

MINUTES

BOARD OF DIRECTORS November 17–18, 2016

21. Call to Order / Approval of Meeting Agenda / Opening Devotion

Chairman Michael Kumm called the meeting to order with all board members present, except for First Vice-President Herb Mueller, who was attending a parallel meeting of the Council of Presidents (COP). Chairman Kumm called upon Eric Ekong to offer devotions, which he did on the basis of the invitation and challenge of Luke 9:57–62.

Chairman Kumm noted his need to return home after Thursday's session to prepare for a wedding in his congregation, and that Vice-Chairman Ed Everts would lead Friday's session. The meeting agenda (p. 9/291 of the printed board docket, attached to the protocol copy of the minutes) was adopted as presented.

22. Consent Agenda

It was moved and carried to adopt the meeting's consent agenda, as thus constituted:

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 accepts this consent agenda which includes the following:

- Officer Reports
 - Report of the LCMS President
 - Report of the 1st Vice President
 - Report of the LCMS Secretary
 - Report of the Chief Administrative Officer
 - Report of the Chief Financial Officer
 - Report of the Chief Mission Officer
- Administrative Services Reports
 - Information Technologies
 - Building Operations – Facilities
 - IC Services (Mail Room – Copy Center)
 - Human Resources (Confidential)
- Financial Services Reports
 - Accounting
 - Internal Audit
 - Risk Management
- Board of Directors Committee Reports
 - Governance Committee
 - Personnel Committee
- Action Items
 - Approval of September 8–9, 2016 Minutes

; and be it further

Resolved, That the minutes of this meeting will reflect the acceptance of the reports and other items as listed above.

23. Financial Report

Chief Financial Officer Jerry Wulf, in addition to his printed report (docket, pp. 29–30), shared a few notes with the board.

- A need to focus on the audit report delayed the issuance of standard financial statements by a few days, causing them to miss the board packet.
- During the last quarter, the LCMS Office of National Mission’s Soldiers of the Cross program received a grant from the Lutheran Church Extension Fund’s Kaleidoscope Fund, adding \$64,000 to its existing budget.
- The capital budget for Africa had allotted \$15,000 for a building project; costs have increased by approximately \$6,000. Clarification is being sought as to how much of that is capital expense.
- The joint meeting with the COP will treat financial trends. For a short time (12–20 years) bequests can be expected to remain significant, but then to tail off. The Gateway Communications payment is scheduled to end in 2020. There is the potential for significant reduction in revenue in years to come.

It was moved and carried to move into executive session to hear those aspects of the Chief Financial Officer’s report dealing principally with audit and risk management matters.

23X. Executive Session I: Chief Financial Officer’s Report on Audit and Risk Management

Upon return from executive session, it was moved and adopted:

Resolved, That the executives and an appropriate board member (preferably the chair) of the Lutheran Church Extension Fund, Concordia Plans, and the LCMS Foundation be invited to join the Chief Administrative Officer and an appropriate board member of The Lutheran Church—Missouri Synod for a discussion of increasing the entities’ sharing of common services, including information technology.

24. Legal Report

As Sherri Strand of Thompson Coburn LLP prepared to give her report, a motion was introduced and carried to move into executive session.

24X. Executive Session II: Legal Report

25. Appointment of Additional Board Members

Chairman Kumm called on Governance Committee Chairman Christian Preus to present the report of the committee on whether the board should, under Bylaw 3.3.4.1 [5], appoint up to three additional members “to obtain needed additional skill sets.” The committee’s recommendation is the same as three years ago: not to appoint additional members. It was noted that this could be done at any time, and that the board could also at any time bring in experts on particular topics on an *ad hoc* basis. It was further noted that, should a need arise in a future triennium to appoint additional members, the existing process is slow.

Almost a year of the triennium would be lost before such members would be in place. The governance committee is exploring improvements to the process, should it need to be used in the future.

The board endorsed the recommendation of the committee not to appoint additional members.

26. Review of Board of Directors Convention Matters

Chief Administrative Officer (CAO) Ron Schultz led a discussion of Board matters arising from this past summer's convention (docket, pp. 199f.).

- Res. 9-02A, "To Assure Uniformity of Relationship and Asset Disposition Language in Governing Documents of Corporate Agencies of the Synod" sets forth new standards for relationship and asset disposition clauses for the governing documents of Synod's corporate agencies. The board at this meeting is presented with corresponding changes to its policies for approval of new corporations as agencies of Synod.
- Res. 9-04A, "To Improve Disclosures Related to Financial Gifts from God's Stewards for Special Appeals," calls upon the Board and national leadership to enhance the transparency of financial reporting, including new reporting in addition to the annual "State of the Synod" (2010 Res. 4-03). The recommendation for the Board is that the Chief Financial Officer (CFO) and executive directors of Communications and Mission Advancement present the board with an implementation plan at its Feb. 2017 meeting. CFO Wulf noted that similar plans are already in the works and have been incorporated into the present budget.
- Res. 11-10, "To Authorize Review of Synod Nominations / Elections Processes," authorizes a review of nominations and elections processes by a task force, to which the board is invited to appoint members.
- Res. 12-14, "Regarding the Right of an Accuser to Appeal When a District President or President of the Synod Fails to Act or Declines to Suspend," initiated a Bylaw 7.1.2 process, eventually to result in bylaw changes to be adopted by the Board of Directors.
- Res. 13-03, "To Address Future Church Leadership Needs in Light of Current and Future Challenges," invites the board to appoint up to four laypersons to a task force on the stated topic.
- Four overtures were also referred to the Board for consideration (Omnibus A): Ov. 7-18, "To Divest Concordia College Alabama from Concordia University System;" Ov. 9-03, "To Urge Synod to Increase Seminary Financial Assistance;" Ov. 11-36, "To Have Equal Lay and Ordained Representation on Convention Floor Committees;" and Ov. 14-01, "Legal Defense Fund." Chairman Kumm asked the retreat committee to consider the topics of these overtures for possible inclusion in the retreat agenda.

27. Appointments by Board of Directors Chair

Chairman Kumm called the board's attention to two task forces created by the 2016 Convention, to which the board has the opportunity to make appointments. The chair proposed appointments to each task force, which were received without objection. The Board of Directors appointed:

- Res. 11-10 Task Force to Review Synod Nominations / Elections Processes (up to three persons):
Kathy Schultz Barb Below Raymond Hartwig
- Res. 13-03 Task Force to Address Future Church Leadership Needs in Light of Current and Future Challenges (up to four laypersons):
Christian Preus Leo Mackay, Jr. John Behrendt* David Hawk

* John Behrendt was called to glory on Nov. 26, 2016, after a "brief, but extremely difficult, struggle against the unexpected return of the leukemia from which he had been in remission for almost four years" (*Fort Wayne News-Sentinel*, Nov. 27, 2016).

28. Joint Session with the Council of Presidents

COP Chairman Ken Hennings called upon Eric Ekong, chaplain *pro tempore* for the Board of Directors (BOD), to open with prayer. Board Chairman Michael Kumm introduced new board members, including Eric Ekong, Larry Harrington, and John Sias. Chairman Hennings spoke of the honor and privilege it is for each of those attending to serve the Synod in our various roles and with one another.

Secretary's Update on Post-Convention Matters

Secretary Sias offered an update on post-convention matters. Bylaw 3.12.1 requires the five geographical regions of the Synod to be designated by the Board of Directors and Council of Presidents, acting jointly, 24 months prior to conventions of the Synod. Secretary Sias presented 2010 and 2016 data from the Department of Rosters, Statistics, and Research Services indicating the circuit, congregation, and congregational membership of the five geographical present regions (as originally designated in 2010). His recommendation was that, since the data showed no significant divergence from parity in the composition of the regions, the designation of the regions not be changed at this time. It was moved and adopted:

Resolved, That the LCMS Board of Directors and Council of Presidents, meeting jointly November 17, 2016, designate the five geographic regions used in determining regional representation for certain nominations and elections to remain unchanged from the previous triennium, as detailed in the attached table titled, "Proposed Region – Data."

Secretary Sias noted that the print publication of the *Handbook* will be delayed to incorporate the results of the Bylaw revision process initiated by 2016 Res. 12-14. An electronic edition, updated in all other respects, will be released as soon as the Commissions on Constitutional Matters and Handbook have approved it. A red-lined electronic edition will also be released, indicating the changes relative to 2013. A new index is also being prepared for the *Handbook*, which, it is hoped, will increase the book's usability.

Secretary Sias also noted 2016 Res. 9-02A's requirements for Synod's agencies to ensure their governing documents contain the required relationship and asset disposition statements, and for these documents to be reviewed by the Commission on Constitutional Matters before the 2019 Synod Convention.

Finally, Secretary Sias noted the amendment process initiated by 2016 Res. 12-14 for the Synod's ecclesiastical supervision bylaws and its three phases: (1) consultation between the Secretary and the Council of Presidents; (2) drafting of bylaws by the Secretary, and their review by the Commissions on Constitutional Matters and Handbook; and (3) adoption by the Board of Directors, which is to confirm that the bylaws proposed fulfill the requirements of Res. 12-14. The consultation phase is presently ongoing.

Condensed Overview of the LCMS National Office Budget

Ross Stroh, Executive Director of LCMS Accounting and Financial Services, reported that FY16 district remittances to the national office exceeded intention-based estimates (necessitated by the districts' various annual reporting cycles) by \$128,997. For FY17, the intentions of nine districts increased, while those of eleven decreased and fifteen remained the same. On the whole, decrease outweighed increase, for an overall reduction in funds to Synod of \$115,931 on a total (for FY17) of \$14,676,518 in district intentions toward national office undesignated revenue.

Chief Financial Officer (CFO) Jerry Wulf presented an overview of Synod giving from 1976–2014, noting the three major campaigns in that time (Forward in Remembrance [1979], Alive in Christ [1989], and Fan into Flame [2004]). Over the period, reported congregational revenue has increased from \$350 mil to \$1.34 bil, but giving to work-at-large (which is, in vast majority, giving to districts) has not at all kept pace—nor has districts' support for the national office even kept up with that. In 1976, 16.6 cents of each dollar contributed to congregations went to at-large work (primarily to districts); of that, 6.1 cents went on to the national office. By 2014, these proportions shrank to 8.8 cents and 1.1 cents per dollar,

respectively. Put another way, districts' undesignated support of the national office amounted to \$14.7 mil in 2015, compared to \$25.7 mil in 1981—which was worth \$69.8 mil in 2015 dollars. Taking inflation into account, districts contribute to the national office one roughly one fifth the amount they did in 1981. The problem, CFO Wulf noted, is not that people in the congregations aren't giving, but that contributions are being shared in a much lower proportion with districts and then, also, with the national office.

Discussion noted that designated giving and advancement efforts have increased significantly since 1979, when Synod fundraising meaningfully started. District giving (accounting for approximately 71% of Synod's unrestricted revenue) continues a slow but steady decline. Designated gifts (now more than 70% of total revenue) have plateaued since 2000 (although with significant volatility in 3–4 yr. cycles).

Ross Stroh noted that of Synod's \$96.1 mil national office budget, \$21.6 mil is funded with unrestricted funds and \$74.4 mil with restricted (77%). He then presented the 2016/17 Mission and Ministry Operating Budget (attached to the protocol copy of the minutes) by major categories of expenditure. Of the total budget, approximately 76% is spent on programs and 6% on grants; 5% is spent on ecclesiastical services and 8% on Synod officers and administration. The remaining 5% covers general and administrative expenses. Jerry Wulf noted that district intentions might cover ecclesiastical services, Synod officers and administration, but are insufficient to cover also general and administrative expenses. These (not to speak at all of Synod's programs and grants) simply must be funded from other sources. Beginning with FY17, 10% of designated funds given is being set aside to cover Mission Advancement's "donor care" costs—a burden that unrestricted giving is no longer able to bear. ("Donor care" encompasses the costs inherent in connecting with donors and connecting them with mission support opportunities. Wulf noted that the Better Business Bureau finds a charge up to 30% to be an acceptable amount.)

Discussion asked for comparison with program budgets of other major protestant church bodies. CFO Wulf noted that details are usually scarce, but that ELCA operates on about 80% unrestricted gifts, whereas the LCMS operates largely on restricted. The question was raised of how many congregations are bearing the majority of the burden of Synod's budget. It was also noted that, based on the age of our membership, the LCMS Foundation projects that in twelve to twenty years, potential for major bequests will diminish, as younger generations seem not so inclined toward bequests. Discussion suggested that fidelity in worship attendance and in stewardship seem to run together, with the well-catechized and fully-dedicated members remaining as attendance has declined. Their wealth is now passing, typically, to much less catechized and much less dedicated generations. Wulf expects that congregational giving will begin to show a decline for these reasons.

CFO Wulf noted that the reported \$4 mil shortfall in Synod's FY2016 national office revenue was largely due to a \$2 mil Gateway Communications payment being applied in FY2017 instead of FY2016. While the Synod's cash position has improved about \$2.5 mil since the beginning of the new financial year, it remains under careful scrutiny.

Overview of LCMS Legal Resource webpage

CAO Ron Schultz presented an overview of the materials available at lcms.org/resources/legal-issues/, including the *Protect My Ministry* document, associated recommended policies, and other documents. Topics include church administration, facility usage, schools and education, sexual misconduct, and others. Materials linked from the page have been reviewed by LCMS legal counsel and are commended for study and use throughout the Synod.

Update from the Chairmen

Board of Directors Chairman Michael Kumm offered that the Board of Directors, with its new members, continues to operate efficiently. Finances are a chief concern. The Board has all confidence in CFO Jerry Wulf, and receives regular reports on Mission Advancement from its executive director, Mark Hofman. While the FY2016 shortfall was and remains a concern, the timing issues that magnified it help put it in

perspective. The Board continues to monitor domestic and international activities to ensure that Synod's assets are being protected. A board retreat will soon consider issues impacting Synod's future. Thanks were offered to Thompson Coburn, and Sherri Strand in particular, for their careful legal work on behalf of the Synod. The recently concluded federal elections were noted with the hope that the incoming administration will reduce the pressure recently felt on all aspects of religious freedom.

Council of Presidents Chairman Ken Hennings noted that the council has been dealing with ecclesiastical supervision issues for over two years, and that in his impression, at this meeting, great advances have been made in dealing with the controverted issues. Res. 12-14 has initiated a thorough study of the topic, aided at this meeting by presentations by Secretary Sias and Dr. Gerhard Bode of Concordia Seminary, St. Louis, on the history of disciplinary procedures throughout Synod's history. The council hopes the process will result in work that is accepted by a unified Synod. The formation of a variety of task forces, many of which involve the council in some fashion, as well as the usual post-convention appointments, have recently required much of the council's attention. The Council has also worked significantly on internal harmony, and is being blessed at present with an increasing ability to speak the truth in love with one another.

Iowa West District President Steve Turner, COP chaplain *pro tempore*, offered the lunch blessing. The groups continued informal discussion over a shared lunch.

29. Report from the President: State of the Synod

With the joint meeting concluded, President Harrison reported to the board on the state of the Synod. A new round of district visitation is underway. President Harrison and First Vice-President Mueller will each visit fourteen districts this triennium, concentrating on meeting with circuit visitors. Regional vice-presidents will visit individual districts. President Harrison rejoiced, as had President Hennings, in the mutual conversation and consolation of the brethren taking place in the meeting of the Council of Presidents.

Appointments to task forces designated by the convention are nearly complete. New college and university regents have been appointed to represent the Praesidium. Meetings with the Concordia University System and representatives of its schools have been productive, with one area of interest being a unified front for online education. President Harrison, asked at these meetings what Synod wants from the Concordia University System schools, indicated that the Synod wants fidelity and success. Synod's theological expectations have been made clear, with the help of Dean Wenthe and Concordia University System, and there is a positive mood, looking to increase enrollment and expand offerings. The recent installation of John Nunes is encouraging for the future of Concordia Bronxville.

The Lutheran Center for Religious Liberty board, having considered a first slate of candidates, continues to seek a director, but the process has helped clarify needs and expectations. A clear articulation of the "two kingdoms" doctrine is fundamental; other pieces will fall into place. A list of subject matter experts is being assembled. Outcomes of recent US elections have changed the landscape somewhat for challenges and opportunities in the near term, in terms of religious freedom and the situation of Synod's parochial schools. At the same time, there is concern among some Hispanic populations about the implications of US election results. President Harrison noted that the LCMS has a position neither on a "wall," nor on immigration. As far as the church's work, we are called to love our neighbors, whatever their nationality or status.

The preliminary consultation of Resolution 12-14 (directing the Secretary of the Synod to draft revised bylaws for ecclesiastical supervision) is underway, with John Sias and Dr. Gerhard Bode of Concordia Seminary, St. Louis, recently presenting on the history of ecclesiastical supervision in the Synod. This work was commended as of potential interest to the Board of Directors as it prepares to take up its role in fulfilling Res. 12-14.

“The international scene has gone from ‘wow’ to ‘amazing.’” In Madagascar, Dr. David Rakotonirina, a graduate of Concordia Theological Seminary, Ft. Wayne, has been elected President of the rapidly growing, 4.5 million member Malagasy Lutheran Church. Within weeks, their church council voted to seek fellowship with the LCMS. Rapidly developing relations with confessional and increasingly confessional Lutheran churches in Africa, Scandinavia, and Eurasia, marked by a great desire for assistance with theological education, will tax our limited resources, but present a tremendous opportunity. The International Lutheran Council is increasing capacity to assist tens of millions of Lutherans and is, correspondingly, increasing dues.

The Old Latin School in Wittenberg is functioning very well and bearing fruit. It is self-sustaining and should be fully paid for very soon. It is becoming a hub and attraction for faithful Lutherans from around the world.

President Harrison reported, finally, that budgetary matters continue to be watched closely, with an emphasis on underspending and a concern to prepare for potentially leaner days ahead. Revenue continues to be a challenge, though through it all CFO Jerry Wulf has proven a joy to work with, with great heart and sense of responsibility.

30. Action Items

(A) Correction of Error in Appointment of Concordia Plan Services Trustees

Chairman Kumm called on Secretary Sias to introduce an action item correcting a previous board appointment.

Background:

At its May 26–27, 2016, meeting, the Board of Directors appointed six members (one ordained and five lay, but otherwise, without distinction) to the Board of Trustees for Concordia Plan Services (CPS). The Board of Trustees—Concordia Plan Services has fifteen members with staggered three-year terms, with all members appointed by the Board of Directors, five per year. Five of the appointments made in May were to be for 2016–2019 terms. One (the sixth) was to be for the remainder of a 2014–2017 term, to fill a vacancy left by Kristi Matus in 2016. (Because the remainder is less than half of the term, the person appointed to fill the vacancy would still be able, under LCMS and CPS Bylaws, to serve four full subsequent three-year terms.) The Board of Directors in May, however, appointed all six members without distinction, and each was notified as having a term of 2016–2019. This situation requires correction, as there were not six open seats with said term.

The following resolution was moved and adopted:

Resolved, That the Board of Directors amend its appointment of members to the Board of Directors—Concordia Plan Services / Board of Trustees—Concordia Plans, adopted May 26–27, 2016, to comply with the Concordia Plan Services Bylaws as follows:

The appointment of Brenda Blisk is for the remainder of the previously vacant 2014–2017 term (previously held by Kristi Matus).

(B) BOD Policy Revision – Section 2 BOD Self-Governance Policies

Governance Committee Chairman Christian Preus presented the recent work of the Governance Committee on Section 2 of the Board of Directors Policy Manual (attached). These changes incorporate bylaw changes from the 2016 Convention, clarify the policies dealing with the board’s executive sessions and their minutes, incorporate present appointment customs into the policies dealing with the chairman’s duties, and add to each meeting’s regular agenda an executive session at the conclusion of the meeting to review meeting effectiveness. Mention was also added of the Board’s ability, under the Bylaws of Synod, to delegate assignments to committees composed either of its own members or of specialists.

It was moved and adopted:

WHEREAS, Board of Directors Policy 2.10.1.3.1 directs the Governance Committee to review policies of the board and to make recommendations for new or amended policies; and

WHEREAS, During the course of reviewing this section of the manual, the Chief Administrative Officer has solicited input and/or review from the members of the Governance Committee; and

WHEREAS, Board members are encouraged to provide comment and suggestions regarding these proposed changes and any other change they deem appropriate to raise for the board's consideration during the review of these policy sections; therefore, be it

Resolved, The Board of Directors adopts the changes to The Lutheran Church–Missouri Synod Board of Directors' *Policy Manual*, Section 2: BOD Self-Governance Policies, as shown on the attached page(s); and be it further

Resolved, The Board also directs the table of contents, index and other references to be updated, as necessary.

(C) BOD Policy Revision – Section 5.8.4 Approval of New Corporations as Agencies of the Synod

Governance Committee Chairman Christian Preus introduced changes to Board Policy Section 5.8.4 (attached), recommended by the committee in response to 2016 Res. 9-02A, which dictated a new standard for relationship and asset disposition language to be included in the governing documents of Synod's corporate agencies.

It was moved and adopted:

WHEREAS, Board of Directors Policy 2.10.1.3.1 directs the Governance Committee to review policies of the board and to make recommendations for new or amended policies; and

WHEREAS, During the course of reviewing this section of the manual, the Chief Administrative Officer has solicited input and/or review from the members of the Governance Committee; and

WHEREAS, The 2016 Lutheran Church—Missouri Synod Convention adopted Resolution 9-02A (attached) which rescinded certain portions of 1981 Res. 5-07 and provided the new Bylaw provision 1.5.3.6 which directly affects LCMS BOD policy 5.84; and

WHEREAS, Board members are encouraged to provide comment and suggestions regarding these proposed changes and any other change they deem appropriate to raise for the board's consideration during the review of these policy sections; therefore, be it

Resolved, The Board of Directors adopts the changes to The Lutheran Church–Missouri Synod Board of Directors' *Policy Manual*, Section 5.8.4: Approval of New Corporations as Agencies of the Synod, as shown on the attached page(s); and be it further

Resolved, The Board also directs the table of contents, index and other references to be updated, as necessary.

(D) 2016 Campus Master Facility Plan — Concordia University Nebraska

CAO Ron Schultz brought an item from the Concordia University System, the approval of a periodic update of the Concordia Nebraska Campus Master Facility Plan.

Background:

On Friday, September 9, 2016, the Concordia University System Board of Directors unanimously adopted the following resolution regarding the 2016 Campus Master Facility Plan of Concordia

University Nebraska:

WHEREAS, Concordia University Nebraska has submitted the 2016 Campus Master Facility Plan approved by its Board of Regents on July 26, 2016; and

WHEREAS, Concordia University Nebraska has requested that the 2016 Campus Master Facility Plan be approved by the Concordia University System Board of Directors and the LCMS Board of Directors; therefore be it

Resolved, That the Concordia University System Board of Directors acting in a regularly scheduled meeting on September 9, 2016, at the St. Louis Airport Hilton approves the 2016 Campus Master Facility Plan of Concordia University Nebraska; and be it further

Resolved, That the Concordia University System Board of Directors recommends approval of the same by the Board of Directors of The Lutheran Church—Missouri Synod at its regularly scheduled November 2016 meeting.

It was moved and adopted:

Resolved, That the Board of Directors of The Lutheran Church—Missouri Synod approves the 2016 Campus Master Facility Plan of Concordia University Nebraska.

31. Audit Committee Report

It was moved and carried to move into executive session, for the board to consider the report of the Audit Committee on a meeting with representatives of Concordia University System regarding Concordia College Alabama.

31X. Executive Session III: Audit Committee Report

32. Concordia Plan Services Report

The Board welcomed James Sanft, President and CEO of Concordia Plan Services (CPS), Fred Kraegel, CPS Board Chair, and Anne Stillman, CPS General Counsel, to deliver a report. Dean Wenthe, President of the Concordia University System, also joined the board, as the matter related in part to a Concordia University System school. It was moved and carried to move into executive session.

32X. Executive Session IV: Concordia Plan Services

33. Approval of Executive Session Minutes for Sept. 8–9, 2016

Having dismissed its guests, the board continued in executive session to review the executive session minutes from the board's September 8–9, 2016, meeting.

33X. Executive Session V: Approval of Executive Session Minutes

34. Chief Financial Officer Appointment

Synod Bylaw 3.4.12 requires that the Chief Financial Officer of the Synod be reappointed every three years with the concurrence of the President of Synod. The Board welcomed Val Rhoden-Kimbrough,

Executive Director of the LCMS Human Resources Department, to present the results of the performance review of the Chief Financial Officer, and continued in executive session.

34X. Executive Session VI: Chief Financial Officer Appointment

Upon return from executive session, it was moved and adopted:

WHEREAS, The personnel committee has completed the requirement to conduct a comprehensive review of the Chief Financial Officer prior to the end of his current term; and

WHEREAS, The results of the review indicate that Jerald C. Wulf is successfully performing the duties and accomplishing the objectives as Chief Financial Officer; and

WHEREAS, The president of the Synod has reviewed the results and has given his concurrence to re-appoint Jerald C. Wulf; therefore be it

Resolved, That effective January 30, 2017, Jerald C. Wulf be re-appointed to a three (3) year term as Chief Financial Officer.

The board adjourned for the day. Chairman Kumm departed to prepare for a wedding in his home congregation. Vice-Chairman Ed Everts called the meeting to order on Saturday to complete the board's agenda. Eric Ekong led the board in devotions with a reading from Exodus 32, considering its invitation and its challenge.

35. Office of International Mission

Rev. John Fale, Executive Director of the Office of International Mission (OIM), and Dennis Fangmann, OIM Director of Business Management, joined the board to offer a report. Regional and area directors had met the day before, together with CAO Ron Schultz and CFO Jerry Wulf, in what the regional directors considered the best meeting they had ever had. Especially appreciated was a direct discussion of the comprehensive concerns for ministry underlying policies and procedures at the Synod level.

Rev. Fale shared that the OIM has fulfilled the desire of the 2013 Convention to double the number of career missionaries, though attrition as reduced the number slightly below that level at present. The OIM's four regions serve 39 countries with 121 career missionaries, 21 GEO missionaries, 63 accompanying spouses and 178 children. Field conditions suggesting movement of missionaries to new areas are posing challenges but also exposing new opportunities. The directorship for Asia has been vacant since February; it is posted, with hope it will be filled in March.

Faced with challenges to Synod's achieving its mission priorities on a global level, the OIM has been focusing on its core competencies: First among these is teaching the faith by sending those who can carefully and clearly articulate the faith. Through these competent workers, the Word of God, Law and Gospel is preached and taught, and the Holy Spirit does the work. Second is, together with partner churches abroad, planting churches where people can hear the Word and love their neighbors. Third is pastoral formation and theological education, through which local pastors, deaconesses, and other church workers can be raised up to work with the pure Gospel. Fourth and finally, mercy accompanies the preaching and teaching.

Commenting on OIM's core competencies, Rev. Fale noted the opinion of international partners that the greatest present challenge to the Gospel is neither communism nor Islam (though these are becoming prominent in some areas) but the false Gospel of Pentecostalism, which rests not on the cross of Jesus but on what must be done to accept him and to exhibit the work of the Spirit. Promises are attached, not of forgiveness of sins and eternal life, but of prosperity. The true good news—that Jesus Christ has done

everything for our salvation and will sustain us through the means of grace—is met with surprise, even tears of joy, in churches formerly under the sway of Pentecostalism.

Dennis Fangmann presented a report on the 2017 fiscal year budget and year-to-date expense variance, presently \$3.2 mil (33%) under budget. Spending has been curtailed due to a shortfall from revenue expectations. (The large “Level 2” portion of the budget encompasses work that is only undertaken if gifts are received to cover costs.) On the revenue side, gifts generally designated by districts to OIM are slightly below expectations, but bequests are ahead. Of \$2 mil projected thus far from fundraising, only \$780,000 has been raised. Surplus funds from previous years are covering a shortfall in the network support received year-to-date.

Rev. Fale noted that we are reaching a critical point where we are sending missionaries into the field but may lack the operational and mercy resources to have them fully engaged or supported in the field. With about 30 people presently in the process of becoming missionaries, the January BIM meeting may have to step back from appointing the usual 20 or so new missionaries. Network support may not be able to continue to absorb such growth and regional budgets too stretched to support more workers.

Rev. Fale expressed a concern that “the current funding model for OIM is neither realistic nor sustainable.” OIM is working, over the next 2–3 years, on creating a more accurate and achievable budget. Work is underway to develop 3–5 year strategic plans for each region, detailing goals, specific actions needed to advance and complete the goals, the fiscal year in which actions will be completed, personnel and financial resources that are required to complete actions (and ultimately goals), and anticipated funding sources. Regional business managers with considerable business expertise have been doing excellent work helping directors develop working strategic, financial and personnel plans for their areas.

Rev. Fale also noted that OIM regional directors, LCMS mission efforts, and overseas partner churches continue to be troubled by agencies of (and other associations within) the Synod that are sending money and workers overseas without any coordination with OIM—some, without respecting the Synod’s protocol agreements with partner churches or the Synod’s doctrinal commitments. The OIM and ONM have invited each district to send a mission executive or some representative to visit with OIM and ONM in February, for a discussion of the work OIM is doing and of our commitments domestically and internationally, and for an exploration of better collaboration and coordination.

In Fale’s impression, Mission Advancement cannot by itself “close the gap.” He concluded by posing the question: What structure or process is needed for *all of Synod* to “buy in” to the OIM budget and support it as *the Synod’s* plan for overseas work *together*, as OIM is “responsible for the work of the Synod in foreign countries” (Bylaw 3.8.3.3)?

In discussion, Jerry Wulf noted that the cooperation, collaboration, and coordination we need to achieve requires two parties—OIM seems to be willing, but others doing work outside and around OIM need to be engaged. Rev. Fale noted that where spending exceeds gifts received, undesignated funds must be used to close the gap. On an OIM operating budget of \$38 mil, this amounts to only about \$300,000 of the Synod’s undesignated funds. Communication of this situation to the members of Synod congregations is a great challenge.

36. Audit Committee Report

Keith Frndak, chairman of the Audit Committee, shared the results of an audit by Brown Smith Wallace, LLP, of the consolidated financial statements of LCMS, CPS, LHSC, and LCMS Holdings. The audit noted a loss of \$9.1 mil in total net assets, including a \$5.1 mil drop in unrestricted net assets. Asset valuation for LCMS Holdings has been significantly impacted (a loss of \$6.2 mil) by the drop of the Chinese yuan relative to the US dollar. Mr. Frndak noted five key concerns from the audit:

1. The steady drop in long-term revenue trends is concerning.

2. Decentralization of Synod's agencies increases risk and decreases efficiencies.
3. Information technology risks, in the present environment, require particular vigilance.
4. Overseas holdings are exposed to continued currency fluctuations.
5. Membership trends across the Synod are reducing.

Mr. Frndak noted that he would prefer if the auditors reported in detail to the board as a whole, which in his impression would benefit from hearing a presentation from the auditors themselves. CFO Jerry Wulf noted with appreciation the detailed work done by LCMS staff to support the audit. It was noted that the Audit Committee also received reports from CUS, regarding a decrease in enrollment at Concordia University Wisconsin; from Internal Audit; and from Risk Management. It was moved and carried to move into executive session to discuss a report from Internal Audit regarding the recent audit of Concordia Historical Institute.

36X. Executive Session VII: Audit Committee Report on Concordia Historical Institute

37. "The LCMS of the Future" Retreat Discussion

Ed Everts, Gloria Edwards, and Kathy Schulz were appointed the retreat planning committee.

Ron Schultz initiated a review of topics discussed at the board's 2014 retreat, looking forward to the retreat being planned for August 2017. The 2014 retreat considered the future of the LCMS in light of internal and external challenges and opportunities, as well as challenges and opportunities the Board of Directors would need to navigate in fulfilling its role. These were evaluated in board discussion with respect to five questions posed by Ron Schultz:

- Does this list continue to represent the likely challenges and opportunities for the future?
- Are there new items that you see gathering momentum that should be added to the list?
- Are there items that the BOD can or should address in a more intentional manner?
- Are there any specific actions that we should be encouraging others to pursue at this time?
- Are any of these items potential topics for our upcoming 2016–2019 Triennial Retreat?

Discussion noted a significant increase in governmental regulation relative to the free exercise of religion since 2014. A desire was also voiced that the retreat work to identify precisely the particular role of the Board of Directors in helping Synod as a whole meet this and other challenges. It was also noted that, especially in an era of very limited resources, the board might well serve the Synod's good stewardship by exercising more active oversight, carefully coordinating the work of corporate Synod and its agencies. Finally, it was desired that the retreat provide an opportunity for the board to think more proactively about a long-term Synod business plan, and less reactively to events as they unfold.

38. Identification of Topic for February Board of Directors Meeting

Given the previous discussion, the question was proposed: "What is the authority of the Board of Directors in the life of the Synod, and how is it to be used appropriately?" Another question related to the adverse regulatory environment presently faced by Synod and its agencies, perhaps especially by Concordia Plans Services: "Is there a need for the Board of Directors to state unequivocally that in its business operations the Board of Directors will not compromise the Synod's theological and moral commitments, and what might be the implications of such a statement?"

39. Committee / Officer / Board Time

It was noted that the Lutheran Federal Credit Union is scheduled for a presentation to the Board in February, if their new CEO has by then had reasonable opportunity to prepare. It was also suggested that in August the board should address the question of whether the auditors should make a direct presentation to the Board as a whole.

40. Meeting Assessment

It was moved and carried to move into executive session to review the meeting, in keeping with newly adopted Board of Directors Policy 2.7.1.11.

40X. Executive Session VIII: Meeting Assessment

41. Adjournment

The meeting was adjourned at 12:09 PM.

Attachments

- BOD Policy 2.1, “Board of Directors’ Responsibilities,” as revised.
- BOD Policy 2.4.8, “Executive Session,” as revised.
- BOD Policy 2.7, “Board Officer Responsibilities,” as revised.
- BOD Policy 2.10, “Committees of the Board of Directors,” as revised.
- BOD Policies 5.8.4–5.8.4.4, “Approval of New Corporations As Agencies of the Synod, as revised.

John W. Sias, *Secretary*