

MINUTES
(pending)

BOARD OF DIRECTORS
THE LUTHERAN CHURCH—MISSOURI SYNOD
Raleigh, North Carolina
November 17–18, 2011

77. Call to Order, Opening Devotion, and Review of Agenda

With all members present, Chairman Robert Kuhn called the meeting to order, encouraging members to use this opportunity to spend time with other leaders of the Synod as the board meets in conjunction with the LCEF Fall Leadership Conference. He called on Vice-President Herbert Mueller (chaplain for the meeting) to provide the opening devotion.

Chairman Kuhn announced several changes to the printed order of business to allow time early in the meeting for business requiring board attention in advance of other items on the agenda. A motion was introduced and carried “to accept the agenda as announced, with permission granted to the chair to make additional changes as necessary.”

78. Officer Reports

A. President’s Report

President Matthew Harrison called attention to his printed report (Section A, pp. 1ff, attached to the protocol copy of these minutes) and spoke in general terms regarding a “pensive peace” in the Synod and a “current felt uneasiness,” possibly due to the ongoing economic malaise affecting the country and/or a long-term fear from the decline of Christianity in America. He noted also the long-term ongoing membership decline experienced by the LCMS, due in part to broader birthrate conditions and a 60% attrition rate between baptisms of children to later active adult church membership. He also commented on the *Ablaze!* goal of 2,000 new and revitalized congregations by 2017, a goal that will be addressed ambitiously beginning with the recent mission conference. At present the count stands at 375 new starts, with some difference of opinion regarding what should constitute a “new start.” To reach the goal, each circuit of the Synod would need to start three new congregations.

President Harrison reviewed his report of his travels since the last Board of Directors meeting, calling the travel associated with his office as both “bane and blessing.”

- Visits with his son to Concordia University, Nebraska and Concordia University, Wisconsin from the perspective of a visiting parent were reminders of the great blessings enjoyed by our Synod in the area of higher education.
- Attendance at a seminar at Concordia College, New York prompted the same feelings of “blessings unbelievable,” and also a recall of Luther’s comparison to the Gospel as a passing rain shower, enjoyed for a while until the Lord takes His Gospel to another place and people because of the thanklessness that seems always to develop over time—making it so vital that we face our problems always in light of our blessings received.
- Restructuring meetings and efforts are becoming “interesting” because of budget-related concerns. Efforts are underway to “push decision-making down and out” to promote ownership by those who will carry out the program, again prompting a comment from the President expressing his appreciation for the blessings received by our Synod, blessings enjoyed to no such

extent anywhere else in the world since there is no other confessionally oriented Lutheran body with the capacity and blessings enjoyed by the LCMS. International Center staff are being encouraged to bear this in mind in all they do and reminded that each has a contribution to make to this great cause.

- The Eurasian Theological Conference in Prague brought international contacts together and “exploded” the capacity and outreach of the LCMS. The President stressed the importance of LCMS leadership for this type of theological exchange, not only with its sister churches around the world but also with other Lutheran groups “who are hungering for rich, Lutheran theological fare.”
- New leadership in the International Center includes Pam Nielson, former Sunday School specialist for Concordia Publishing House, who will promote the “Mission, Mercy, Life Together” message through the use of the Synod’s media assets, while also working to create an international Lutheran media “footprint”; Rev. Bart Day has begun his work as Executive Director of the Office of National Mission, bringing a “breath of fresh air” to the building as he works on a new paradigm for national mission and for providing resources and capacity for getting things done to three categories of need: rural small town, urban, and suburban; the arrival of Rev. Greg Williamson, who will take office in early January as Chief Mission Officer, will put in place an important piece in the new structure of the Synod; and Mark Hoffman, who provided leadership to the St. Louis seminary’s successful funding campaigns, will serve as the Synod’s new head of fund development. (Later in the meeting, President Harrison was provided opportunity to introduce Hoffman, who spoke briefly of fundraising as “both art and science,” noting from experience that organizations that emphasize science and a performance-based metric system succeed, which will be his intention for the Synod.)
- Dialogues with the Anglican Church of North America, a group of nearly 900 congregations who often had to relinquish church properties when leaving their former church body, are an example of the Synod’s interest (as expressed in a recent Commission on Theology and Church Relations document) in dialoguing with other Christians without any immediate prospect of formal church fellowship—very positive dialogues that often uncover reason to rejoice due to agreement that does exist in areas of key Christian doctrine.

The President concluded his report with comments regarding ongoing challenges with issues surrounding homosexuality, expressing his strong opinion that it is time for our Synod to develop means to actually care for people who struggle with homosexuality and announcing that he is in the process of appointing a task force to identify such resources to assist individuals and families who struggle. He concluded his report by announcing his intention to offer at the appropriate time during the meeting a recommendation for a way to move forward with the Wittenberg Project.

B. First Vice-President

First Vice-President Herbert Mueller called attention to his printed report (Section A, pp. 5f, attached to the protocol copy of these minutes) and offered brief comments regarding how his time has been spent since the last meeting of the board.

C. Secretary

Secretary Raymond Hartwig called attention to his printed report (Section A, p. 89, attached to the protocol copy of these minutes). After presenting the minutes of the board’s August, 2011 meeting (approved without amendment), he provided general comments regarding several convention-related items in his printed report.

D. Chief Financial Officer

Chief Financial Officer Jerald Wulf called attention to his printed report (Section A, pp. 7ff, attached to the protocol copy of these minutes). He briefly referred to the audited financial statements for the recent three-month period as well as the fiscal year (ended June 30, 2011), expressing thanks to the accounting and internal audit departments for their work and their involvement in the audit process. He also reported that work on the revised Chart of Accounts is nearly complete and ready for implementation, and that the Synod's line of credit with Lutheran Church Extension Fund has been renewed (annual renewal) in the amount of \$10 million.

He called particular attention to the October 31 financial statements, noting that total expenses exceeded revenue by \$834,396—the major components being World Missions (\$850,000 over budget) and *Fan into Flame* (nearly \$700,000). Regarding the latter, he reported that unpaid pledges total \$16 million and that the possibility exists that sufficient revenue may not be able to be collected to cover unpaid campaign expenses. In discussion that followed, it was agreed that further reporting will be helpful to the board, including information regarding current costs and income from the campaign.

E. Chief Administrative Officer

Chief Administrative Officer Ron Schultz called attention to his printed report (Section A, pp. 91ff, attached to the protocol copy of these minutes), calling particular attention to information showing legal expense to be favorable to budget. He also reported that the Thrivent Bloc Grant allocation process is just getting underway and that the revision of the Chart of Accounts is being finalized by the accounting department in time to begin the budget process in January, 2012.

79. Concordia University System (CUS) Update

The chair called on CUS Executive Director Alan Borcharding, Chief Financial Officer Jerald Wulf, and board member Curtis Pohl for their presentation. Alan Borcharding introduced his report on current developments relating to Concordia University, Ann Arbor, at which time a motion was introduced and carried to move into executive session to discuss the matter.

79X. Executive Session I

Upon return to open session, the following resolution was introduced and adopted by the board:

WHEREAS, The Board of Directors has been informed that representatives of Concordia University, Ann Arbor (CUAA) and Concordia University, Wisconsin (CUW) have been in discussions concerning the possibility of the entities merging or otherwise combining and collaborating; and

WHEREAS, The Board of Directors wants to express support and appreciation to CUAA and CUW for their hard work and Christian dedication to working together in order to continue the ministry of higher education and foster the mission of The Lutheran Church—Missouri Synod in Ann Arbor Michigan; therefore be it

Resolved, That the LCMS Board of Directors intends to encourage, support, and facilitate the continued discussions between CUAA and CUW for a merger of the two institutions.

Following the adoption of the resolution and before moving on to other business, Chairman Kuhn expressed “a sincere word of thanks” to those most involved in the Ann Arbor discussions, naming Curtis Pohl, Sherri Strand, Keith Frndak, Jerald Wulf, and Alan Borcharding for their “yeoman’s task performed.”

80. Lutheran Malaria Initiative Update

Chairman Kuhn called on Martha Mitkos, chair of the LCMS Lutheran Malaria Initiative, for an update of early activity as the effort gets underway. She provided a brief overview of how the initiative is moving forward, referring to a packet of information and resources distributed to all members of the board. She underscored the following major points regarding the initiative:

- All program operation expenses are covered by funding from the United Nations, so that 100 percent of all contributions will go directly to the cause.
- This is an initiative that works with the “last mile communities,” villages in remote areas reached by earlier mission efforts.
- The goal of the initiative is to raise \$45 million over the next two years.
- The participation of all LCMS leaders, including Board of Directors members, will be essential to provide leadership to the fundraising effort.
- This disease can be conquered since it is completely treatable and preventable, as is already being demonstrated by early indications of the effectiveness of the campaign.
- This initiative will succeed because it addresses the root problem with malaria—ignorance and misunderstandings regarding the nature of the disease on the part of those most affected.
- The most important goal of the initiative is to make it possible for people to live long enough to have opportunity to hear the Gospel.

The presentation was followed by an enthusiastic discussion of the initiative, again stressing the importance of participation in the initiative by all members of the board.

[Note: In recent years, the Synod’s Board of Directors and Council of Presidents, meeting in conjunction with the LCEF Fall Leadership Conference, have used the opportunity to meet jointly to discuss matters of mutual interest, as follows.]

81. Joint Meeting of Board of Directors and Council of Presidents

Board of Directors Chairman Robert Kuhn called the joint meeting of the Board of Directors and Council of Presidents to order and expressed appreciation for the opportunity afforded by the Lutheran Church Extension Fund Fall Leadership Conference to meet together. He turned the meeting over to Council of Presidents Chairman Larry Stoterau, who also spoke of looking forward to the annual meeting for discussion of topics of mutual interest. After calling on SELC District President Karl Krueger for an opening prayer, Chairman Stoterau moderated discussion of the following major topics:

1. Update on Concordia University, Ann Arbor: Concordia University System Executive Director Alan Borcharding provided a general overview of current conditions, noting positive signs despite a struggling financial situation. He reported that the school has been greatly assisted by a partnership with Concordia University Wisconsin over the past year. Board of Directors Audit Committee Chairman Curtis Pohl shared the resolution adopted by the board just prior to the joint meeting and appreciation was expressed for the progress being made. During discussion, Michigan District President David Maier offered brief comments in support of the work being done.

2. Update on Hosanna–Tabor Supreme Court Case: Sherri Strand, representing Synod legal counsel Thompson Coburn LLP, provided a brief history of the lawsuit along with information regarding its current status and prospects of a favorable outcome following discussion of the case before the U.S. Supreme Court. She noted that the briefs filed in this case are available to the public at www.americanbar.org and encouraged reading the *amicus brief* filed by the LCMS. After she spoke of her reasons for anticipating a favorable response from the court, extensive discussion followed.
3. Update on Restructuring Effort: Barbara Below of the LCMS President’s Office provided a progress report of International Center restructuring efforts and of efforts to create a new culture for the new structure that will enable employees to understand better their roles. She spoke of a “functional directory” that has been produced as well as a “Your Voice” site on the Internet that will contain all restructuring information that has been developed, as well as answers to frequently asked questions and opportunity to ask new questions. She also spoke of the new leadership provided by the Executive Director of the Office for National Mission, Bart Day, and his efforts to integrate mission and mercy work along with fund development and budgeting. She also reported that current restructuring efforts revolve around planning and budgeting, with the goal of developing a budget that will focus on work to be done. Work is being done to develop a Chart of Accounts that will allow the budget to be designed to suit the new structure, truly reflective of the work going on at the International Center. It will align all program areas, opportunities, synergies, connections, competencies, and mutual commitment toward the same goals, valuing honesty regarding current and new projects as well as sustainability in the long term. She reported that work is also being done to produce a new look for the Synod, to include a logo that will not only unify but also help identify the particular subject being addressed. Fund development will move toward a metrics-based approach, one that will not sell or beg but invite investment in the future of the church. Overall, the intent will be to move from overlap to integration for everything that goes on, from planting to growing, from theological training to mercy work.

Chairman Stoterau then provided opportunity for general questions and discussion. Topics included the Wittenberg Project and possible uses for the property that has been purchased; the critical importance of sustainability in all that the Synod decides to do; and the continuation of the *Ablaze!* goals (still very much alive) and *Fan into Flame* efforts (following the conclusion of the active campaign).

After mutual expressions of support for the continuation of these joint opportunities to meet together to discuss matters of mutual interest, the joint meeting of the Board of Directors and Council of Presidents was brought to a close with a brief devotion.

82. Legal Report

Thompson Coburn LLP representative Sherri Strand was called upon for her regular report. A motion to move into executive session to receive her report was introduced and carried.

82X. Executive Session II

After exiting executive session, the board received the remainder of the officer reports, reported under #78 above). Following the reports, the chair invited a motion to move into executive session for review and approval of the executive session minutes from the August, 2011 meeting. The motion was introduced and carried.

82XX. Executive Session III

Upon return to open session, Chairman Kuhn invited LCMS World Mission representative David Birner to present his report.

83. International Schools Overview

Noting that he would be providing more of an introductory report at this time, with a more complete report to follow during the board's next meeting, Office of International Mission representative David Birner provided a brief overview and history of LCMS international schools since the beginning of this unique mission effort in the 1960s. He used diagrams to explain models of international school education, and provided a slide program showing pictures of each of the three LCMS international schools (Hong Kong, Shanghai, and Hanoi) and their unique operations, determined to a large extent by their surrounding culture. The product of missionary endeavors decades ago, he stressed that international schools not only provide high quality education but are now also providing a platform for the education of Lutheran educators.

84. Wittenberg Project

President Matthew Harrison introduced discussion of the "Wittenberg Project" by providing a history of its beginnings leading up to his present proposal to the board. He spoke of his agreement with Bishop Hans-Jorg Voigt of the SELK (Independent Evangelical Lutheran Church) of Germany that the plan that had been proposed for a major "Luther experience" cannot be accomplished because of its expense, and he suggested "pulling back to the original scope of the project." To accomplish this, he asked that current board-appointed members of the supervisory board of the International Lutheran Society of Wittenberg (ILSW) be recalled and replaced, asking that he and Michael Kumm be two of the new members appointed, and that Rev. David Mahsman be allowed to continue his work with the project in Germany. He also spoke of his intention to appoint a "President's Cabinet on Wittenberg" of 15 to 20 persons, "people of means, interest, and business acumen" to assist with the project.

After discussion, a motion introduced and, after discussion, carried "to support the request of the President, it being clearly agreed that this action is taken with the clear intention that no unrestricted monies be taken from the LCMS other than what has already been appropriated."

After further discussion, a formal resolution was introduced and adopted to support the request of President Matthew Harrison that all current LCMS Board of Directors (BOD) appointees to the ILSW supervisory board be recalled and replaced, as follows:

Resolved, That Tom Kuchta and Samuel Nafzger be recalled as BOD-appointed members of the ILSW Supervisory Board, and that Matthew Harrison and Michael Kumm be appointed in their place; and be it further

Resolved, That Kermit Almstedt be recalled as the ILSW board member jointly appointed by the BOD and Concordia Publishing House (CPH), and that Matthew Harrison confer with CPH to reach agreement on a replacement to be recommended to the BOD; and be it finally

Resolved, That the BOD finalize this appointment by electronic ballot or conference call.

85. Concordia Plans Services Report

Concordia Plan Services (CPS) President James Sanft and Board of Directors Chairman Fred Kraegel reported on behalf of Concordia Plans Services. CPS Chairman Kraegel spoke of the large and complex business of the Concordia Plans, with assets totaling \$2.8 billion. He emphasized the continuing need for strong and experienced board members and expressed appreciation for the care that is taken by the LCMS Board of Directors to provide qualified board members, urging the continuation of such efforts in the future.

CPS President Sanft reported on joint efforts with the LCMS Foundation and Lutheran Church Extension Fund (LCEF), noting that joint investment activities with the Foundation have already resulted in annual savings of \$340,000, with the potential for an additional \$100,000 to \$125,000. Joint administrative activities with LCEF include business continuity and disaster recovery planning and joint marketing and outreach opportunities.

The remainder of the presentation, which included information regarding health care reform and current economic issues, was followed by extensive discussion.

86. Committee Reports

A. Personnel Committee

Personnel Committee Chairman Donald Muchow reported on behalf of his committee, forwarding information received from Human Resources Executive Director Val Rhoden-Kimbrough regarding continued efforts to fill open positions in the International Center resulting from restructuring. He also reported that the new deadline for nominations in the search for a new president of LCMS Foundation has been extended to the end of November, 2011, and that efforts to integrate performance management elements into workers' compensation packages across the Synod are underway, in time for integration into the 2012/2013 budget. The committee also received a report regarding the status of the effect of International Center structural changes upon employees, which included praise for the attitudes of employees and their willingness to take on additional workloads without complaint as morale continues to improve.

Committee Chairman Muchow also reported that Chief Administrative Officer Ron Schultz led his committee through the proposed changes to the Board of Directors policy manual pertaining to personnel matters. Three major changes are being proposed: (1) the composition of the Human Resources Committee will include the Chief Mission Officer and no longer include the Vice-President of the Synod as voting members (policy 5.6.6); (2) the addition of language to policies governing the appointment of called staff (5.6.7); and (3) the elimination of the section dealing with loans for worker relocation (5.6.8).

The committee also prepared its recommendations for interim appointments and requested input from the Human Resources Executive Director and the Chief Administrative Officer regarding guidelines for worker compensation in anticipation of approaching budget preparations.

After brief discussion of the report, the committee called attention to its recommended action for naming interim appointments for the positions of Chief Administrative Officer, Chief Financial Officer, and Secretary of the Synod. After discussion and minor revision, the following resolution was introduced and adopted:

Background

In accordance with the Bylaws of the Synod, board policy, and human resources policy governing the appointment of interim officers and others in the event of an unexpected resignation, disability, disposition or death of a staff executive, the board recognizes the need to make such designations in accordance with the following general policy:

It is important that all boards, commissions, or departments identify a person to provide interim direction and leadership to the board, commission, or department in the event there is an unexpected resignation, disability, disposition, or death of the staff executive currently serving. The board, commission, or department must be able to carry out the work in process and be capable of continuing its normal routine, as much as possible, during unsettling times. Such proactive measures will assure all involved, creating a sense of preparedness rather than chaos. The districts, congregations, and members of the Synod will also be well served because a procedure is in place.

The board, commission, or department should not take the appointment of an interim person lightly. The selection needs to be made on the basis of the needs of the board, commission, or department and the necessary skills required to reasonably assure that the primary functions will continue during a short term vacancy. The interim appointment should be considered as a short-term contingency arrangement until the executive is able to return, or, if necessary, until a call or appointment of a new executive is accomplished. Therefore, the following guideline is to be adhered to:

- Each International Center board, commission, or department, in coordination with its staff executive, shall identify an individual to assume primary responsibility for overseeing, on an interim basis, departmental operations in the case of the resignation, disability, disposition, or death of the executive currently serving.
- If the position responsibilities require clergy or roster status, the individual identified to serve during the interim shall also be expected to meet such a requirement.
- Each International Center board, commission, or department shall review annually its contingency plan to verify that the best interests of the board, commission, or department will be served should implementation be required. The contingency plan is to be shared in writing annually with the President of the Synod, the executive director of the Synod's Board of Directors, and the Director of Human Resources.
- Other corporate entities operating under common policies at the International Center shall disclose compliance to a contingency plan.

The Director of Human Resources shall retain a confidential file on all contingency plans should there be a need for implementation.

Therefore be it

Resolved, That the Board of Directors name the following individuals to serve during a board-authorized interim vacancy until action by the board can be taken to fill the vacancy by call or appointment.

| | |
|-------------------------------|-----------------|
| Chief Administrative Officer: | David Fiedler |
| Chief Financial Officer: | Charles Rhodes |
| Secretary of the Synod: | Herbert Mueller |

Committee Chairman Muchow then called the board's attention to a list of candidates received from the Bylaw 3.2.5 nominating committee to fill the vacant ordained minister position on the Concordia University System Board of Directors. In presenting the list, the committee acknowledged that the list contained the same names that were previously submitted to the board, believing that they remained the most qualified individuals. The committee also recommended, should the board continue to find the names unacceptable, that the Secretary of the Synod be requested to solicit new nominees for the vacant position. After discussion, a motion "to return the list and request that the Secretary request new names" of nominees from throughout the Synod was introduced and carried.

B. Property Evaluation Committee

Property Evaluation Committee Chairman Keith Frndak reported on his committee's progress, it having grouped its work into "chapters" comprised of the Synod's assets, university assets, and seminary assets. Using the Chief Financial Officer's staff to gather information, the committee will then determine if there are obvious assets that are not being used. It is also looking at rental options for space in the International Center. Discussion followed regarding the KFUEO Radio building, noting that it is owned by the Synod but is situated on seminary property, as are missionary apartments owned by the Synod. Additional discussion followed.

C. Legal Committee

Legal Committee Chairman Curtis Pohl reported that his committee has not been meeting but will meet in conjunction with the board's February meeting.

D. Audit Committee

Audit Committee Chairman Curtis Pohl reported on behalf of his committee. Brown Smith Wallace has presented the June 30, 2011 completed Audit Report for the Synod and has issued an unqualified opinion of the Synod's financial statements. This was a consolidated audit that included Concordia Plans Services, LCMS National Housing Support Corporation, and LCMS Holdings Ltd., which included the Synod's international schools. Brown Smith Wallace expressed no concerns with Synod management or internal audit. Accordingly, the Audit Committee adopted a resolution recommending to the Board of Directors that the audited consolidated financial statements of corporate Synod for the year ended June 30, 2011, be formally received.

The Board of Directors adopted the following resolution as submitted and introduced by the Audit Committee:

Resolved, That the Board of Directors receive the Audited Consolidated Financial Statements of The Lutheran Church—Missouri Synod for the year ended June 30, 2011.

The committee also reported that progress has been made in resolving concerns with the use of the Synod's purchasing cards, resulting in fewer exceptions related to purchases. Progress has also been made in resolving concerns with Atlantic District audits, anticipated to be up to date by the end of the year.

E. Policy Review Committee

Policy Review Committee Chairman Kermit Brashear reported regarding its conformance review edition of board policies adopted at the August, 2011 meeting. He stated that the comments of board members were reviewed and no adjustments will be made to the version on the table. A motion "to adopt the updated version of the Board Policy Manual" was introduced. After discussion and changes made by

common consent, the motion was carried (a copy of final version with changes is attached to the protocol copy of these minutes).

The committee then introduced the following specific policy amendment action item and provided a brief explanation. The resolution was adopted without discussion:

Background

During its periodic review of board policies related to the Audit Committee and Internal Audit (IA) Charter, the Board of Directors Audit Committee determined that certain adjustments were warranted. The proposed revisions were forwarded to the Policy Committee for review and action.

Resolved, That the Board of Directors adopt the following changes to its Policy 5.3.2, Board of Directors Audit Committee Charter:

PRESENT/PROPOSED WORDING

5.3.2.3 Composition

The Audit Committee will consist of at least three voting members of the Board and the chairman of the Board or his designee as an ex-officio member with voting privileges. The chairman of the Board will appoint committee members and the committee chair. The Chief Financial Officer and the Chief Administrative Officer of the Board shall serve as advisory members to the committee.

Each committee member will be independent (i.e., free of any relationship that could influence his/her judgment as a committee member).

The committee should include members with basic expertise in financial management; the committee may consult with an independent financial expert on special topics.

- 5.3.2.8.1 Confirm that the ~~Board of~~ LCMS Office of Pastoral Education (~~BPEOPE~~) and the Concordia University System (CUS) audit committee is reviewing the annual audit reports, all communications from external auditors, and the responses of its seminaries, universities, and colleges.
- 5.3.2.8.2 Review with management of the ~~BPEOPE~~ and CUS any instances when the external auditors render an opinion on financial statements of the educational institutions that is other than unqualified.
- 5.3.2.8.3 Review with management of ~~BPEOPE~~ and CUS all instances of significant deficiencies or material weaknesses in internal controls identified and communicated to the schools by their external auditors. Evaluate the adequacy of management's response and any corrective actions taken or planned.
- 5.3.2.8.4 Review annually a summary of the points contained in the management letters of the schools; inquire of ~~BPEOPE~~ and CUS management as to instances of repeat findings.

And be it further

Resolved, That the Board of Directors adopt the following changes to its Policy 5.3.3, Synod Internal Audit Charter:

5.3.3 Synod's Internal Audit Department Charter

(~~November 18, 2011~~ February 20, 2008)

5.3.3.1 Internal Audit Department Role

The Synod's Internal Audit Department was established to assure the Board of Directors that the required annual financial audits are performed by internal auditors or independent ~~certified public accountants~~ external auditors for all agencies of the Synod. Through the Internal Audit Department the Board shall receive copies or summaries of all audit reports. In addition, it is the policy of the Synod to maintain an internal audit department as a means of providing the Board of Directors with information to assist in the control of operations and to assist ~~senior~~ the management of the mission offices, commissions, and departments in reaching a conclusion concerning the overall control over assets and the effectiveness of the system of internal ~~controls~~ control in achieving its broad objectives. The department will also review the effectiveness and efficiency of operations and organizational structures.

5.3.3.2 Audit Planning

The Executive Director of Internal Audit is responsible for properly managing the department so that (1) audit work fulfills the purposes and responsibilities established herein; and (2) resources are efficiently and effectively employed. Annually, the executive director shall prepare and submit to the Audit Committee for its approval the audit objectives for the upcoming fiscal year, including the agencies it will audit. This audit plan is to be developed using a risk-based approach. The objectives, once approved by the committee, will be used as a basis for the development of the Internal Audit Department's annual budget, determining staffing requirements, and scheduling of specific audit engagements. At each meeting of the committee, the Internal Audit Department will provide a status report on the progress achieved in meeting those objectives. Any deviations to the approved objectives will be reported to the committee by the Executive Director of Internal Audit in the status reports.

5.3.3.3 Organization

To promote independence and enable auditors to maintain objectivity to render unbiased judgments, the Internal Audit Department shall be accountable to the Board of Directors through the Audit Committee. The Executive Director of Internal Audit shall have the opportunity to meet with the committee at each of its regularly scheduled meetings or at specially scheduled meetings to discuss the results of audits or matters determined to be of interest to the committee. The Executive Director of Internal Audit shall have the opportunity at each of the committee's meetings to meet with the committee as a whole without the presence of management personnel, should the need arise. Administratively, to afford the Internal Audit Department appropriate support to accomplish its day-to-day activities, the executive director reports to the Chief Financial Officer of the Synod.

5.3.3.4 Scope of Audit Activities

The scope of internal audit activities includes both assurance and consulting services. As a result, audit coverage will encompass financial statement audits and independent reviews and evaluations of management operations and activities to appraise:

- Measures taken to safeguard assets, including tests of existence and ownership and an evaluation of internal controls as appropriate;
- The reliability, consistency, and integrity of financial and operating information;
- Compliance with policies, plans, standards, laws, regulations, and contracts;
- Economy and efficiency in the use of resources;
- Effectiveness in the accomplishment of the mission, objectives, and goals established for the Synod's operations and projects.

Audit activities will be coordinated to the extent possible with the external auditors to avoid duplication of effort, enhance audit efficiency, and maximize audit coverage.

5.3.3.5 Authority

To accomplish its activities, the Internal Audit staff members are authorized to have full, free, and unrestricted access to any and all financial and administrative records, data files, computer programs, property, and personnel determined relevant to the performance of assigned engagements. All employees are requested to assist Internal Audit in fulfilling their staff function. In certain confidential circumstances, Internal Audit will have free and unrestricted access to the chairman of the Board of Directors and the Audit Committee of the board.

~~It is expected that the department~~ Internal Audit staff members will exercise discretion in the review of records to ensure the confidentiality of all matters that come to their attention. Documents and information given to Internal audit during a review/audit will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

5.3.3.6 Reporting

To ensure that results and recommendations of Internal Audit Department audits and reviews are effectively communicated to the respective auditee at the appropriate level, reports shall initially be submitted in draft to the chief executive of the auditee for review and comment. Once the chief executive has had the opportunity to review the report, the final report shall be submitted to the appropriate board and audit committee, along with the management's response. Management of the respective auditee is responsible for either planning or taking corrective action on recommendations made or deficient conditions reported by the auditor. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed. ~~If the proper corrective action is not taken, the Executive Director of Internal Audit is responsible for presenting a report on significant matters to a senior financial officer and the Audit Committee.~~ Internal Audit shall be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Executive Director of Internal Audit or the Audit Committee.

5.3.3.7 Independence

All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

~~Independence and objectivity.~~ In performing their functions, the Executive Director of Internal Audit and the audit staff members shall have ~~neither~~ no direct operational responsibility or authority over nor responsibility for any of the activities reviewed. Accordingly, internal ~~Internal~~ auditors will not develop ~~and/or~~ install systems or procedures, prepare records, make management decisions, or engage in any other activity that could be reasonably construed to compromise their independence. However, in connection with the complementary objectives of this audit function, Internal Audit will recommend accounting and information system policies and procedures for approval and implementation by appropriate management. Therefore, internal audit review and appraisal do not in any way substitute for other activities or relieve other persons in the Synod and its agencies of the responsibilities assigned to them.

5.3.3.8 Professional Standards

The rules of professional conduct and code of ethics of the Internal Audit Department shall be consistent with the ~~accounting and auditing~~ professional standards promulgated by the American Institute of Certified Public Accountants and the Institute of Internal Auditors. Specifically, members of the Internal Audit Department will:

- Conduct all audit work leading to the expression of an opinion on financial statements in accordance with auditing standards generally accepted in the United States.

- Conduct all other types of audits not leading to the expression of an opinion on financial statements in accordance with standards published by the Institute of Internal Auditors.
- Exercise honesty, diligence, and responsibility in the performance of their work.
- Exhibit corporate loyalty in all matters pertaining to the business of the Synod and its agencies and not knowingly be a party to ~~an~~ illegal activity or engage in acts that are discreditable to the profession or to the Synod and its agencies.
- Refrain from participating in any activity or relationship or accepting anything that may impair or be presumed to impair their unbiased professional judgment. This participation includes those activities and relationships that may be in conflict with the interest of the Synod and its agencies.
- Be prudent in the use and protection of information acquired in the course of carrying out the duties of the department and not use information obtained for any personal gain or in any manner that would be contrary to the law or detrimental to the welfare of the Synod or any of its components. Any requests of the department for financial or operational information other than that provided to units of the Synod during the normal course of operations of the department will be referred to the appropriate officials of the Synod and its agencies for determination and resolution.
- Use reasonable care to obtain sufficient factual evidence to support conclusions drawn and, in reporting, disclose all material facts known which, if not disclosed, could distort the reporting activities under review or conceal an act which is unlawful or contrary to existing policies.
- Engage only in those services for which they have the necessary knowledge, skills, and experience, and continually improve their proficiency and the effectiveness and quality of the department's services.

5.3.3.9 Periodic Assessment

The Executive Director of Internal Audit should periodically assess whether the purpose, authority, and responsibility of the Internal Audit Department, as defined in this charter, continues to be adequate to enable the internal auditing activity to accomplish its objectives. The result of this periodic assessment should be communicated to the Audit Committee, which would then make any recommendations for change to the Policy Review Committee of the Board of Directors.~~All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of independence and objectivity.~~

F. KFUF Report

Although not a “committee” *per se*, the chair called on board member Michael Kumm for a brief report regarding developments at KFUF. He reported that the financial picture looks very good, with income well on the way toward meeting the budget of \$1.4–1.6 million. He noted that Classic99.com is up and running, and that it and the AM station are operating as one entity. He also reported that the building housing the radio ministry is in dire need of maintenance and again spoke of a possible move of the station to the International Center. In summary, he described the changes that have been made as “a new face for KFUF that is distinctively Lutheran.”

87. Funding the Mission Report

Chief Financial Officer Jerald Wulf presented part two of his report, begun at the August, 2011 meeting, on the implementation of the recommendations of the 2004 Funding the Mission Report:

- Recommendation 3, “Harmony in the LCMS,” advocated bringing together a representative group of respected leaders to define the parameters (in accord with the Scriptures and Lutheran Confessions) in such areas as worship practice, role of laity, close communion, role of women, and interaction with fellow Christians. It was noted that this recommendation is being

implemented through the Koinonia Project that is underway (among other efforts). The board agreed that no further activity is needed at the present time.

- Recommendation 4, “Communication,” advocated revolutionizing communication within the Synod through such efforts as training and educating current and future pastors in the “Objectives of the Synod,” telling the story of the Synod in every member congregation, and developing new communications tools such as a new every-household communication periodical, a new multi-media communications tool, and the recruitment and training of 70 storytellers to address congregations on Sunday mornings. It was agreed that the task force was correct in identifying this as a need but could not know six years ago what is possible today. CFO Wulf suggested communicating ideas to him for additional consideration.

88. Action Items

A. Concordia Selma Master Facilities Plan

Chief Administrator Ron Schultz called attention to material provided in the docket showing Concordia Selma’s “2020 Master Plan,” and its “Vision for the Future” of the school (attached to the protocol copy of these minutes). The plan will accommodate 2,000 students and house new academic programs including nursing, secondary education, social work, criminal justice, and theology. Highlights of the plan include a student learning center, a new football/soccer/track stadium, an 800-seat events/exhibition building, and a community center.

After clarification that the proposed action will not include any approval of expenditures, the following resolution was introduced, discussed, and adopted:

Resolved, That the Board of Directors approve the updated Master Facilities Plan submitted by Concordia College, Selma.

Following the action on the resolution, special recognition was given to Mr. Ross (and Gloria) Edwards for personal involvement and efforts which to a large extent have made the master plan and vision for the future possible. Concordia Selma President Tilahun Menedo appeared before the board to receive the news regarding the adoption of the Master Plan and to speak to the board about his school. Bringing greetings from his board of regents, faculty, students, staff, and the Selma community, he thanked the board for its hard work, prayers, and support—noting how far the school has come in a year’s time and giving thanks to God for His goodness. He concluded his remarks by speaking of moving on to new opportunities and challenges, “big for me but not for God.”

B. Concordia University Nebraska Master Facilities Plan

Chief Administrative Officer Ron Schultz introduced this action item, explaining its origin (Concordia University System Board of Directors on behalf of Concordia University, Nebraska), calling attention to the materials provided to the board (attached to the protocol copy of these minutes) and, in particular, the school’s vision for the future.

Concordia University, Nebraska intends, by 2015, to grow and expand its influence to diverse populations while remaining faithful to its mission to provide excellent Christian education. Its goals include energizing church work programs to attract more students, modifying undergraduate programs to make them more attractive, reaching new populations through mission-consistent academic and co-curricular programs, intentionally impacting the spiritual lives of students to reach out with the Gospel, and more.

It plans to do so by incorporating new technology to deepen and extend the learning experience; enriching student life through common areas, recreation and wellness, library and computer resource labs; providing co-curricular services to enhance the “Concordia Experience”; and more.

The following resolution, after its introduction and brief discussion, was adopted by the board:

Resolved, That the LCMS Board of Directors approve the updated Master Facilities Plan submitted by Concordia University, Nebraska.

C. Concordia University System Task Force on Strengthening Governance

The Concordia University System (CUS) Board of Directors and campus presidents have resolved to form a special task force to look for ways to improve and strengthen governance in the Concordia University System. The task force will study specific problems, including regent selection and training, the relationship of LCMS bylaws to CUS policies, and financial connections and obligations between the LCMS and CUS (including the institutions).

Members of the task force will include two CUS campus presidents (Tom Cedel and Pat Ferry), two CUS board members (Melissa Knippa and Ron Reck), two persons from outside LCMS higher education (to be determined), and CUS national office staff. The CUS board and campus presidents have also asked for two participants from the LCMS Board of Directors, “persons who view the issues from the perspective of the larger Synod.”

The presidents of the CUS schools believe that there are many ways in which the current system of governing and managing is working well, including:

- Focus on shared identity and mission, with a commitment to share principles of theological, academic, and fiscal quality
- Collaborative academic and administrative ventures that improve quality while maintaining cost effectiveness
- Common back-office support structure such as the CUS treasury (cash management, line of credit), administrative computing support, the property and liability insurance program, access to Concordia Plans, and the like

The campus presidents and CUS board agree that three areas require attention in order to strengthen CUS institutions:

- Improvements in how regents are chosen and prepared for governance in today’s higher education environment
- Clearer coordination between policies at the institution, CUS, and Synod levels—the LCMS Bylaws contain extensive descriptions of procedures that belong in CUS or local governing documents
- The fiscal responsibility of the LCMS and CUS for institutions whose properties and debts are beyond the capacity of LCMS, Inc. to manage in the event of a fiscal catastrophe

The task force will be asked to prepare a report on recommended actions to be taken by the institutions, the CUS national organization, and the Synod, to be presented to the October 2012 CUS board meeting. After brief explanation and discussion, the following resolution was introduced and adopted by the Board of Directors:

Resolved, That the LCMS Board of Directors appoint Victor Belton and Raymond Hartwig to participate in the Concordia University System Task Force on Strengthening Governance.

D. Budget Exception Request to Accomplish Departmental Moves at the LCMS International Center

A proposed action item to approve a budget exception to be used for office reconfiguration and related activities at the LCMS International Center was brought to the floor of the meeting by Chief Administrative Officer Ron Schultz and then withdrawn. He explained that these costs, totaling \$30,000–40,000, can be accommodated out of the existing budget of the Synod.

89. Board of Directors Management Survey

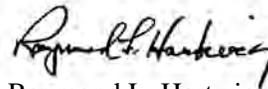
Chief Administrative Officer Ron Schultz announced that the survey used previously to obtain the board's input would be sent out to all members. He spoke briefly of how the survey should be used. He also used this as an opportunity to review the use of the Board of Directors Internet portal and responded to questions and suggestions to facilitate its use.

90. Board Q & A Session with LCMS Officers

The board spent the remainder of its meeting time in conversation regarding a variety of announcements and issues, ranging from matters pertaining to the Synod's schools and seminaries to the importance of board member participation in the Lutheran Malaria Initiative, thereby to provide example and leadership to this important life-saving effort.

91. Adjournment

After final announcements, a motion to adjourn the meeting was introduced and carried. The meeting was closed with prayer.



Raymond L. Hartwig, Secretary