

MINUTES

**BOARD OF DIRECTORS
THE LUTHERAN CHURCH—MISSOURI SYNOD
Regular Meeting (and Board Retreat)
Downtown St. Louis
August 22(–23), 2014**

66. Call to Order / Opening Devotion

Chairman Michael Kumm called the business meeting to order and called on Secretary Raymond Hartwig (who served as devotional leader for the meeting) for an opening devotion. All members of the board were present for the meeting. Sherri Strand (Thompson Coburn), Joe Isenhower (*Reporter*), Bart Day (interim Chief Mission Officer), Barb Below (President’s staff), and Robert Krizek (retreat facilitator) were also present.

67. Adoption of Agenda

The agenda for the meeting was presented by Chairman Kumm for adoption. A motion to adopt the agenda was introduced and carried without discussion.

68. Adoption of Consent Agenda

Chairman Kumm called attention to the following consent agenda action, noted its content, and offered opportunity for board members to remove any items from the resolution for separate attention by the board later in the meeting. A motion was introduced and the resolution was adopted without discussion, as follows:

WHEREAS, The Board of Directors has adopted a policy allowing for the use of a consent agenda;
and

WHEREAS, The board policy reads:

- 3.6.2 Consent Agenda
 - 3.6.2.1 The Board makes use of a consent agenda to expedite the conduct of routine business during board meetings in order to allocate meeting time to education and discussion of substantive issues.
 - 3.6.2.2 The consent agenda should consist of routine matters that require board action. Typically, these items include approval of minutes, acceptance of officer and other written reports (excluding the quarterly financial/budget report), and acceptance of routine or non-controversial action items.
 - 3.6.2.3 The board chair shall be responsible to approve the proposed consent agenda for each meeting upon recommendation of the Chief Administrative Officer. The consent agenda shall be distributed with the meeting docket no less than one week prior to the meeting. The consent agenda will be presented to the board for adoption as soon as practicable after the opening devotion on the first day of the meeting.
 - 3.6.2.4 Any item which appears on the consent agenda may be removed from the consent agenda by a member of the board. Items removed from the consent agenda will be considered at another time during the meeting as determined by the chairman. The remaining items will

be voted on by a single motion. The approved motion will be recorded in the minutes, including a listing of all items appearing on the consent agenda.

therefore be it

Resolved, That the Board of Directors herewith accept this consent agenda and its content as follows (reports and other documents attached to the protocol copy of these minutes):

Officer Reports: Report of the LCMS President
 Report of the LCMS First Vice-President
 Report of the LCMS Secretary
 Report of the LCMS Chief Administrative Officer
 Report of the LCMS Chief Financial Officer
 Report of the LCMS Interim Chief Mission Officer

Administrative Services Reports: Information Technologies
 Human Resources (*confidential*)
 Financial Services
 Accounting
 Internal Audit
 Board of Directors Committees
 Personnel Committee
 Ad Hoc Retreat Program Committee

Action Item: Approval of May 16–17, 2014 Minutes

Later in the meeting, the board also adopted the minutes of its June 26 conference call, which were not available when the consent agenda action was prepared.

69. President’s Comments and Insights

President Matthew Harrison began his comments by recalling the early history of the Synod, noting the landing site of its founders (Mississippi River at foot of Gateway Arch), their early worship in the basement of an Anglican Church (while their agents sought out property in Perry County); and their early struggles and challenges (something of an “odd” group of “Old Lutherans,” who were “hated and despised” by many for their confessional stance).

“We’ve never been anything but a group of poor sinners whom the Lord has sent mercy upon,” he noted, and yet “from such meager, weak, failure beginnings, we find ourselves today in a unique and interesting spot.” He mentioned the Synod’s 40-plus years of membership declines, and the difficulties of ministry today in an increasingly secular society while also confronted by the rise of Islam and First Amendment challenges. He predicted that there will be no “magic bullet” for the challenges the Synod must face, but it must be remembered that challenges can be purposeful blessings: “The Missouri Synod has gone through unbelievable challenges, and by the grace of God we are still here. We have many, many strengths. In some ways we are stronger than ever before....So, be of good cheer. What we do suffer as challenges, both personally and as a church body, are purposeful—as purposeful as the suffering and death of Christ.”

President Harrison closed his comments noting that the 40-year statistical comparisons study performed by the Synod’s Rosters, Statistics, and Research Department has provided interesting information that will be looked at more closely during the board’s retreat to follow this business meeting.

70. Overview of Washington DC Presence

President Harrison spoke of the Synod's need for a "presence" in Washington, DC, recalling the Synod's earlier Office of Information that existed for some years, noting that it was more of a quiet presence with little interaction with lawmakers and little cooperation with others with like minds on current issues. He predicted that as religious freedom issues continue to heat up, the pressures will increase for the Synod to share government views on issues such as gay marriage. The case has been made for a more aggressive LCMS office, narrowly focused on critical issues, working with others with like minds, working closely with those who are active in religious freedom issues. The office, which will be established when sufficient funding has been obtained, will be geared to educate and help clergy to "find their voice," and to encourage local leadership and political participation in religious freedom issues. Discussion followed.

71. Finance Report

Chief Financial Officer Jerald Wulf called attention to the most recent corporate Synod operations report (June 30, 2014) and his own report in the meeting docket, providing updated information regarding certain financial ratios and other information of note:

- As of June 30, 2014, the Synod had 112 days worth of cash and cash equivalents on hand on the basis of projected fiscal year 2014/2015 spending levels.
- As of June 30, 2014, the Synod's "quick ratio" (cash + cash equivalents + accounts receivables + unconditional promises to pay) was \$2.80 in assets for every \$1 in liabilities.
- For fiscal year 2013/2014, the Synod's program spending ratio (program expense/total expenses) was at \$.71 per \$1 (\$.76 if ecclesiastical services and commissions are added in).
- For fiscal year 2013/2014, the Synod's fundraising ratio (fundraising expenses/gifts and grants + bequest revenues) was \$.1333 per \$1 raised from gifts, grants, and bequests; and \$.096 per \$1 raised when district support is added in.
- The Synod finished fiscal year 2013/2014 with a budget surplus of \$583,292, down approximately \$1.8 million since May.

He also reported that during the past year one of the three properties in Venezuela that a previous board (2009) had given to the Venezuelan Lutheran Church was sold, the proceeds to be used to support theological education in Venezuela. And the Synod also received sizeable distributions of income from agencies of the Synod since his last report: \$51,000 from Concordia Publishing House; \$170,000 from the Lutheran Church Extension Fund—Missouri Synod; and an extra \$41,000 from the English District, which increased its intended support from \$175,144 to \$216,144).

72. Action Items

A. Budget Amendment to Facilitate Grant to Japan Lutheran Church

In 1953, the LCMS founded the Urawa High School in Japan, which was subsequently given to the Japan Lutheran Church (NRK). The NRK is currently building a new structure and has asked the LCMS for permission to do fund-raising in the United States. The estimated amount to be raised is \$3 million. Per the protocol document between the LCMS and the NRK, President Harrison granted the NRK permission.

The NRK has also asked for the Synod's assistance in obtaining a chaplain for the Urawa High School, a theological educator for its seminary, and a pastor for Okinawa—positions that are already included in the Office of International Mission's strategic plan for Japan.

After brief explanation and discussion, the following resolution was introduced and adopted:

WHEREAS, The Japan Lutheran Church (NRK) and The Lutheran Church—Missouri Synod (LCMS) have a protocol document in place defining working relationships between the church bodies; and

WHEREAS, The LCMS Office of International Mission has included certain support for the NRK in its mission and ministry strategic plan, including certain support for the Urawa High School; and

WHEREAS, The LCMS desires to assist the NRK in the raising of funds within the United States to construct its Urawa High School building; and

WHEREAS, The LCMS can receive donations for this purpose and grant them to the NRK; therefore be it

Resolved, That the Board of Directors of LCMS, Inc. support the President’s agreement with the NRK allowing donations to be collected by the LCMS of up to \$3 million for the purpose of financing a portion of the cost of the Urawa High School building program; and be it further

Resolved, That the fiscal year 2014/2015 LCMS Inc. Office of International Mission (Asia Pacific Region) operating budget be increased by \$3 million, to be financed with donor-restricted resources received for the purpose of financing a portion of the cost of the Urawa High School building program. No other LCMS, Inc. resources will be used to fund this grant to the NRK. Only those resources received for this purpose will be used to fund this grant to the NRK for the Urawa High School building project.

B. Appointment to Fill Board for National Mission Vacancy Position

Rev. Thomas E. Engler has resigned his individual (ordained or commissioned minister) position on the Board for National Mission. Nominations were obtained from the districts of the East-Southeast Region, and the Bylaw 3.2.5 nominations committee provided a list of five candidates to the board for its consideration: Wally Arp, Winter Springs, FL; Timothy Droegemueller, Cumming, GA; Joshua Haugen, Greensboro, NC; Robert Kieselowsky, Springfield, PA; and Brian Noack, Sayville, NY.

After the members of the board were given opportunity to comment regarding the candidates, the board used its electronic balloting capability to conduct the election. Elected on the first ballot:

Rev. Timothy Droegemueller, Cumming, GA

C. Hong Kong Church of All Nations Trustee Assignment

Lisa Thorpe of Thompson Coburn was introduced to provide background regarding this proposed action. Following her presentation and subsequent discussion, the following resolution was introduced and adopted without further discussion.

WHEREAS, The Church of All Nations in Hong Kong (“CAN”) is a congregation of The Lutheran Church—Missouri Synod (“LCMS” or “Synod”) that uses property in Hong Kong (the “Property”) as a parsonage; and

WHEREAS, Under applicable law, CAN is unable to hold title to the Property and therefore the Property is held in trust for CAN, currently by three individuals (the “Current Trustees”) who are retiring and who no long reside in Hong Kong; and

WHEREAS, CAN has requested that the LCMS serve as a replacement trustee with respect to the Property, and the appropriate Hong Kong court has previously approved the assignment of the trustee duties to the LCMS; and

WHEREAS, The LCMS is willing to assist CAN by serving as replacement trustee with respect to the Property and to execute such documents as are required to effect the assignment of trustee duties; therefore be it

Resolved, That the Board of Directors of the LCMS does hereby pledge and agree as follows (exhibits attached to the protocol copy of these minutes):

Section 1. Approval of Assignment. The assignment by the Current Trustees to the LCMS of the legal interest in the property, to be held in trust by the LCMS for the members of the Church of All Nations pursuant to the Deed of Assignment attached hereto as Exhibit A (the “Assignment”), is hereby authorized and approved.

Section 2. Approval of Memorandum of Trust. The Memorandum of Trust attached hereto as Exhibit B (the “Memorandum of Trust”) setting forth the roles and responsibilities of the LCMS and CAN with respect to the property is hereby authorized and approved.

Section 3. Authorization of Execution of Documents. The Chief Administrative Officer and the Secretary are hereby authorized to execute and authenticate the Assignment and the Memorandum of Trust, and the use of the seal of the LCMS in connection therewith is hereby authorized and approved.

Section 4. Further Authority. The Chief Administrative Officer is hereby authorized and responsible to engage officers, agents, and employees of the LCMS to take such further action and to approve and execute such other documents, certificates, and instruments as may be necessary or desirable to carry out and comply with the intent of this resolution.

D. Distribution of 2013 Convention Surplus

The budget for the 2013 Synod convention, based upon the best estimates of cost at the time when adopted, more than one year prior to the convention, was used as the basis for the per confirmed member assessment charged to each district. Certain activities contemplated in the budget did not occur as planned, and certain other anticipated costs were not incurred based on the needs of the convention, with the result that not all resources collected were spent. Certain other net savings resulted from circumstances outside the control of the convention planners, while other savings were realized through the diligent efforts of the LCMS Office of Travel and Meeting Planning to negotiate/renege certain costs anticipated at the time when the budget was prepared.

Where planned costs were included in the budget but not incurred, it is appropriate to return those savings to the districts, which may elect to distribute them to each congregation based upon confirmed membership at the time that the original assessment was made or provide for some other disposition. Where additional savings were realized due to negotiation/renege by Synod employees, who may not have so acted and thereby not achieved additional savings, it is appropriate for the Synod to retain those savings.

In addition, the Board of Directors has designated net assets remaining after settling the accounts of recent National Youth Gatherings (NYGs) to be available to meet unforeseen costs related to future

NYGs, such as a natural disaster in the planned host city necessitating the moving of the NYG to a different host city on short notice. Until now, such a provision has not been made for future Synod conventions.

The first paragraph of the following resolution, after the resolution was introduced and discussed, was amended as follows: “*Resolved*, That the Board of Directors of the LCMS hereby designate \$250,000 of the net assets generated by the 2013 convention of the Synod to be used to meet ~~unforeseen~~ costs arising in connection with ~~future synodical conventions~~ the 2016 convention.” After further discussion and clarification, the amended resolution was adopted as follows:

WHEREAS, It has been the practice of LCMS, Inc. to distribute to its component districts all or a portion of the monies remaining from the assessed cost of hold each triennial convention of the Synod on the same basis as the assessment was made; and

WHEREAS, After settling all accounts related to the 2013 Synod convention, there remain unused monies available for disposition; therefore be it

Resolved, That the Board of Directors of the LCMS hereby designate \$250,000 of the net assets generated by the 2013 convention of the Synod to be used to meet costs arising in connection with the 2016 convention; and be it further

Resolved, That the Board of Directors of the LCMS approve the distribution to its component districts of \$494,000 of net assets arising from the triennial convention assessment on the same basis as the assessment was made; and be it finally

Resolved, That any remaining amount be released to fund the cost of convention-mandated task forces, study groups, or other activities.

73. Legal Counsel Report

Chairman Kumm called for a motion to move into executive session to receive a report from Sherri Strand of Thompson Coburn LLP, legal counsel of the Synod. The motion was introduced and carried.

73X. Executive Session I

Upon exiting executive session, Sherri Strand introduced Aaron Lacey, a partner from the Thompson Coburn corporate group with expertise in the area of higher education. Chairman Kumm introduced Paul Philp, a member of the Concordia University System staff, and asked the chairman of the board’s Audit Committee to provide an oral report of his committee’s activities.

74. Audit Committee Report

As Keith Frndak, chairman of the board’s Audit Committee, prepared to present his report, a motion was introduced and carried to move into executive session due to its sensitive nature, with announced guests permitted also to remain.

74X. Executive Session II

After exiting executive session, the board completed its action items for the meeting.

75. Action Items (continued)

E. Net Assets Designation of Surplus Office of National Mission Proceeds

Chief Financial Officer Jerald Wulf introduced the following resolution and explained its purpose. It was formally introduced and adopted without discussion.

WHEREAS, The Office of National Mission (ONM) sponsors and hosts various conferences through the year to further the work of its programmatic ministries, expand the reach of its services, and encourage collaboration among its ministry partners; and

WHEREAS, The ONM charges registration fees to participants of these conferences which, after paying conference-related expenses, results at times in a surplus of funds at the conclusion of the conferences; therefore be it

Resolved, That the Board of Directors herewith create a board-designated account for the purposes of offsetting losses incurred for ONM-sponsored conferences and funding the startup costs of future ONM conferences; and be it further

Resolved, That this fund be funded from excess proceeds of future conferences sponsored by the ONM and shall not exceed \$150,000; and be it further

Resolved, That contributions to this fund shall not exceed 50 percent of the excess proceeds from any ONM-sponsored conferences; and be it further

Resolved, That the executive director of ONM, in consultation with the Chief Financial Officer, shall manage this board-designated fund with the authority to use a maximum of 50 percent of the account balance for any ONM sponsored event(s); and be it further

Resolved, That the executive director of ONM, in consultation with the Chief Financial Officer, shall manage the board-designated account with the directive to use a maximum of 50 percent of the fund balance to offset any losses associated with any ONM-sponsored event(s); and be it finally

Resolved, That the remaining 50 percent of any conference surpluses shall revert to unrestricted net assets in the fiscal year received.

F. Establishment of an LCMS Foundation Endowment Fund for Urban and Inner City Mission

Chief Financial Officer Jerald Wulf introduced the following resolution to allocate undesignated Mercy/Human Care dollars to seed a matching fund to raise additional support for urban and inner city mission. The resolution was introduced and adopted without discussion.

WHEREAS, The Office of National Mission was given the task by the 2013 convention “to increase significantly the development and coordination of awareness, support, and collaboration specific to the areas of rural and small town, urban and inner city, and suburban ministry” (Res. 3.10A “To Further Promote Mission Awareness, Support, Collaboration, and Coordination for Rural and Small Town, Urban and Inner City, and Suburban Ministry”); and

WHEREAS, Urban and Inner City Mission (UICM) is working to reverse the trend of losing ground in our cities; and

WHEREAS, The availability of resources for UICM to train and support urban missionaries and to support community development projects is essential to making progress in this regard; therefore be it

Resolved, That the Board of Directors of the Synod approve the use of \$50,000 from the Mercy Self-Help Fund (temporarily restricted funds) as matching funds in a development campaign to raise additional monies specifically for the training and support of urban missionaries and the initiation and completion of related community-development projects, helping to provide resources to districts and congregations for the purpose of bringing Christ to our cities and urban areas.

76. Committee/Officer/Board Time

This open discussion time included a word of thanks and appreciation by Vice-President Herbert Mueller for the support he received while undergoing and recuperating from his surgery; questions regarding 2013/2014 budget shortfalls; and the suggestion that the services of Dr. Alan Borcharding, who has vacated his Concordia University System staff position to accept another call, be recognized by the board. This suggestion was followed by the introduction and adoption of a formal resolution:

Resolved, That the services of Dr. Alan Borcharding as a member of the staff of Concordia University System (and most recently as its interim president) be herewith recognized. His faithful and tireless service when circumstances required diligence and dedication above and beyond normal duty have been greatly appreciated and have facilitated the work of the Board of Directors.

77. Adjournment

After brief discussion of the date of the May 2015 board meeting date, with all business to come before the board having been attended to, a motion was introduced and carried to adjourn the business meeting, to be followed by the board retreat under the theme “The Lutheran Church—Missouri Synod of the Future.” The meeting was closed with prayer.

[Note: The board retreat, conducted in executive session, was facilitated by Dr. Robert L. Krizek of Communications Resource Associates, retired St. Louis University professor.]

Raymond L. Hartwig, Secretary