to WELS charities from an individual retirement account (IRA). The amount distributed will be excluded from income for federal income tax purposes. This may be an especially useful gifting strategy for those who do not itemize their income tax deductions. The IRA distribution must go directly to a qualified charity. You can choose to direct the distribution to WELS Foundation, which in turn will distribute the money to one or more WELS ministries you designate and provide you with the proper acknowledgement. Interested donors will want to contact their WELS Christian giving counselor to find out more.

A gift that pays income for life

CHARITABLE GIFT ANNUITIES

A charitable gift annuity (CGA) is a contract between a WELS member and WELS Foundation in which the member makes a gift of cash or securities in exchange for fixed annuity payments, generally for life. After the Lord calls him or her home, the remainder of the gift is distributed to the congregation or ministry as designated.

Income payments from a charitable gift annuity may begin immediately, be deferred to a specific date in the future, or be deferred until an unspecified date in the future.

The donor receives an immediate income tax charitable deduction, and in most instances a portion of the gift annuity payments will be a tax-free return of the original principal.

Examples of benefits of a \$10,000 charitable gift annuity:

AGE	PAY-OUT RATE*	TOTAL ANNUAL PAYMENTS	TAX-FREE PORTION	ALLOWABLE INCOME TAX CHARITABLE DEDUCTION
60	4.4%	\$440	\$294	\$2,909
65	4.7%	\$470	\$327	\$3,490
70	5.1%	\$510	\$371	\$4,099
75	5.8%	\$580	\$437	\$4,577
80	6.8%	\$680	\$530	\$5,021
85	7.8%	\$780	\$638	\$5,660
90	9.0%	\$900	\$756	\$6,295

*Rates and data as of September 1, 2017

This information is not intended as legal advice. For legal and tax advice, WELS Foundation encourages you to consult an attorney or tax professional. The figures cited in the examples are for hypothetical purposes only and are subject to change. References to income tax include federal income tax only. Individual state income taxes may impact your results.

As of June 30, 2017, WELS Foundation administered 659 gift annuity contracts.

	2017	2016	2015
Opening Balance	\$ 9,353,448	\$ 9,751,245	\$ 9,950,074
Gifts Received	1,525,088	996,467	1,150,769
Net Investment Income (Loss)	577,644	(59,280)	6,952
Annuity Payments	(998,650)	(1,057,780)	(1,074,448)
Charitable Distributions	(305,348)	(277,204)	(282,102)
Ending Balance	\$10,152,182	\$ 9,353,448	\$ 9,751,245

A taxwise way of providing for children and church

CHARITABLE REMAINDER TRUSTS

A charitable remainder trust (CRT) is created when donors transfer cash, securities (stocks, bonds, mutual funds), or real estate into a charitable trust but keep a specified income interest—usually for their life or for a period of years for their children. When the trust ends

per the donor's designations, the property in the trust passes to their designated charitable beneficiaries, such as their church and/or synod.

As of June 30, 2017, WELS Foundation administered 162 charitable remainder trusts.

	2017	2016	2015
Opening Balance	\$ 30,435,782	\$ 32,326,183	\$ 31,836,659
Gifts Received	427,266	2,139,711	4,181,292
Net Investment Income (Loss)	3,049,336	(565,902)	(57,540)
Income Payments	(1,741,345)	(2,102,284)	(1,970,889)
Charitable Distributions	(2,110,363)	(1,361,926)	(1,663,339)
Ending Balance	\$ 30,060,675	\$ 30,435,782	\$ 32,326,183

A gift that creates a lasting legacy

DONOR ADVISED FUNDS

A donor advised fund (DAF) is a charitable giving vehicle wherein an individual, family, or corporation makes an irrevocable, tax-deductible contribution of cash, securities, or other property to WELS Foundation and at any time thereafter can recommend grant distributions to qualified WELS ministries. The fund can be established with

current gifts, deferred gifts (such as charitable gift annuities and charitable remainder trusts), and testamentary gifts (such as wills, revocable trusts, or beneficiary designations for life insurance policies or retirement accounts).

The WELS Foundation donor advised fund program provides an alternative to the private family foundation. WELS members can accomplish many of the same goals but with far less administrative work and expense.

As of June 30, 2017, WELS Foundation administered 48 donor advised funds.

	2017	2016	2015
Opening Balance	\$ 1,937,350	\$ 2,255,978	\$ 1,973,307
Gifts Received	473,274	527,218	1,032,728
Net Investment Income (Loss)	198,227	(44,801)	9,627
Charitable Distributions	(491,617)	(801,045)	(759,684)
Ending Balance	\$ 2,117,234	\$ 1,937,350	\$ 2,255,978

Ongoing, dependable support for ministry

WELS ENDOWMENT FUNDS

WELS MINISTERIAL EDUCATION

ENDOWMENT FUNDS provide direct and indirect financial assistance to students attending WELS ministerial education schools. Wisconsin Lutheran Seminary, Martin Luther College, Luther Preparatory School, and Michigan Lutheran Seminary each have a separate endowment to which gifts may be directed.

WELS MISSIONS ENDOWMENT FUNDS

support the continued proclamation of the gospel to more and more people in our nation and the world by WELS missions programs. Gifts can be made to the fund for the benefit of mission work carried out in North America or missions worldwide. Gifts of any amount can be added to the synodical WELS Endowment Funds.

WELS ORGANIZATIONS AND CHURCHES

WELS Foundation also manages endowment funds for individual congregations, schools, and organizations to benefit ministry locally.

As of June 30, 2016, WELS Foundation administered 300 endowment funds.

	2017	2016	2015
Opening Balance	\$ 70,465,335	\$ 23,756,822	\$ 20,882,225
Gifts Received	2,147,713	4,626,418	2,489,083
Net Investment Income (Loss)	8,614,988	1,143,610	272,549
Transfers In	0	42,123,563	797,481
Charitable Distributions	(2,361,978)	(1,185,078)	(684,516)
ENDING BALANCE	\$ 78,866,058	\$ 70,465,335	\$ 23,756,822



Financial summary

Summary financial information for the fiscal years ending June 30, 2017, 2016, and 2015.

	AS OF JUNE 30, 2017	AS OF JUNE 30, 2016	AS OF JUNE 30, 2015
ASSETS			
Investments, cash, and cash equivalents	\$ 135,037,260	\$ 128,673,828	\$ 85,801,763
Property held for sale, life insurance, bequest, and other receivables	2,967,891	2,946,453	3,083,882
Total Assets	\$ 138,005,151	\$ 131,620,281	\$ 88,885,645
LIABILITIES AND NET ASSETS			
Accounts payable and accrued expenses	\$ 409,148	\$ 71,990	\$ 68,339
Gift annuities and trusts payable	25,879,632	24,554,333	28,623,568
Liabilities to outside beneficiaries	13,215,157	11,214,000	8,328,993
Investments held for WELS and schools	48,055,498	43,772,026	-
Net assets and funds held for WELS and WELS subsidiaries	50,445,716	52,007,932	51,864,745
Total Liabilities and Net Assets	\$ 138,005,151	\$ 131,620,281	\$ 88,885,645
SUPPORT AND REVENUES			
Gifts, memorials, and bequests	\$ 2,821,533	\$ 2,057,831	\$ 4,161,472
Net Investment and rental income	8,133,330	2,471,444	439,107
Trustee and administrator fees	687,297	645,756	618,211
Decrease in split-interest gift agreements	(4,588,993)	973,592	(701,757)
Total Support and Revenue	\$ 7,053,167	\$ 6,148,623	4,517,033
DISTRIBUTIONS AND EXPENSES			
Administrative expenses	\$ 585,958	\$ 630,331	\$ 650,944
Program expenses	598,530	641,520	625,750
Distributions to WELS and WELS subsidiaries	7,430,895	4,733,585	4,973,686
Total Distributions and Expenses	\$ 8,615,383	\$ 6,005,436	\$ 6,250,380
CHANGE IN NET ASSETS	\$ (1,562,216)	\$ 143,187	\$ (1,733,347)
NET ASSETS, BEGINNING OF YEAR	\$ 52,007,932	\$ 51,864,745	\$ 53,598,092
NET ASSETS, END OF YEAR	\$ 50,445,716	\$ 52,007,932	\$ 51,864,745



Governing body

WELS Foundation was established in February 1965 to receive and administer funds for religious, charitable, and educational purposes consistent with the principles of the Wisconsin Evangelical Lutheran Synod (WELS). It continues to operate today as a subsidiary corporation of WELS.

The services of WELS Foundation are managed by a volunteer board of directors, more than half of whom are laymen representing financial, investment, trust or legal backgrounds. All directors are dedicated communicant members of WELS congregations; they know the grace of our Lord Jesus Christ and want to help their fellow believers honor our Savior with their gifts so more people come to know God's salvation. (Directors are elected to four-year terms by the WELS Synodical Council.)



Board members

JAMES BRENN, *chairman*

term expires June 30, 2018
(South Atlantic District)

MARK SCHULZ, *vice-chairman*

term expires June 30, 2018
(Western Wisconsin District)

TIMOTHY BOERNEKE, *secretary*

term expires June 30, 2019
(Western Wisconsin District)

NATHAN BIRKHOLZ, *director*

term expires June 30, 2020
(Minnesota District)

MICHAEL BRERETON, *director*

term expires June 30, 2021
(Michigan District)

REV. KURT LUENEBURG, *director*

by virtue of his position as director of
WELS Ministry of Christian Giving

MARK MAURICE, *director*

term expires June 30, 2019
(Southeastern Wisconsin District)

REV. PAUL PRANGE, *director*

term expires June 30, 2019
(Southeastern Wisconsin District)

KURT SAMES, *director*

term expires June 30, 2019
(Minnesota District)



WELS Foundation
Wisconsin Evangelical Lutheran Synod

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