MINUTES

BOARD OF DIRECTORS St. Louis February 24–26, 2010

154. Call to Order

Chairman Donald Muchow called the meeting to order with all members present except Betty Duda (absent due to illness) and provided an opening devotion. Referencing 1 Samuel 16:1–13, he reminded the board members that they are about "God's business," something they "get," not "got," to do.

He welcomed Val Rhoden-Kimbrough, Executive Director of the LCMS Department of Human Resources, to the meeting and called on Gloria Edwards to prepare the board for its series of interviews of potential nominees for the office of Vice-President–Finance—Treasurer. She provided the following report:

Pursuant to Bylaw 3.12.2, the Board of Directors of the Synod issued a call for nominations for the Vice-President–Finance—Treasurer position. A selection committee was established during the November 2009 Personnel Committee meeting. The committee is comprised of the following representatives:

Dr. Gloria Edwards, Chair of the Personnel Committee

Dr. Raymond Hartwig, Secretary of The Lutheran Church—Missouri Synod

Mr. Roy Schmidt, Personnel Committee

Rev. Jeffery Schrank, Personnel Committee

Mr. Ron Schultz, Chief Administrative Officer

Val Rhoden-Kimbrough, Executive Director of Human Resources, assisted with the process.

The call for nominations resulted in:

- 16 nominations
- 6 nominees accepted
- 10 nominees declined (1 accepted another position; 1 did not respond)

The selection committee reviewed the applications and evaluations of the six nominees who accepted and determined that each met the core competencies required for the position. Preliminary telephone interviews were held on February 1 and 2, after which the selection committee selected three finalists for the position. All three finalists accepted the offer to interview with the Board of Directors on February 24. Following the interviews, the Board of Directors will determine the candidate or slate of candidates to be presented to the 2010 national convention.

Upon receipt of the report, a motion was introduced and carried "to move into executive session to conduct the interviews of the candidates under consideration for the position of Vice-President–Finance—Treasurer."

The entire first day of the meeting was used to interview the candidates for the Vice-President–Finance—Treasurer position.

Chairman Muchow again called the meeting to order for the second day of business and provided an opening devotion reflecting on the unique wording of Hebrews 6:18–19. He spoke of "kedging," i.e., the use of an anchor to winch a ship forward, to help understand the text's simultaneous use of the phrases "the hope before us" and the "sure and steadfast anchor," both of which are ours in Christ. Later, at the beginning of the third day of the meeting, the chair again provided the opening devotion using John 1:14 and his experience with a rescue at sea, a reminder of Christ's rescue of humankind.

After he called attention to the agenda for the meeting, a motion "to approve the agenda for the meeting as presented" was introduced and carried. He then called on the President of the Synod for his report.

155. Officers' Reports

A. President

President Gerald Kieschnick first expressed his and his wife's appreciation for the many cards and prayers received on the occasion of the death of Mrs. Kieschnick's stepfather. He described the graveside service of thanksgiving and the words of encouragement he offered to the family. He then called attention to a number of items in his printed report (Section A, pp. 1–2, attached to protocol copy of these minutes):

- The pre-convention regional gatherings have been completed, attended by approximately 75 percent of the delegates to the 2010 convention as well as district presidents and some district vice-presidents, board and staff members, and advisory members of the Synod. He expressed appreciation for the opportunity to have such meetings, generally well-received and providing opportunity for the floor committee chairman and vice-chairman to receive suggestions for improvements to the recommendations of the Blue Ribbon Task Force on Synod Structure and Governance.
- In a telephone conference call with ELCA Bishop Mark Hanson on January 5, he invited Bishop Hanson to provide a letter of greeting to the Synod's July convention instead of personally addressing the convention, the latter thought to be "not a helpful thing." The letter will be published in convention materials.
- A January 14 meeting with leaders of the Japanese Lutheran Church continued partner church discussions regarding the ordination of women. After three such meetings, it is clear that discussions have not produced the desired result, as the Japanese church continues to move in that direction. Plans for a special convention were postponed to allow one more opportunity to discuss the implications of this decision on interchurch relationships, using the LCMS' experience with the American Lutheran Church (1969–81) as an example. The President is working with the Commission on Theology and Church Relations to determine what options may exist for continued relationships under these circumstances, given similar interest in women's ordination around the globe.
- The Siberian Evangelical Lutheran Church has expressed interest in serious conversations leading to altar and pulpit fellowship with the LCMS. The first discussion took place at the International Center on January 20.
- A February 8 conference call with the descendants of Martin Stephan provided occasion to try once again to respond to the family's concerns in a caring manner.

- Also on February 8, a video conference call with the Seminary Futures Committee continued conversations begun at the earlier Pastoral Formation Summit. Anxiety in the Synod prompted a meeting with the Board of Regents of the St. Louis Seminary and a statement addressing rumors regarding the sale of one or both seminaries. Recommendations from the summit continue to be looked at and the Board for Pastoral Education continues to do work in this area. Both seminaries are evaluating what seminary education will look like in the future, a subject that also surfaced at the pre-convention regional gatherings. It will be necessary to continue to clarify that the Synod does continue to support its seminaries.
- The malaria campaign raises the issue of "donor fatigue," a reality in our Synod with the fundraising that is underway, but it is also true that there are many people who have not participated in *Fan Into Flame* who may be touched by the campaign to stamp out malaria.
- The content and format of the recently-released book *This We Believe*, copies distributed to the directors, is intended to be a helpful tool throughout the Synod. The complete texts of resource materials referenced in the book are provided on the Web.

B. First Vice-President

First Vice-President William Diekelman "lifted up a few things" from his printed report (Section A, p. 3, copy attached to protocol copy of these minutes):

- Pledges and cash received by *Fan Into Flame* now exceed \$56 million. At present eight to ten districts are actively engaged in the campaign, ten to twelve have completed their effort, and ten districts still need to "get cooking," the latter being continually encouraged to do so.
- The action of the Board of Directors at its last meeting, encouraging the President of the Synod to keep pursuing involvement in the Lutheran Malaria Initiative, has resulted in the reorganization of the initiative. This partnership of Lutheran World Relief, the Evangelical Lutheran Church in America, and the LCMS is a partnership to do no less than eradicate malaria. Plans include asking the Synod's colleges and universities as well as congregations and youth groups to set aside April 24 to sleep outdoors (or in churches) under nets to call attention to the initiative. The Haiti earthquake may adversely affect the malaria initiative, but the plan is to go into those areas of Africa where the LCMS already has a presence in order to reduce cost. The campaign will spend no more than is received. A long-range benefit of the initiative will be to generate interest and support for human care in the next generation. A March 12 leadership summit, with representation from the LCMS, is expected to produce more information regarding the initiative.
- The January 26 meeting with Korean candidates for the ministry leaves one impressed with such dedication. These pastors, who often work without payment and support themselves with other employment, have something important to offer to the Synod. They are waiting for the Synod to launch their effort around the world, to put the Gospel front and center of all that is done.
- The Multi-Ethnic Symposium held on the St. Louis Seminary campus February 1–2 was attended by predominantly Black and Hispanic clergy, with some Native Americans and Asian Indians also in attendance. Their interest: to do more and to be used by the Synod more than they are being used at present. These groups are "edgy" right now regarding the consequences of the restructuring that is being discussed in the Synod.

C. Secretary

Secretary Raymond Hartwig called attention to his report (Section A, p. 85, attached to the protocol copy of these minutes) and specifically to the minutes from the board's November 19–20 meeting in Tampa, Florida. After brief explanation, a motion "to receive the minutes" was introduced and carried. Discussion of the printed report included the following:

- Mr. Larry Lumpe has agreed to serve for a year's time as executive director of Concordia Historical Institute (CHI). He will serve on a volunteer basis to provide opportunity for the Institute to recuperate financially from its museum relocation project. Delays in the project and the inability to find a sponsor for the museum's fifth room resulted in indebtedness that CHI intends to address aggressively in the coming year. It was noted that fundraising can be difficult for organizations such as archives. It was also noted that numbers of visitors to the museum has been satisfactory, with increases expected in months to come. The Missouri History Museum has included the CHI museum on its museum tour itinerary. CHI is also working on plans to make good use of the educational opportunity provided by the museum, an important part of CHI's responsibilities as provided in the Synod's Bylaws.
- Minutes from the two executive committee meetings recently held via conference call were
 distributed via e-mail as required by board policy. A motion "to receive and record the December
 3 and 7, 2009 executive committee meeting minutes" was introduced and carried (minutes
 attached to the protocol copy of these minutes).
- Materials for the *Convention Workbook* are being processed as they come in, as are also the nominating ballots for the presidential and vice-presidential elections. The workbook is scheduled to be distributed by the end of April.

D. Chief Administrative Officer

Chief Administrative Officer Ron Schultz called attention to his printed report (Section A, pp. 87ff., attached to protocol copy of these minutes) and called particular attention to his report of legal expenses. Expenses for the current year total \$524,555 compared to a year-to-date budget of \$264,000, resulting in a negative variance of \$259,955. He explained that KFUO legal expenses of \$292,667 "have ballooned the costs," these expenses to be repaid by proceeds from the sale of KFUO FM, costs for Washington D.C. attorneys having raised the total significantly. He also commented on the following:

- His office has been working on the Historical Documents Imaging Project. Digital versions of the 1924–2007 *Handbooks*, the 1941–2007 *Convention Proceedings*, the 1947–2007 CCM minutes (including those of its predecessor group), and the 1920–2010 Board of Directors minutes (with search capability) will be made available on a limited basis to certain commissions and officers.
- The 2010 Thrivent Churchwide Grant to be received will be significantly greater than expected, anticipated to be \$1,150,000.
- The LCMS, Inc. head count has been reduced by the board's implementation of a hiring freeze in February 2009 and the voluntary early retirement offer three months later. With the hiring freeze remaining in effect, there has been no change in the number of missionaries and international deployed staff (146) but 19 less persons are employed in the International Center or deployed in the U.S. As of January 20, 2010, there are 34 vacancies that are being left unfilled, which equates to a savings of \$2 million in salaries and benefits.
- Early consideration is being given to implications deriving from BRTFSSG recommendations, should they be adopted by the 2010 convention. A request for Thrivent funding to obtain the services of a change management consultant is being considered.
- Board of Directors appointments to the Board for Human Care Ministry and the Board for Communication Services, and appointments of LCEF members-at-large will take place at the May meeting unless the board should decide to postpone the appointments because of structure decisions coming before the 2010 convention.

Later in the meeting, the subject of the timing of the BHCM and BCS appointments in light of possible national office structure changes was again surfaced. By consensus the board agreed to follow existing policy and make the appointments during its May meeting.

Following the CAO report, Chairman Muchow reported briefly regarding his attendance at a recent meeting of the Board of Regents of Concordia Seminary and their positive response to the seminary-related action taken by the board at its November 2009 meeting. He also encouraged discussion by the Board for Communication Services with the seminaries and with the Lutheran Laymen's League regarding communication in the Synod, as both have considerable experience in doing so. And he referenced a letter from the Commission on Constitutional Matters thanking the board for its response to the commission's recommendations regarding the Board of Directors Policy Manual.

E. Vice-President-Finance—Treasurer

Vice-President–Finance—Treasurer Tom Kuchta referenced his printed report (Section A, pp. 5ff., attached to protocol copy of these minutes) and called attention to the "Schedule of Expenses Compared with Budget" (p. A 84.12), noting that the Synod's finances are currently in reasonably good condition with a favorable variance of \$521,748, this due in part to the recouping of investment losses and greater-than-anticipated bequest income approaching \$700,000. On the other hand, he also pointed out that district pledges are well below the previous year by \$728,000. If all goes as planned, the Synod should be picking up income from the KFUO sale, and the negative variance for missions (\$839,353) should be eliminated by Schwan Foundation income. Not eliminated will be the *Fan Into Flame* shortfall (\$1,021,236), likely to remain a million-dollar deficit at year's end. The end of the outside consultant contract in January will result in less cost and should make it possible to pay off \$1.2 million next year and any remaining balance in the year following.

He reported that the sizeable bequest that has been assisting with KFUO AM expenses will continue to keep the AM station in the black, with \$1.1 million remaining. The FM station has operated at a loss of \$332,000 due to loss of gifts and advertising because of publicity regarding its sale. He again called attention to the cost of fundraising for KFUO (\$203,801) compared with gifts and grants received (\$177,018).

In response to questions regarding year-end expectations, he predicted a profitable year's end with a positive \$2-3 million bottom line if the markets remain at positive levels and KFUO FM is sold. He also responded to a question regarding *Fan Into Flame* expenses, noting that sufficient unrestricted pledges have been made to cover costs but that sufficient cash has not yet been received. In response to a question regarding the use of the proceeds from the KFUO FM sale, he recalled the recommendation of the KFUO Task Force that more than fifty percent would be used to enhance the Synod's communications efforts.

The Treasurer called attention to a February 24 e-mailed letter from Paul Geidel of the LCMS Foundation, informing of an estate gift of \$240,000 designated to the "LUTHERAN CHURCH, Missouri Synod, of 1333 S. Kirkwood Road St. Louis, MO 63122-7295, for its general purposes, including Lutheran Hour Ministries." Discussion followed regarding how much of the gift should be forwarded to Lutheran Hour Ministries, given its specific mention. A motion was introduced "that after expenses, 50 percent of the gift be retained by the LCMS and 50 percent be forwarded to Lutheran Hour Ministries. After the motion carried, Roy Schmidt asked that the minutes show that he abstained from voting on the motion.

The Treasurer next called attention to the Undesignated Support Budget as his best-guess estimate of what unrestricted revenues can be expected for 2010/2011: \$20,943,000—compared to \$21,290,000 for 2009/2010 (p. A 84.41). He noted in particular the continued inclusion of bequest income in revenue projections, the lack of a Concordia Publishing House rebate (he suggested sending a letter to remind CPH of the bylaw provision that its income is to be shared with the Synod), the inclusion of an amount

(\$500,000) from the convention/national offering for unrestricted purposes, the anticipated payback from *Fan Into Flame* (\$1.6 million), and the absence of any amount from an LCEF distribution (he suggested considering calling attention to the assistance the Synod has provided to LCEF in the past). Discussion followed regarding how best to approach CPH and LCEF to encourage their sharing and distribution of some of their income with the Synod. It was agreed by consensus that an informal meeting would be the best approach.

He next called attention to the "District Pledge" list and its itemization of district pledges and contributions (p. A 84.42), noting the many cases of district shortfalls and reductions in light of, in many cases, increases in district unrestricted income and pledges (p. A 84.44), also showing the increases (totaling \$527,049) that would result if the district remitted the same percentage as the prior year (p. A 84.47). He finally also called attention to the increases that would result if districts increased their pledges so that all districts remitted at least 10% (+\$162,566), 15% (+\$931,518), and 20% (+\$2,253,742) of their unrestricted income to the national Synod (pp. A 84.48–50). He suggested that conversation with districts will be necessary, conversation not by letter but by clear communication with individual districts. Other suggestions offered included designating time at the board's May meeting to meet with representatives of certain districts, and submitting an overture to the convention addressing this concern.

Treasurer Kuchta completed his report later in the meeting, at which time he raised the issue of the number of administrative assistants employed by the Synod, noting 57 administrative assistants included in the head count of 444 persons (pp. A 84.51–53 of his report). He suggested looking into a possible reduction of staff, suggesting that the board instruct that a hard look be given to this area and that it ask for a recommendation at its next meeting. The discussion that followed produced the following resolution, formally introduced and then adopted:

Resolved, That in light of the continuing difficult external and internal economic environment, and in light of anticipated restructuring changes, the LCMS Vice-President–Finance—Treasurer and the Chief Administrative Officer take a look at staffing patterns of LCMS, Inc., including its program boards, to determine additional potential cost savings.

156. Legal Counsel Report, Treasurer Nomination, Executive Sessions Minutes

As Sherri Strand of Thompson Coburn LLP prepared to give her report, a motion "to move into executive session to receive the legal report, decide whom the board would nominate for Vice-President–Finance—Treasurer, and approve the executive sessions minutes from the board's August and November 2009 meetings" was introduced and carried.

156X. Executive Session II

After the board moved out of executive session, Chairman Muchow called on the committees of the board for their reports.

157. Committee Reports

A. Personnel Committee.

Personnel Committee Chairman Gloria Edwards reported on behalf of her committee, which spent a major portion of its February 23 meeting time reviewing the issues associated with the salaries of

executives. She called attention to Bylaw 3.2.4.1 and related human resources policy, which provide for six months full salary while rendering transitional service when the President, First Vice-President, Secretary, or Vice-President—Finance—Treasurer are not re-elected, and raised the question whether this provision should remain in place or whether a bylaw change should be suggested by the board to the convention. During the discussion, it was noted that Concordia Plan Services is conducting a review and analysis of executive structure and salaries with the thought of possibly adding another executive position. The committee will do more "benchmarking work" in preparation for the May board meeting.

The committee then introduced the following resolution containing its recommendation for salary increases which, after discussion and a minor modification by common consent, was adopted. President Gerald Kieschnick and Secretary Raymond Hartwig asked to have their abstentions recorded.

Rationale

The objective of the International Center salary administration system is to attract competent employees; retain qualified, highly skilled employees; and provide competitive incentives for performance and personal development. The system currently in place is one that provides equitable and uniform treatment for comparable positions. Under this system, there is a direct relationship between the requirements, essential functions, and responsibilities of the position, and the salary range is currently assigned by a point-factoring method of classifying positions to salary ranges.

In an effort to remain competitive with our salary ranges and the salaries paid, an annual review of the local, national, and Synod salary trends is performed. The intent of this comparison is to measure the ability of International Center employers to compete within the Synod structure and the local non-profit job market for employees and to fairly compensate staff. Among the resources used in this study:

- Compensation Resources and the Christian Leadership Alliance's publication *Compensation Survey Report for Christian Organizations* 2009;
- Compensation Data 2009 Missouri;
- Concordia Plan Services' 2009 "Congregation Salary Analysis";
- Salary analysis of 200 highest-paid parish pastors and the 200 highest-paid institutional executives enrolled in the Concordia Plan Services;
- Salary data provided by Concordia Publishing House and Lutheran Hour Ministries;
- The 2009 "LCMS District Salary Survey"; and
- Various compensation surveys gathered and analyzed in conjunction with The American Association of Industrial Management (AAIM) and used along with the above-mentioned resources to identify the local and national trends relevant as support data for the salary increase recommendation for IC employees in the next fiscal year.

Trends Seen in Salary Budget and Salary Range Forecasts

Key trends and data points seen in the salary analysis are:

- The average increase in budget proposed in mid-2009 by St. Louis and other Missouri employers was 2.9 percent, but a number of employers continued to adjust their salary increase budgets in late 2009 due to continued uncertainty with regard to economic conditions;
- Concordia Publishing House has reported an anticipated 3 percent average salary increase budget for 2010, while Lutheran Hour Ministries projected a salary increase of 2.75 percent for its coming fiscal year (projected as of October 2009); and
- Through September 2009, the median increase projected by LCMS districts was 1.8 percent.

In 2006, the Board of Directors adopted the following compensation policy:

At the International Center of the LCMS, our compensation philosophy is simple: In striving to be good stewards of the dollars entrusted to us, we shall pay fair salaries in a fashion which rewards performance in order to be able to attract, motivate, and retain employees.

The term "fair" shall be interpreted as fair pay based upon the role within corporate Synod, striving to pay at or within ten percent of the market value for the job held (using not-for-profit standards to define the market value) and the incumbents performance in the position.

The top paid 150 parish pastors and the top paid 150 institutional executives shall be used as a guideline for the placement of the Class 6 executive directors of the program boards and commissions, with some being higher and some being lower.

Therefore be it

Resolved, That effective March 1, 2010, the salary ranges be adjusted by approximately 2.5 percent to reflect compliance with the 2006 Board of Directors philosophy of using the average of the 150 top paid parish pastors and the 150 top paid institutional executives as the basis for the Class 6 midpoint, with the remainder of the salary scale adjusted accordingly as detailed in the attached report; and be it further

Resolved, That the "salary increase budget" for 2010/2011 (FY11) be set at two percent, with distribution at the discretion of each corporate organization; and be it finally

Resolved, That the bonus budget for FY11 be set at zero percent of the FY11 salary budget.

B. Audit Committee

Audit Committee Chairman Curtis Pohl reported on behalf of his committee, with positive comments on the status/results of corporate entity audits throughout the Synod. He identified four "open items" that the committee continues to discuss: (1) audit engagement letters; (2) delinquent district audit reports; (3) the purchasing card audit; and (4) review of key officer and employee expenses.

He also reported that the committee reviewed the Internal Audit Department's performance report and noted that the department is on target to meet its 2009/2010 objectives. The committee also reviewed and, after adding "a review of LCMS officer and key employee expense reports," approved the department's objectives for 2010/2011.

Finally, he also reported that the Vice-President–Finance—Treasurer and Chief Accountant are presently reviewing and discussing with the external auditors the proper accounting treatment in the Synod's financial statements of the sale of KFUO FM and the consolidation of one or more of the Synod's international schools. (A copy of the Audit Committee Report is attached to the protocol copy of these minutes.)

C. Policy Review Committee

Policy Review Committee Chairman Kurt Senske reported that his committee has begun looking at Section 5.8 of the board's Policy Manual and will work at simplifying its content. He also reported that, in light of possible restructuring changes, his committee sees this as a good opportunity to look at the job

descriptions of the Chief Administrative Officer and the Chief Financial Officer and is coordinating its efforts with the board's Personnel Committee.

D. <u>Task Force on Synod Harmony</u>

In Betty Duda's absence, Roy Schmidt called attention to the "Progress Report of the Task Force on Synodical Harmony" and highlighted key elements in the report. President Kieschnick expressed appreciation for the report and suggested two changes already agreed upon by the Council of Presidents. Those same changes were approved by the board by common consent. A motion was introduced "that the Board of Directors express its appreciation to the task force for its progress report and agree that the report be published in the 2010 *Convention Workbook*." After discussion, the report, as follows, was adopted.

Progress Report of the Task Force on Synodical Harmony

Introduction

The 2007 national convention of The Lutheran Church—Missouri Synod adopted Res. 4-01A:

Resolved, That the Council of Presidents and Board of Directors as elected leaders of the Synod be given the responsibility to initiate a specific plan for the sake of the whole church to restore harmony in our Synod; and be it further

Resolved, That they bring together a representative group of respected leaders throughout this church for a summit, and that at the end of this summit these church leaders present to the Council of Presidents and to the Board of Directors a strategy toward harmony that demonstrates how this great church body can provide a Godpleasing witness of our confession and practice; and be it finally

Resolved, That the product of their coming together honor the Scriptures and Confessions and dishonor the work of Satan that diverts us from the "way of the Lord."

In response to this resolution the Council of Presidents and Board of Directors chartered a group of twelve leaders in the Synod with the task of recommending "a strategy for harmony." Three of these leaders came from the Council of Presidents, three from the Board of Directors, and six from the church at large. This group of twelve constitutes the Task Force on Synodical Harmony.

Early in our work, the task force members realized that we needed a common language for communication with the church and with one another. Three concepts that kept reappearing in our conversations were *unity*, *concord*, and *harmony*. We often used them interchangeably with some confusion and miscommunication. It was extremely helpful in our work to develop a clear definition for each of the concepts. These can be summarized below:

- *Unity*: The oneness that all believers in Christ have with each other through Spirit-given faith in Jesus created through the means of grace. "There is one body and one Spirit—just as you were called to the one hope that belongs to your call—one Lord, one faith, one baptism" (Eph. 4:4). This unity cannot be seen by human eyes, but we confess it by faith: "I believe in one holy Christian and apostolic church" (Nicene Creed).
- Concord: The oneness that believers in Christ seek to manifest and express in their confession of the Gospel and "all its articles" (FC SD X, 31). The church's unity as confessed in the Creed is a "given." Concord in doctrine and confession is a goal that we "strive to maintain" (Eph. 4:3) by God's grace on the basis of His Word. St. Paul

- urges the Christians at Corinth—and us—to speak the same thing, to avoid divisions, and to be perfectly united in the same mind and judgment (1 Cor. 1:10–11). The Book of Concord sets forth what we in the LCMS continue to affirm without qualification as a "single, universally accepted, certain, and common form of doctrine," drawn from the Word of God, that bears faithful witness to the oneness of doctrine and confession that serves as the basis for true concord in the church.
- *Harmony*: The oneness that believers in Christ seek to manifest and express in their life together as God's people. Paul urges those who are united in Christ and who seek to manifest that unity through concord in doctrine and confession to be eager to maintain this unity "in the bond of peace" (Eph. 4:3). He reminds the Christians at Corinth that Christ-like attitudes and behavior are crucial to their efforts to maintain doctrinal concord (1 Cor. 13). Above all, says Paul in Colossians, "put on love, which binds everything together in perfect harmony" (Col. 3:14). "Paul urges that there be love in the church to preserve harmony...lest the church disintegrate into various schisms and lest enmities, factions and heresies arise from such schisms" (Ap IV, 232).

In summary, *unity* focuses on our oneness with Christians everywhere by grace through faith in Jesus Christ. *Concord* focuses on our oneness in doctrine and practice. *Harmony* focuses our life together in Christ to be characterized by Christ-like attitudes, particularly love. These definitions helped us focus on a biblical understanding of harmony and its relationship to unity and concord.

Task force members also reached some initial conclusions as we considered our charter. These observations were foundational for our work:

- While we will look at what divides and alienates us from one another, we must not ignore the abounding grace of God among us. God's people still gather around the Word and the Sacraments to be graced with His forgiveness and together move forward in God's mission in the world. The treasure of the church is still ours the glory and grace of the Gospel of Jesus Christ.
- While disharmony in the Synod is nothing new (an undercurrent of quarrelling, rumor, and unkind words being present through most of our Synod's history), in recent years it has deepened to the point of being destructive of both our unity in Christ and our concord in doctrine and practice.
- We are convinced that until we find a way to speak and to listen to one another in love, little hope exists for moving toward greater concord in doctrine and practice. Luther's insight is compelling: "Where there is no love, there doctrine cannot remain pure" (LW 24, 244).
- We also believe that conflict can be a blessing in the church. Historically, the church has taken quantum leaps out of its conflicts. The debate at the Jerusalem Council clarified the church's doctrine of salvation and united her in mission. The Arian conflict of the fourth century led to a trinitarian confession in the Nicene Creed. The conflict over justification in the sixteenth century led to the Reformation and the Lutheran Confessions. Closer to home, the LCMS conflict of the 1970s yielded a church with a more clearly defined theology of the authority of the Scriptures.
- Disharmony in the LCMS is not just about what we say and what we do with one other; it is about the way we are with one another. It is a concern for our character as Christians who share a common loyalty to the Scriptures and the confessions and to walking together as a synod.

Process

Res. 4-01A directs the following: "*Resolved*, That [the Council of Presidents and Board of Directors] bring together a representative group of respected leaders throughout this church for a summit." With the approval of the Council of Presidents and Board of Directors, task force members proceeded to extend the number of "respected leaders" beyond themselves. The "summit" of Res. 4-01A would become a process of listening to voices from across the Synod.

The task force sought to listen to what we perceive to be a representative group of LCMS leaders. Each of these leaders was invited to make a presentation to the twelve-member task force, responding to the question: "What do you suggest as a strategy toward greater harmony in the LCMS?" Presenters were given 20 minutes for their presentation, followed by 30–40 minutes of conversation with the task force. Each of the 29 presenters appeared alone with the task force members and was given assurance of the anonymity of their presentation. We express our gratitude to them for their preparation, time, and wisdom.

These presentations were made in St. Louis, September 2–3 and October 28–29, 2009. Each presentation was transcribed verbatim for members of the task force, who in turn individually summarized in writing what we had heard from the presenters. These summaries provided invaluable perspectives on the disharmony present in Synod. From these presentations and summaries, the task force identified key aspects of our Synod's disharmony.

Aspects of the Present Disharmony in Synod

Below are the seven aspects of disharmony in the LCMS that the task force heard in the process detailed above. The descriptors are not presented in any rank order of importance.

- 1. Inability to Deal with Diversity. While most (not all) presenters agreed that our church is blessed with amazing concord in matters of doctrine, all recognized that we see diversity among us in practices. These practices relate to such issues as; admission to Holy Communion, worship substance and style, the Office of the Public Ministry and the role of laity, and the service of women in the church. Some of these practices are closely tied to our doctrinal beliefs—hence a concern among some of our presenters about unhealthy "doctrinal diversity" in the Synod. Others are simply a matter of tradition and preference. Holding high the values of preserving uniformity and tradition, we have not learned how to address diversity among us—whether it is perceived to be "doctrinal" or "non-doctrinal." The same difficulty with diversity is apparent in the lack of inclusion in leadership positions experienced by women, ethnic minorities, and the young.
- 2. A Lack of Civility. Simple Christian virtues like kindness and gentleness are often lacking in our dialogue, especially among LCMS clergy. Rumors, sarcasm, and satire characterize much of our conversation over our differences. At times there is an actual breach of the commandments as lies and slander seem to become the expected behavior among us. Reflecting the same incivility we see in the political world today, our church has conformed to the world's standards of character and conduct when confronting our differences. Paul's descriptive words in 1 Corinthians 1:3 seem especially appropriate here: "You are still worldly. For since there is jealousy and quarreling among you, are you not worldly? Are you not acting like mere men?"
- 3. A Politicized Culture. National and some district conventions have become more politically charged than ever. Political lists have become the norm. The LCMS is becoming a denomination of parties, each seeking to elect its own candidates as leaders. In recent decades, the parties in power are perceived to proceed with a "scorched earth" policy, totally disenfranchising the losing party. Rather than valuing

- all the voices in the LCMS, the "losing" voices are silenced until they can amass enough votes to gain power and do the same to the other party. Helpful here is Jesus' description of "the rulers of the Gentiles who lord it over them" (Matt. 20:25).
- 4. *Primarily a Clergy Problem.* Repeatedly, the task force heard that the problem of disharmony in the LCMS is primarily a clergy problem. Certainly lay people have participated in our Synod's disharmony as well, but pastors seem to be in the forefront of practices and attitudes unbefitting God's people. While some clergy may contend that "anything goes" when fighting for truth, such an approach ignores both our unity and concord as Christians and as confessional Lutherans. Is there something in the personality of some of our pastors that brings on an attitude of judgment, criticism, and elitism toward other pastors? Is there something lacking in pastoral formation at our seminaries that allows pastors to enter the ministry with little appreciation for collegiality and mutual encouragement? The apostle Paul counsels the young pastor Timothy: "And the Lord's servant must not quarrel; instead, he must be kind to everyone, able to teach, not resentful. Those who oppose him he must gently teach in the hope that God will grant them repentance leading them to a knowledge of the truth" (2 Tim. 2:25–26). Have many of our clergy lost their confidence that gentle teaching from the Word is the way to truth?
- 5. Poor Communication across "Party Lines." Though some progress has been made through theological convocations in recent years, we still seem unable to communicate well across the lines that divide us. We have lost the ability or the will to listen. We also balk at true transparency, often failing to speak the truth in love with one another (Eph. 4:15), a sign of spiritual immaturity. The task force is eager to find ways by which healthy communication can happen among us. Whatever process may be developed, it must be centered in the Word and the Sacraments, prayer, and confession and absolution.
- 6. Lack of Accountability. Pastors causing disharmony by sinful attitudes and behaviors must be held accountable. Currently no code of conduct exists for LCMS pastors, especially as it relates to collegiality and public behavior. With no standards for reference, it becomes difficult to hold one another accountable. No matter the person's "party" within the Synod, there must be consequences for sinful behavior. District presidents and circuit counselors, who serve as ecclesiastical supervisors in our Synod, have this responsibility and must exercise it. They must admonish, teach, encourage and model "churchmanship." Where lay people are concerned, local pastors and elders are responsible for this accountability.
- 7. *Distrust*. The product of the above is a deep distrust among clergy. The years of many pastors spending a decade together in pastoral formation are gone. Pastors don't get to know each other as they did in the past. Even within circuits they have little contact with one another's families. This distancing of clergy and years of politicization have led to a damaging distrust, which makes communication and a commitment to civility very difficult. The task force is eager to recommend ways by which trust can be built or enhanced among both clergy and lay people.

Next Steps

The task force intends to continue working to develop specific strategies which address these aspects of disharmony in the LCMS. Presentations before the task force included not only these aspects of disharmony but also suggestions to move us toward greater harmony.

As the task force continues to meet, we will ultimately present a plan to the Council of Presidents and the Board of Directors. It is our prayer that the strategies identified will

enable us to "make every effort to keep the unity of the Spirit through the bond of peace" (Eph. 4:3).

Surely our unity in Jesus Christ and our concord in doctrine are treasures to be cherished and preserved. And surely God's mission on earth unites us in a common cause with eternal consequences. May the harmony we share as we walk together increasingly enhance our unity and concord for the sake of God's mission.

Members of the Task Force for Synodical Harmony

Paul Sieveking, Chair (Council of Presidents)
Ken Hennings (Council of Presidents)
Dean Nadasdy (Council of Presidents)
Kermit Brashear (Board of Directors)
Betty Duda (Board of Directors)
Roy Schmidt (Board of Directors)
Wally Arp (At Large)
Tom Cedel (At Large)
Eloy Gonzalez (At Large)
Joel Lehenbauer (At Large)
Linda Reiser (At Large)
Glen Thomas (At Large)

158. Wittenberg Project Update

Samuel Nafzger, spokesman for the Wittenberg Project and chairman of the Supervisory Board of International Lutheran Society of Wittenberg gGMBH (ILSW), thanked the board for the opportunity to provide an update on the project and offer a proposal. He summarized orally a printed status report provided to the board (attached to the protocol copy of these minutes), speaking of the project as "a new opportunity to reach literally tens of thousands of people each year with the Gospel of Jesus Christ ... in a way that is engaging, compelling, clear, and easily understandable." He added, "The way we can do this is through an exciting, modern attraction there that people will *want* to visit—a "museum" (for lack of a better word) that offers interactive, multi-media presentations of the Gospel-centered, Christ-centered theology of Dr. Martin Luther."

After briefly reviewing the history of the project, he spoke of a teleconference meeting with Bart Dohmen, the European director of BRC Imagination Arts, a California-based firm that has developed projects worldwide that includes the Abraham Lincoln Presidential Museum in Springfield, Illinois. He learned that the initial phase of museum development, the "vision phase," sets the direction for future work, including fundraising and, in this case, discussions with government officials.

BRC therefore recommends a professional feasibility study, conducted by a separate firm, to cover such matters as expected number of visitors, impact on the local economy, and a basic financial model for operation of the museum. BRC representatives, after visiting Wittenberg and inspecting the building, offered the following comments:

We were both impressed by the potential of this place. Before we came we already saw a great potential in the subject [Luther], but knowing now the situation and the building, we got even more enthusiastic.

As we mentioned, the building has some challenges, but more important: It has a lot of possibilities to do something world class also.

The project's managing director, David Mahsman, has discussed the museum idea in general terms with select individuals in Wittenberg, one of them an architect who was impressed by the work done by BRC, who in turn contacted a prominent government official to arrange a meeting to discuss possible financial assistance.

ILSW Supervisory Board Chairman Nafzger, speaking of the "Wittenberg Project" as "a brilliant idea that has not [until now] been well executed," also spoke of important benefits to be derived from the project, to include but not be limited to:

- It offers a means for presenting the Gospel to tens of thousands of people each year, especially to German visitors (the nearby *Lutherhaus* museum currently receives more than 70,000 visitors per year and the Castle Church [only blocks away] 200,000 visitors).
- A museum offers a platform for developing other ways (conferences, symposia, etc.) to present and promote biblical, confessional Lutheran theology.
- An attraction such as this provides a very visible presence in Wittenberg, one that creates a positive identity for the LCMS, SELK, and confessional Lutheranism worldwide.
- This project could be a focus of considerable interest on the part of LCMS church members.

He concluded his report by estimating that a feasibility study such as is being recommended would cost around \$140,000. Later in the meeting when the board again took up the matter, Vice-President—Finance—Treasurer Tom Kuchta, also a member of the ILSW Supervisory Board, provided introductory comments prior to a resolution being introduced to move forward with the feasibility study. During extended discussion, a motion to amend was introduced "that the current resolve become the second resolve, and that the first resolve read: 'that the Board for Mission Services and the Board for Human Care Ministries be requested to ask for \$100,000 from the Thrivent bloc grant' and that the new second resolve be changed to read 'that the Board of Directors approve an expenditure not to exceed \$50,000 from the contingency account to be used for a vision and feasibility study for the ILSW.'" The motion to amend was carried.

During discussion of the amended resolution, a motion was introduced to amend the resolution to add "that this decision is made with the understanding that further future funding for the project will need to be forthcoming from sources other than the undesignated funds budget of the LCMS Board of Directors." After the motion to amend was carried and the amended resolution was adopted, the Vice-President–Finance—Treasurer of the Synod was authorized "to carry out this action the best way he knows how."

The resolution as amended and adopted follows:

WHEREAS, The Board of Directors of the Synod has concluded that the Wittenberg Project is a Synod-wide opportunity; and

WHEREAS, Managing Director David Mahsman's report to the Supervisory Board of International Lutheran Society of Wittenberg gGMBH (ILSW) recommends that the building be used as an interactive museum; and

WHEREAS, The ILSW board believes it necessary to conduct a vision and feasibility study in order to develop a business and fundraising plan; and

WHEREAS, The ILSW board adopted a resolution to undertake a vision and feasibility study for a museum, contingent upon obtaining the funds; and

WHEREAS, The commitment of Concordia Publishing House, the Board for Human Care Ministries, and the Board for Mission Services of \$140,000 to ILSW will be used to fund partially the operating budget of ILSW of \$177,000; therefore be it

Resolved, That the Board for Mission Services and the Board for Human Care Ministries be requested to ask for \$100,000 from the Thrivent bloc grant; and be it further

Resolved, That the Board of Directors approve an expenditure not to exceed \$50,000 from the contingency account, to be used for the vision and feasibility study requested by the ILS; and be it finally

Resolved, That this decision be made with the understanding that further future funding for the project will need to be forthcoming from sources other than the undesignated funds budget of the LCMS Board of Directors.

159. Partner Meeting: Lutheran Hour Ministries

Chairman Muchow welcomed Lutheran Hour Ministries Executive Director Bruce Wurdeman, who, in turn, named his leadership team: Rev. Ken Klaus, Lutheran Hour Speaker; Dr. Scott Larson, U.S. Ministries Director; Larry Pritchett, Ministries Services; Harold Melser, Ministry Advancement; and Phyllis Wallace, host of *Woman to Woman*. (The International Ministries Director position is vacant at the present time.) He provided a PowerPoint presentation that zeroed in on LHM's four primary areas of ministry:

- 1. <u>The Lutheran Hour</u>, today broadcast over 963 U.S. radio stations, with more than 600,000 listeners weekly. He emphasized that *The Lutheran Hour* goes where churches can't/won't go, including nursing homes, prisons, truck cabs, hospitals, and the lives of those who have left the church.
- 2. <u>International Ministries</u> use media to generate responses, enroll respondents in Bible correspondence courses, and partner with local church bodies to follow up on correspondence course enrollees. With a St. Louis staff consisting of a director and assistant director, and area counselors in Latin American, Africa, Asia, and Europe, indigenous workers in 31 offices handle 546,000 responses each year, enrolling 200,000 to 250,000 people in Bible correspondence courses.
- 3. Men's Network, begun only recently (2008–2009) currently has registered 2,765 LCMS and 750 other congregations in 49 of the 50 states. An Internet ministry, it features Bible studies, the *Baloney Shop*, and helps for men's ministry, including fellowship opportunities, retreats, a forum, and other "man stuff." To date, nine Bible studies have been prepared, of which 2,349 have been ordered and 2,545 have been downloaded.
- 4. <u>Woman to Woman</u> is a half-hour talk show featuring Phyllis Wallace, recently brought back and enjoying renewed popularity. It is carried over 301 radio stations with 75,000 listeners each week.

Executive Director Wurdeman expressed words of appreciation for the LHM staff, "a dedicated, gifted leadership team," and for the increasingly solid financial footing the LLL is experiencing that includes a growing donor base. With income up and expenses down, LHM was able to pay off a \$4.5 million line-of-credit loan in a little more than a year's time. He also noted some of the challenges his organization is facing:

- Maintain focus on the mission
- Continue to grow the donor base
- Locate major donors
- Pay off another \$3 million in debt on its building
- Finding a new Lutheran Hour Speaker
- Finding the right International Director
- Telling the story ever better

- Working increasingly closely with LCMS entities without losing identity
- Selecting the best of many doors open to LHM

And, before answering questions from the Board of Directors, he also noted some of the opportunities and "New Things on the Horizon":

- Instead of annual conventions, the LLL will meet in convention biennially, with regional conferences during intervening years
- More deployed staff
- A closer working relationship with LCMS congregations
- A 2012 TV Special
- An expanded international ministry
- A possible new format for The Lutheran Hour broadcasts
- A possible new format for Woman to Woman broadcasts
- An expanded Men's Network ministry
- A women's ministry coordinated with the Lutheran Women's Missionary League

160. "Ends" Discussion

Dr. Lynn Walker continued leading the board in a discussion of a revision of the "ends" section of its policy manual. His initial time on the agenda of the meeting was used for an extensive discussion of the possible use of Constitution Art. III "Objectives" of the Synod as a guide to determine the board's ends.

This discussion was continued over one of the board's lunch hours, at which time the board reached the conclusion that it is the mission statement of the Synod that is the ends statement of the Board of Directors as it conducts the business of the Synod between conventions. This statement will therefore be used more visibly and intentionally by the board as its ends statement as it goes about its varied responsibilities for the business, property, and legal matters of the Synod:

In grateful response to God's grace and empowered by the Holy Spirit through Word and Sacraments, the mission of The Lutheran Church—Missouri Synod is vigorously to make known the love of Christ by word and deed within our churches, communities, and world.

161. Hong Kong International School

LCMS World Mission Executive Director Tom Zehnder reported that he, Associate Executive Director David Birner, and Board for Mission Services Chairman Kermit Almstedt traveled to Hong Kong to attempt to alleviate the tension that has recently developed with the board of Hong Kong International School. He described the discussions that took place and the membership of the search committee of six persons that has been put in place to identify a proper candidate to serve as the head of the school. Ongoing plans include a probable second trip to Hong Kong in May to continue to build relationships with the school's leaders as well as the larger school community.

Following discussion of his report, a motion "to move into executive session" was introduced and carried.

161X. Executive Session III

After the board exited executive session, the chair called on Walter Tesch for a KFUO FM project update.

162. KFUO FM Project Update

KFUO FM Committee Chairman Walter Tesch called on committee member Kermit Brashear to assume the presenter's chair to provide the committee's report. He reported that the KFUO FM asset purchase agreement transaction continues to pend before the Federal Communications Commission (FCC) and the parties are awaiting approval. The application was filed and then opposed, as permitted by process. Because of opposition, efforts to retain HD capacity for transition of the Classic 99 format to a HD translator were dropped to nullify the technical aspect of an objection. He reported also that it is not known when the transaction will be approved by the FCC.

A motion "to move into executive session" was introduced and carried to discuss sensitive information pertaining to the sale.

162X. Executive Session IV

After the board exited executive session, a resolution was introduced to publish a February 2009 Board of Directors resolution related to KFUO FM. Discussion resulted in the introduction of a motion "to re-enter executive session," which was carried.

162XX. Executive Session V

Upon again moving out of executive session, the board discussed and then adopted the following resolution:

WHEREAS, The Board of Directors adopted a resolution regarding KFUO FM in executive session during its February 2009 meeting; and

WHEREAS, The minutes of executive sessions are treated as confidential and are not published with the minutes of meetings; and

WHEREAS, In October 2009, the LCMS entered into an asset purchase agreement with Gateway (Joy) to sell and transfer the KFUO FM license to Gateway; and

WHEREAS, Petitions were filed with the FCC objecting to the transfer of the KFUO FM license to Joy, and issues have been raised concerning the resolution of the board in February 2009; and

WHEREAS, The board believes that it is in the best interest of the LCMS to publish the February 2009 resolution regarding KFUO FM; therefore be it

Resolved, That, because the board believes it to be in the best interest of the Synod to publish the February 2009 resolution related to KFUO FM adopted in executive session and because in this case there are important business and legal reasons to make an exception to the policy of not publishing any portion of executive session minutes, the board hereby authorizes the publication of the February 2009 resolution.

That portion of the executive session minutes is therefore published:

"Resolved, That the Board of Directors of The Lutheran Church—Missouri Synod does hereby delegate to and authorize the KFUO Committee of the board, as presently constituted, in

its sole and absolute discretion, to take any and all actions of whatsoever kind or nature, without limitation, for and on behalf of the board, in its place and stead, with regard to KFUO FM which it deems necessary and appropriate, consistent with the best interests of the Synod, including but not limited to disposing of some or all, or none thereof; and be it further

Resolved, That the KFUO Committee is authorized to retain the services of Brashear, LLP to perform any legal services related thereto; and be it finally

Resolved, That the Treasurer of the Synod work in concert with Brashear, LLP through the process."

163. Action Items

A. To Thank Concordia Publishing House for Donation of Publishing and Mailing Services

Chief Administrative Officer Ron Schultz reported that Concordia Publishing House (CPH) donated the publishing and mailing costs associated with the final report of the Blue Ribbon Task Force on Synod Structure and Governance (BRTFSSG). The following resolution was introduced and adopted as proposed, without discussion:

Resolved, That the Board of Directors express its sincere appreciation to CPH for its willingness to support the work of the BRTFSSG by donating approximately \$42,000 in printing costs to publish and mail the task force's final report.

B. To Recognize and Give Thanks for the Service of Merle Freitag

Chief Administrative Officer Ron Schultz called attention to the recent retirement of Merle Freitag as President of the Lutheran Church Extension Fund—Missouri Synod. The following resolution was introduced and adopted as presented, without discussion:

WHEREAS, On January 15, 2010, Mr. Merle Freitag retired from his position as the President of the Lutheran Church Extension Fund—Missouri Synod (LCEF); and

WHEREAS, During his eleven-plus-year tenure, LCEF experienced significant growth and support, as total assets rose 84 percent to \$1.8 billion and investments increased 123 percent to \$1.57 billion; and

WHEREAS, LCEF has more dollars at work for LCMS ministries than ever before, with a current portfolio of more than \$1.5 billion in loans to congregations, schools, and rostered church workers; and

WHEREAS, Mr. Freitag helped expand LCEF's ministry services offerings (such as Laborers For Christ, Capital Funding Services, and "Consecrated Stewards") and introduced new products (such as the Rostered Church Worker Loan program, the interest-bearing StewardAccount®, and the related Family Emergency and FlexPlus Health Savings Account) in order to help meet the needs of the Synod and its members; therefore be it

Resolved, That the Board of Directors, on behalf of the 2.5 million members of the LCMS, give thanks to Almighty God for the service of Mr. Merle Freitag on the occasion of his retirement from full-time service in the Synod; and be it further

Resolved, That the Board of Directors also recognize and give thanks for the 32 years of military service of Lieutenant General Freitag (U.S. Army, Ret.) and his years of service to the American Red Cross; and be it finally

Resolved, That the Board of Directors, on behalf of the members of the LCMS, offer its thanks to Mr. Freitag for his eleven years of service as the President of LCEF and for his service in numerous other positions and activities for and on behalf of the Synod at the district and local levels.

C. To Adopt Endowment Investment Policy

During previous board meetings, Vice-President–Finance—Treasurer Tom Kuchta presented preliminary reports and drafts of endowment investment policies. Changes have been made most recently to include discussion of how the LCMS Foundation conducts its investment activities. Upon recommendation of legal counsel, he presented the policies for consideration and adoption by the board.

After brief introduction by the Treasurer, the following resolution to establish an Endowment Investment Policy was adopted as presented:

Resolved, That the LCMS Board of Directors adopt the following Endowment Investment Policy:

The Lutheran Church—Missouri Synod Endowment Investment Policy

Specific Standards in Managing Funds

- 1. All endowment funds investments will be invested in the LCMS Foundation in the following proportions:
 - a. 40% in either Standard Fund-Fixed Income or Mortgage Pool Fund
 - b. 60% in Standard Fund-Equity
- 2. The Treasurer of the Synod is responsible for all investments of the Synod and should review the investment allocation periodically and should make recommendations for changes if necessary.
- 3. All new investments will be invested in the LCMS Foundation in the latest percentages approved by the Treasurer of the Synod.
- 4. At least annually, the Treasurer will review the endowment investments in order that their market value is in compliance with the percentages established above.

General Standards in Managing Funds

- 1. Subject to the intent of a donor expressed in a gift, the Synod, in managing and investing endowment funds, shall consider the charitable purposes of the Synod and the purposes of the endowment fund.
- 2. Each person responsible for managing and investing an endowment fund shall manage and invest the fund in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances.
- 3. In managing and investing an endowment fund, the Synod: (a) may incur only costs that are appropriate and reasonable in relation to the assets, the purpose of the Synod, and the skills available to the Synod; and (b) shall make a reasonable effort to verify facts relevant to the management and investment of the fund.
- 4. The Synod may pool two or more endowment funds for the purposes of management and investment.
- 5. Except as otherwise provided by a gift instrument, the following rules shall apply:
 - a. In managing and investing an endowment fund, the following factors, if relevant, shall be considered:

General economic conditions:

The possible effect of inflation or deflation;

The expected tax consequences, if any, of investment decisions or strategies;

The role that each investment or course of action plays within the overall investment portfolio of the fund;

Other resources of the Synod;

The needs of the Synod and the fund to make the distributions and to preserve capital; and

An asset's special relationship or special value, if any, to the charitable purposes of the Synod.

- b. Management and investment decisions about an individual asset shall not be made in isolation but in the context of the endowment fund's portfolio of investments as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the fund and to the Synod.
- c. Except as otherwise provided by law, the Synod may invest in any kind of property or type of investment consistent with law.
- d. The Synod shall diversify the investments of an endowment fund unless the Synod reasonably determines that because of special circumstances the purposes of the fund are better served without diversification.
- e. Within a reasonable time after receiving property, the Synod shall make and carry out decisions concerning the retention or disposition of the property or to rebalance a portfolio in order to bring the endowment fund into compliance with the purposes, terms, and distribution requirements of the institution as necessary to meet other circumstances of the institution and the requirements of this policy.

Ability to Delegate Management and Investment Functions

Subject to any specific limitations set forth in a gift instrument or law, the Synod may delegate to an external agent the management and investment of an endowment fund to the extent that the Synod deems prudent under the circumstances. In connection with such delegation, the Synod shall exercise care in: (1) selecting the agent; (2) establishing the scope and terms of the delegation consistent with the purposes of the Synod and the endowment fund; and (3) periodically reviewing the agent's actions in order to monitor the agent's performance and compliance with the scope and terms of the delegation.

The Synod may delegate management and investment functions to its committees, officers, or employees.

Release or Modification on Management, Investment, or Purpose of a Donation

If a donor consents in writing, the Synod may release or modify, in whole or in part, a restriction contained in a gift instrument on the management, investment, or purpose of an endowment fund. In addition, if deemed appropriate, the Synod may seek the release of such a restriction to the extent permitted by law.

D. To Adopt Endowment Spending Policy

During previous board meetings, Vice-President–Finance—Treasurer Tom Kuchta presented preliminary reports and drafts of endowment spending policies. Upon recommendation of legal counsel, he presented the policies for consideration and adoption by the board.

After brief introduction by the Treasurer, the following resolution was adopted as presented:

Resolved, That the LCMS Board of Directors adopt the following Endowment Spending Policy:

<u>The Lutheran Church—Missouri Synod</u> Endowment Spending Policy

Objectives

- 1. To provide a stream of income for current operations derived from endowment investments that is reliable, predictable, and not subject to the wide swings in investment returns that make up an average rate of return.
- 2. To increase the endowment investment portfolio every year by approximately the rate of inflation.
- 3. To increase this revenue stream every year, when possible by approximately the rate of inflation.
- 4. To balance the amount of investment return expended for current operations and reinvestment in such a manner as to provide equitably for both current and future needs of the organization.
- 5. To act in accordance with Generally Accepted Accounting Principles and applicable laws.

Policy

- 1. All endowment funds investments should be in accordance with the Synod's investment policy and the respective earnings are subject to the endowment spending policy. Endowments containing restrictive investment language will be excluded from the policy and invested in accordance with the donor's directions.
- 2. Investment returns or earnings consist of interest, dividends, and realized and realized gains or losses.
- 3. All permanently restricted endowments will be recorded and maintained at the original value of an endowment gift when the gift was made to the Synod.
- 4. Subject to the intent of a donor expressed in the gift instrument, the Synod may appropriate for expenditure or accumulate so much of an endowment fund as the Synod determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless otherwise stated in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Synod. As a general rule, as long as endowment investments are underwater (market value of endowment investments are below the original value of the endowment gift) there will be no distribution of earnings or appropriation to fund expenditures.
 - In making a determination to appropriate or accumulate, the Synod shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors: (1) the duration and preservation of the endowment fund; (2) the purposes of the Synod and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the Synod; and (7) the investment policy of the Synod.
- 5. In July, October, January, and April, the Synod will prepare a net assets released journal entry from temporarily restricted net assets to unrestricted net assets equivalent to 1.25% of the endowment investments value at the beginning of the fiscal year to fund the qualified expenses (purpose restrictions are met) as instructed/restricted by the donors. The endowment spending rate is determined to be at 5%.
- 6. Annually, the Treasurer of the Synod in cooperation with the executive director of accounting will review the spending rate to determine whether it is still applicable or whether adjustments/changes need to be made after evaluating the rate of investment returns and the

- budget request by the program boards. They will also review the policy to determine whether it is still in compliance with Generally Accepted Accounting Principles and applicable laws.
- 7. For a gift to be considered to limit the authority of the Synod to appropriate for expenditure or accumulate, a gift instrument must specifically state the limitation. Terms of a gift instrument designating a gift as an endowment, or a direction or authorization in the gift instrument to use only "income," "interest," "dividends," or "rents, issues, or profits," or "to preserve the principal intact," or words of similar import (1) create an endowment fund for permanent duration unless other language in the gift instrument limits the duration or purpose of the fund and (2) do not otherwise limit the authority to appropriate for expenditure or accumulate.

164. Partner Visit: Board for Communication Services

Chairman Muchow welcomed Board for Communication Services (BCS) Chairman Dennis Claus and BCS Executive Director David Strand, who outlined the three-fold purpose for their presentation: (1) To share ideas regarding the future of LCMS communications; (2) to speak of possible uses for available funds from the sale of the KFUO FM; and (3) to respond to questions from the Board of Directors.

The BCS chairman began his presentation with a question for the board: "How would you rate communications from corporate Synod to its constituents, including ordained and commissioned ministers, congregation leaders, people in LCMS pews, other LCMS entities, non-LCMS Christians, and the public at-large?" He also asked board members to consider why they voted as they did. Noting that the questions were rhetorical to call attention to this important subject for the Synod, he offered the following presentation.

The fact that no one has answers to this question is a serious business problem, since the LCMS invests significant resources into communications but has no substantive data regarding its effectiveness. Quoting George Bernard Shaw, "The major problem with communication is the illusion that it has occurred," he outlined four major communication challenges for the Synod: (1) We have volumes of information and numerous messages; (2) we have different audiences and constituencies, making it rare for any one message to be meaningful and beneficial for all; (3) we have multiple channels available for communicating; and (4) we have expense concerns, with reduced revenue making it imperative that all communication expenditures are justified.

At the present time, the Synod is blessed with seven mass media channel opportunities: (1) print, with its strong connection to Martin Luther, the first and one of the most aggressive users of this then-new technology; (2) recordings, with origins in the late 1800s; (3) cinema, as of the early 1900s; (4) radio, used extensively by the Synod since around 1910; (5) television multimedia and broadcast capabilities, used off and on by the Synod since the 1950s; (6) the Internet, allowing interactivity, search capabilities and social networking for the past 20 years at low cost; and (7) mobile communications, ten years old and promising to dominate mass media worldwide in the very near future.

For its part, the vision of the BCS is to provide demonstrably outstanding communication services by engaging LCMS corporate constituents with impactful messages delivered in an efficient manner at the lowest acceptable cost. The BCS envisions a multi-stage process to achieve this goal. Information must be developed, adapted, and disseminated using the appropriate mass media, such media utilized in such manner that the message sent is verified and its value calculated to learn what has worked and what hasn't and why. Organization must be structured to fit the process, form to follow the structure, engaging people who can create, who understand technology, and who are able to analyze impact.

The strategy of the BCS will be to address functional improvement and channel improvement. Functional improvement will include consolidation of communications in the International Center (IC), where more than one-half of the \$6 million spent on communications is spent outside the IC. Better leverage of these resources for organizational identity and a corresponding reduction in duplication will result in a reduction of four to seven positions in the IC. Cost of communication efforts will need to be tracked, including costs for development, technology, and dissemination. A customer base will need to be built for better follow-up and focus, thereby reducing the number of communication instruments necessary to produce impact. Plenty of room must be allowed for collaboration and skill management, people sharing and helping each other. Channel improvement includes focusing on four of the seven available mass media opportunities: print, radio, Internet, and mobile. The LCMS needs to improve in each of these areas as advanced technologies are available, staying on top of the rapid research and development that is underway.

None of this can be done without money, the price tag additional to what is being done at the present time. The sale of KFUO FM provides opportunity "to put legs on this vision." Taking into consideration all the variables, including personnel changes to add people with skills and abilities to move into advanced areas (social networking requires people and not machines), the little required expense for capital improvements, the availability of some restricted funding, the potential need for short term help for areas where people permanently on staff will not be needed, and the uncertainty caused by possible structural changes by the 2010 convention, and more, money in an account that could be carried over from year to year will be very helpful. A handout detailing the possible use of funds derived from the sale of KFUO FM was distributed to provide further details (attached to protocol copy of these minutes).

Concluding his report, BCS Chairman Claus reiterated the desired result of a new concentrated effort at improved communications: "Outstanding LCMS corporate communications with impactful messages, efficient operations, and proven results." He then responded to questions and comments from the Board of Directors.

165. Meeting with Commission on Constitutional Matters

Chairman Muchow welcomed the members of the Commission on Constitutional Matters: Albert Marcis, Chairman; Wilbert Sohns; Daniel Lorenz; Gordon Tresch; and Philip Esala. Raymond Hartwig, secretary and member of the Board of Directors, is also secretary and non-voting member of the commission. After the purpose of the meeting was noted (receipt of input from the Board of Directors for a pending CCM decision), a motion "to move into executive session" was introduced and carried.

165X. Executive Session VI

After exiting executive session and upon the departure of the members of the Commission on Constitutional Matters, the board discussed its response to the commission as a result of the joint meeting, i.e., and what specific points could again be underscored and what consultation should be provided. A motion "to move into executive session to discuss the board's response to the CCM" was introduced and carried.

165XX. Executive Session VII

After exiting executive session, the board addressed remaining action items to come before it at this meeting.

166. Action Items (continued)

E. To Join Lutheran Malaria Initiative as an Official Partner Organization

First Vice-President William Diekelman introduced the following formal resolution with brief words of introduction. It was seconded and adopted for submission to the 2010 convention as follows:

To Join Lutheran Malaria Initiative as an Official Partner Organization

WHEREAS, Nearly one-half of the world's population is at risk of contracting malaria; and

WHEREAS, Malaria affects 500 million people a year and kills one million of them; and

WHEREAS, This death rate translates into 2,880 deaths a day, or 120 deaths an hour, or one death every 30 seconds; and

WHEREAS, The vast majority of those affected by malaria are children in Africa; and

WHEREAS, Malaria is a largely preventable and treatable disease worsened by poverty; and

WHEREAS, Many of the world's wealthiest nations, including the United States, are largely unaware of the crisis of malaria; and

WHEREAS, The Lutheran Malaria Initiative (LMI) is an unprecedented collaborative effort to mobilize the nearly eight million Lutherans in the United States to join in the battle against malaria; and

WHEREAS, U.S. Lutherans have been a powerful source of change as they are propelled by the life, death, and resurrection of Jesus Christ and are called to reach out to others with this Gospel and to walk with the most vulnerable as Christ calls us to work for justice, peace, and healing in the world; and

WHEREAS, The preventable deaths of one million people a year call out for a compassionate response; and

WHEREAS, Lutheran World Relief (LWR), the Evangelical Lutheran Church in America (ELCA), and The Lutheran Church—Missouri Synod (LCMS), with financial support from the United Nations Foundation, have been invited to participate in the initiative; and

WHEREAS, LMI's goal is to raise \$75 million over five years' time to combat malaria through intensified and comprehensive efforts in education, prevention, advocacy, and mobilization of resources; and

WHEREAS, The suggested fundraising breakdown is \$30 million from LWR, \$25 million from the ELCA, and \$20 million from the LCMS; and

WHEREAS, Funds raised by the LCMS for LMI will be channeled through existing partner churches and organizations in African countries where malaria is most prevalent, as we cooperate with and help to empower, engage, uplift, and support our partners in the battle to prevent and treat malaria; and

WHEREAS, The LCMS Board of Directors in August 2009 heartily endorsed the Lutheran Malaria Initiative as a priority of the Synod and encouraged support by LCMS leadership and the program boards of the Synod under the direction of the President of the Synod; and

WHEREAS, The LCMS Michigan District schools devoted their February "Hearts for Jesus" campaign to educating children about malaria and committed their chapel offerings to LMI; and

WHEREAS, Concordia Publishing House has expressed an interest in creating vacation Bible school study materials around LMI; therefore be it

Resolved, That the LCMS be prayerfully committed to the LMI goals of education, advocacy, and fundraising to prevent and contain malaria; and be it further

Resolved, That the LCMS through its agencies, congregations, schools, universities, and seminaries support LMI; and be it finally

Resolved, That the LCMS join LMI as an official partner organization for five years, beginning in 2010.

F. To Provide Collateral for Concordia International School Hanoi Loan

Vice-President–Finance—Treasurer Tom Kuchta introduced this action item and moved its approval. After it was seconded, it was adopted as follows:

Rationale

Concordia International School Hanoi wishes to purchase land use rights, construct buildings, and expend funds for other purposes. It is recommended by the LCMS World Mission Management Team that the properties at #12 Wiltshire Road and South Bay Palace, Tw. II, 5B, 29–31 South Bay Close, Hong Kong, which are owned by the Synod, be used as collateral to secure a loan through the Lutheran Church Extension Fund for these purposes.

The Board for Mission Services on November 17, 2009, already adopted a resolution to this effect. The Board of Directors at its November 2009 meeting considered the same but, following discussion, requested additional information including a business plan before taking action. The Business Plan for Concordia International School Hanoi is attached to the protocol copy of these minutes.

Therefore be it

Resolved, That the Board of Directors, in consideration of the action of the Board for Mission Services, approve the use of the Synod-owned properties at #12 Wiltshire Road and South Bay Palace, Tw. II, 5B, 29–31 South Bay Close, Hong Kong as collateral to secure a loan through a financial institution, with the funds being used to finance the purchase of land use rights, the construction of buildings, and the expenditure of funds for other purposes by Concordia International School Hanoi.

G. To Approve Use of Funds for Purchases in Hong Kong and Macau

Vice-President–Finance Treasurer Tom Kuchta introduced this proposed action, providing explanation in light of earlier actions of the board. It was then formally introduced and adopted as follows:

Background

At its August 21–22, 2008 meeting, the Board of Directors resolved that the majority of the proceeds from the sale of the 32 Oxford Road property in Hong Kong be reinvested in residential properties in Hong Kong for missionary housing and in Macau for commercial space to Concordia English Center. The board granted that up to US\$3 million could be used for the invested capital needs of Concordia International School Hanoi until *Fan Into Flame* funds become available, and that additional housing in Hong Kong for missionaries could be purchases when *Fan Into Flame* funds become available and are repaid.

Based upon revised estimates in the business plan for Concordia International School Hanoi, it is known that the full US\$3 million in registered capital will not be needed in the first year. This allows for the use of an additional US\$500,000 for Hong Kong property. This US\$500,000 will be provided when needed through fulfilled *Fan Into Flame* pledges. In the unlikely event that these funds are not forthcoming, other Asia budget funds will be utilized as needed.

Financial Summary (in round numbers)

Proceeds from the sale of 32 Oxford Road	\$9,125,000
Less:	
Purchase of South Bay Palace, Tower II, Unit 5B	(\$2,275,000)
Set Aside for Concordia Hanoi Invested Capital	(\$2,350,000)
(\$2,500,000 less \$125,000 Fan Into Flame)	
Missions FY 2008/2009 Shortfall	(\$2,375,000)
Available as of January, 2010	\$2,125,000

The amount available for purchase of property in Hong Kong and Macau will increase as *Fan Into Flame* funds for Concordia International School are received.

The Board for Mission Services at its February 23, 2010 meeting considered the above plan and adopted a resolution approving up to \$2,125,000 of the proceeds of the 32 Oxford Road, Hong Kong property sale plus available *Fan Into Flame* restricted gifts to purchase properties in Hong Kong and Macau. It also recommended that the Board of Directors be requested also to approve the funds as specified.

Therefore be it

Resolved, That at the request of the Board for Mission Services and upon their resolution, the Synod Board of Directors approve the use of up to \$2,125,000 from the sale of the property at 32 Oxford Road, Hong Kong, plus any additional *Fan Into Flame* restricted gifts received for Concordia International School Hanoi and available for such purposes, for the purchase of residential housing in Hong Kong for missionary housing and/or commercial space in Macau for Concordia English Center.

H. To Approve Concordia University Portland Master Facilities Plan Including Property for Law School

Gloria Edwards introduced this resolution, which was discussed and then formally introduced with a motion and second. After further discussion, a motion "to call the question" was introduced and carried. The resolution was then adopted as follows:

Background

Concordia Portland has been studying for several years the opportunity to start a law school. Necessary preparations are nearing completion ("Academic Prospectus" and other supportive materials are attached to the protocol copy of these minutes).

A parcel of land has been identified in downtown Boise that will serve as a suitable location. The action requested is the approval of a revised Master Facilities Plan and the purchase of the identified property.

The purchase and start-up costs will be supported with funds borrowed from individuals, who will be repaid with interest within approximately seven years.

Therefore be it

Resolved, That the LCMS Board of Directors approve the revised Masters Facilities Plan for Concordia University Portland to include a parcel of land in Boise, Idaho to be used for a law school; and be it further

Resolved, That the institution be authorized to purchase and adapt the property needed to provide a suitable instructional facility at a cost of approximately \$8.5 million, using funds borrowed from individuals; and be it finally

Resolved, That the institution be directed to include a reversionary provision back to the LCMS in the deed.

167. Adjournment

With all business to come before the board having been addressed, the board discussed a number of convention-related matters. A motion to adjourn was offered, but prior to the motion being seconded, a suggestion relating to a Concordia Selma property matter was introduced and discussed briefly. The motion "to adjourn the meeting" was repeated and supported with a second. The motion carried and the meeting was adjourned with prayer.

Raymond L. Hartwig, Secretary