

## MINUTES

### BOARD OF DIRECTORS

May 20-21, 2010

#### **168. Call to Order, Opening Devotion, and Agenda**

Chairman Donald Muchow called the meeting to order with all members present except Betty Duda, absent due to illness. Robert Kuhn provided the opening devotion based on Genesis 2:7 and Psalm 145:15-16, also referencing the “Foreword” of the book, *A Journey of Faith*, by Hans Tews. He carried his theme, that we are helpless beggars before God, into his devotion to open the second day of the meeting based on Ephesians 2:8, noting that we are helpless beggars before God not only physically but also spiritually, except for His grace in Christ, through Whom He now looks upon us and remembers our sins no more.

Chairman Muchow reviewed briefly the agenda for the meeting, noting that the board would be completing its cycle of visits with its partner organizations during the meeting. A motion to accept the agenda” was introduced and carried.

#### **169. Partner Meeting: Concordia Historical Institute**

Mr. Larry Lumpe, Executive Director of Concordia Historical Institute (CHI), expressed gratitude for the opportunity to address the board. He spoke of his current role with the CHI in light of his extensive background in banking and his experience with Lutheran Hour Ministries, briefly reviewed the history of the Institute since its incorporation in 1927 and its status as a synodwide corporation of the Synod since 1929, and stressed the importance of the Synod’s financial support since CHI exists to support the Synod. He then structured his report around questions submitted by members of the Board of Directors prior to the meeting.

- **Recent Accomplishments:** The completion of the museum enabled CHI to bring materials out of its collections. It also provided more space for storage of such artifacts as well as the records of the church. The history of the Lutheran Church must be maintained to assist in keeping the Synod solid in its beliefs.
- **Appointment as Executive Director:** Having accepted the position of executive director, his major challenge during his term of office will be to raise funds to repay indebtedness resulting from general operations and museum construction. The funding goals for the museum were reached, but construction complications and delays added cost to the museum and overspending of operating expenses, resulting in deficit spending and the procurement of a Lutheran Church Extension Fund loan of \$500,000.
- **Problems Facing CHI:** The Institute faces significant facility maintenance challenges, including the repair of a leaking roof that has resulted in interior damage to the building and the necessary replacement of air conditioning units—both of high importance given the building’s use. These repairs in addition to the Institute’s indebtedness will not be able to be paid out of regular income sources. Grants to cover the repairs have been requested from the Dunklau and Werner foundations. The Board of Directors is being asked to consider a request for an additional \$100,000 in regular support to begin paying down the indebtedness and a second one-time amount of \$100,000 to enable the Institute to pay current outstanding bills.

- Legal fees: CHI has been drawn into a lawsuit between the museum designer (and fabricator) and their former employer, leaving the Institute with the need to defend itself. The current total of attorney's fees (\$50,000) could double before the matter is finally resolved.
- Staffing: CHI currently employs four full-time staff persons. Archivist Marvin Huggins will be retiring and working part time after the end of June. The executive director position has been filled by Larry Lumpe as a volunteer on a one-year basis, the situation to be evaluated at that time. Six part-time employees help to provide services to the public, activity that has increased measurably since the completion of the museum.
- Records Management: It will be necessary for CHI and the Synod to address changing records management needs as a result of extensive use of electronic technology, which ideally will require a person either at the International Center or CHI to work with all persons and departments that should be submitting records. Such a position cannot be funded at the present time.

Following his presentation, Mr. Lumpe responded to questions regarding the Institute's indebtedness and planning for the future.

## **170. Officer Reports**

### A. President (Section A – Pages 1f.)\*

President Gerald Kieschnick called particular attention to several items in his printed report:

- His February 28–March 2 visit to Haiti revealed, amid the destruction caused by the earthquake, some blessings resulting from the crisis, including promise of improved relationships between the several Lutheran groups with relationships with the LCMS and LCMS congregations.
- Conference calls to 28 districts (the chairman of the Board of Directors also participating) have produced positive results and, in some cases, have resulted in extreme measures by districts as they endeavor to respond to their own needs and ministry challenges and to the financial needs of the Synod.
- Recent visits by representatives from conservative church bodies larger than the LCMS (Bishop Andrew Gulle of the East of Lake Victoria Diocese of the Evangelical Lutheran Church of Tanzania and President Wakseyoum of the Ethiopian Evangelical Church of Mekane Yesus) have underscored the fact that other church bodies, some much larger than the LCMS, are approaching the LCMS to deepen existing relationships and receive help to remain strong. The LCMS has also been in dialogue with break-away groups of the ELCA and with the Anglican Episcopal Church in the USA for the same reasons.
- The assignment of vicarages and the placement of seminary candidates recently resulted in 32 seminary students without initial calls and placement. Difficulties in placing the candidates has been heightened by the fact that of the 164 calls extended by congregations, 106 exclusively asked for a graduate from the St. Louis seminary and 21 did the same for a Fort Wayne graduate. The Council of Presidents continues to work at encouraging congregations with vacancies to consider extending calls for candidates in order to complete the spring placement.
- It was a wonderful experience to visit Concordia Selma to offer the commencement speech. While the school continues to face huge challenges coupled with great opportunities, the campus clearly enjoys a greatly improved spirit.

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\* (Attached to protocol copy of these minutes, as in all cases in the pages that follow.)

Regarding the conference calls to the 28 districts, Chairman Muchow also offered comment regarding the conversations that have taken place. During each of the calls, he and President Kieschnick thanked the districts for their partnership and for sharing their income for the Synod's mission and ministry. After checking the accuracy of financial data, they listened and responded to fiscal happenings in the districts, also asking whether anything coming from national headquarters was thwarting the districts' work.

In response, appreciation for the conference call was expressed in every case, with none responding that there were difficulties with the national office. The need for better communication throughout the Synod and with the people in the pew was a frequent topic of discussion. Most districts reported that they have been negatively impacted by the nation's economic decline and have been forced to take such measures as staff reductions, salary freezes, pay cuts, property sales, reducing ministries, limiting the help provided in support of church workers forced out of positions, closing and combining congregations, reducing or closing schools, and ramping up stewardship efforts.

Of the 28 districts contacted, 24 have reduced their pledges to the Synod for the next fiscal year, some for the first time, several for successive years. Reductions range from one percent to 38 percent. With one exception, these districts pass on to the Synod a fixed percentage of their receipts from congregations, ranging from ten to fifty percent.

#### B. First Vice-President (Section A – Page 3\*)

Vice-President William Diekelman reported briefly regarding the following:

- The *Fan into Flame* campaign continues, with an additional five (out of ten) previously non-participating districts now engaged. To date 1,000 congregations and 700 individuals have contributed to the campaign, with a recent very sizeable gift from a St. Louis area congregation hopefully an encouragement to other congregations to do the same.
- The Lutheran Malaria Initiative is being restructured, the LCMS primarily working collaboratively with Lutheran World Relief. (Later in the meeting the Board of Directors was asked to help move this matter forward to the 2010 Synod convention.)
- A March 21 Lutheran Music Composers meeting that was intended to enhance variety in worship, and planned for an attendance of 50 persons was expanded to 60 attendees after 250 musicians responded.

#### C. Vice-President—Finance—Treasurer (Section A – Pages 5ff.)\*

Vice-President—Finance—Treasurer Tom Kuchta provided a report of the Synod's finances as it approaches the end of the fiscal year. He noted improvement in the Synod's deficit situation in the April financial report, with such improvements expected to result in a year-end positive variance of \$1 million. After responding to questions regarding the internal borrowing that the Synod does to avoid costly outside borrowing, he distributed a handout\* in response to a number of overtures to the 2010 convention addressing the level of support provided to the seminaries by the Synod. The handout demonstrated the substantial support provided to the seminaries by various efforts funded by the Board of Directors, this in addition to the budgeted amount directly allotted to the seminaries each year.

After extended discussion, it was agreed that time be provided on the agenda of the next Board of Directors meeting for a visit by the presidents of the seminaries and their fundraisers. This discussion of seminary fundraising provided occasion to also underscore the board's policy that synodwide fundraising appeals must first come to the board. Included will be any future decisions regarding the Wittenberg Project.

The discussion of seminary financial support continued later in the meeting, when it was suggested that contact be made with seminary leadership and with the floor committee addressing the related overtures to inform them regarding the facts of the matter. Submission of a late overture to the convention will also be considered.

Late in the meeting, the board returned one more time to the subject of financial support for the Synod's seminaries, colleges, and universities. After consideration of several drafts, the board discussed at length the following resolution for submission as a late overture to the 2010 convention of the Synod. The resolution was formally introduced and adopted as follows:

Late Overture for Submission by the Board of Directors to the 2010 LCMS Convention

To Encourage Continued Support for the Synod's Seminaries and CUS Schools

WHEREAS, The cost of higher education at our LCMS seminaries and Concordia University System (CUS) schools continues to increase to the extent that undesignated resources directed to the national Synod from congregations and districts have become insufficient to cover these costs and are providing an increasingly smaller portion of the total cost of higher education in our Synod; and

WHEREAS, The continuing trend of designated giving in our Synod has enabled our institutions of higher education, even in difficult economic times, to continue to provide quality education in the process of preparation of professional church workers and lay leaders for our Synod; and

WHEREAS, Individuals, organizations, and congregations throughout The Lutheran Church—Missouri Synod (LCMS) have demonstrated commendable generosity in financial resources given directly to and designated for the benefit of our LCMS seminaries and CUS schools; and

WHEREAS, In addition to gifts given directly to our LCMS seminaries, during fiscal year 2009 these institutions received \$1,485,470 in direct cash gifts and matured managed/deferred gifts developed and gathered by The Lutheran Church—Missouri Synod Joint Seminary Fund, fundraising expenses for which were paid through the LCMS budget; and

WHEREAS, During fiscal year 2009, our LCMS seminaries also received \$4,264,831 in direct cash gifts and matured managed/deferred gifts that were designated for one or both of the seminaries but given through the Joint Seminary Fund, with fundraising expenses paid by the LCMS Foundation; and

WHEREAS, In that same fiscal year, the LCMS Board of Directors designated subsidy of \$653,764 from the Synod's unrestricted budget to our two seminaries; and

WHEREAS, In fiscal year 2009, the LCMS Board of Directors designated \$3,756,888 from the Synod's unrestricted budget to the CUS schools in property debt support; and

WHEREAS, The *For the Sake of the Church* initiative received \$340,000 in support of endowments for CUS schools in fiscal year 2009, with fundraising expenses paid by CUS; therefore be it

*Resolved*, That thanks be given to the Lord of the Church for the gifts offered by individuals, groups, and congregations throughout the LCMS in support of the Synod's seminaries and Concordia University System schools; and be it further

*Resolved*, That individuals, groups, and congregations throughout the LCMS be encouraged to continue their support of the Synod's seminaries and Concordia University System schools through gifts offered directly to these institutions, gifts offered through the Joint Seminary Fund, response to the *For the Sake of the Church* initiative, and support of the Synod's unrestricted budget.

D. Secretary (Section A – Pages 57ff.)\*

Secretary Raymond Hartwig presented the minutes of the board's February 24–26, 2010 meeting for approval. A motion ~~to~~ "approve the minutes as presented" was introduced and carried. Secretary Hartwig called attention to his printed report. Discussion of the late overture attached to his report followed, the overture submitted to the convention by the Commission on Structure to modify the bylaws governing pre-convention deadlines and requirements.

E. Chief Administrative Officer (Section A – Pages 67ff.)\*

Chief Administrative Officer Ron Schultz called attention to his printed report and briefly noted its content. Equally brief discussion followed.

**171. 2010/2011 Mission and Ministry Operating Budget**

In his introduction to the presentation of the 2010/2011 operating budget, Chairman Muchow reminded the board of its servant steward responsibilities —~~with~~ prayerful deliberation and careful discernment to align our decisions with the Synod's vision and mission and the Lord's will." He noted that budgets are —a commentary on how we deploy gifts, resources, and people in our corporate response to the grace of God."

He noted that the national economic meltdown has impacted the Synod and its people negatively, causing widespread loss and reducing revenue. But he also noted that ~~the~~ "meltdown has caused congregations and districts to think and act creatively in the face of more stringent resources," advocating that the Board of Directors also face its budget-setting task and the tough choices it will need to make —~~with~~ similar creativity."

He concluded his remarks with words of encouragement: —~~We~~ "must act out of courage, not fear of feedback. We have been entrusted to act out of faithfulness, not emotion. My hope is that somehow we all may find discernment and strength from our living and ascended Lord, to whom we now dedicate our efforts. Let's begin."

Vice-President–Finance—Treasurer Tom Kuchta began the budget presentation, expressing appreciation for the cooperation his team received from all involved in the process. Early budget requests from the Synod's various entities were out of balance with income projections by more than \$5 million. As a result of cooperation received and other developments, that number was reduced by half as the matter now comes to the board. He reminded that God continues to be in control, expressed hope for a good outcome to the budget-setting process, and requested a prayer for the Holy Spirit's assistance as the board goes forward with this important responsibility.

Executive Director of Accounting Charles Rhodes provided a detailed slide presentation (Section B – Pages 7ff.\*), noting that the budget will provide for all expenditures, including anticipated restricted funding, in which case expenditures will depend upon receipt of the funding. Projected undesignated revenue is expected to be reduced by \$1.195 million (including a \$1.62 million anticipated decrease from districts). On the other hand, the action of the board in February providing for a two percent increase for salaries will add \$438,000 to the budget, approximately one-half of which will come from unrestricted funding. Also included in the budget proposal is \$664,000 in transition costs for officers and staff in lieu of possible leadership changes made by the convention, this cost included in every convention year budget.

He then led the board in a discussion of possible line item reductions and changes to achieve a balanced budget. A series of proposals and substitute proposals involved the use of the net proceeds from the KFUE sale, the support of KFUE operations; the purpose and use of the convention offering; a request for additional support from the Board for Human Care Ministries; the need for a contingency fund or an allowance for transition costs for officers; further cuts to support provided to the Board for Mission Services, the Board for Pastoral Education, the Board for University Education, the Board for District and Congregational Services, the Board for Communication Services, and the Board for Black Ministry; the additional support proposed for Concordia Historical Institute; the proposed seminary support; and the salary increases adopted by the board at its February meeting.

At the end of the day’s session, after extensive discussion, a motion was introduced —~~t~~ postpone action until tomorrow morning.” The motion was carried.

During the next morning’s session, the following proposal was discussed and, after changes and additions, formally introduced and adopted:

*Resolved*, That the Board of Directors approve the 2010/2011 Mission and Ministry Operating Budget as follows:

Total Spending Plan	\$87,601,646
Total Revenue (Source of Funding)	<u>\$88,927,979</u>
Surplus (Deficit)	\$ 1,326,333

During the budget discussion, concern was expressed that the surplus be properly understood, that \$2.3 million of the revenue will be the result of the KFUE FM sale, of which \$973,667 will be used for operations (repayment of costs associated with the sale), with the balance to be placed in a board-designated account, its use to be determined later. This discussion led to the introduction and adoption of two additional resolves, as follows:

*Resolved*, That the surplus resulting from the KFUE FM sale proceeds of \$2.3 million (proceeds plus interest) be allocated to board designated funds, the ultimate disposition of those funds to be determined at a later date; and be it further

*Resolved*, That revenue shown in the minutes and schedule be divided into two entries, non-KFUE revenue and KFUE sale revenue, as follows:

Other Revenue	\$86,627,979
KFUE Sale Revenue	<u>\$ 2,300,000</u>
Total Revenue	\$88,927,979

The spending plan adopted by the board (with comparisons to the 2009/2010 spending plan) follows:

The Lutheran Church—Missouri Synod  
Corporate Synod  
2010/2011 Mission and Ministry Operating Budget

	Total Expense Budget		Undesignated Revenue	
	<u>2010/2011</u>	<u>2009/2010</u>	<u>2010/2010</u>	<u>2009/2010</u>
Program Boards:				
Missions	30,575,421	29,893,592	3,564,612	3,599,209
Fan into Flame	1,547,901	3,315,026	(1,650,000)	(1,170,000)
Pastoral Education	3,431,421	3,350,394	1,156,526	1,212,094
University Education	5,442,494	5,045,272	5,344,274	4,990,272
District & Cong. Services	3,050,041	3,161,506	820,067	997,285
Youth Gathering	6,880,190			
Communications	2,157,832	1,978,539	1,585,993	1,463,518
Human Care	8,218,215	10,658,861		
Nat'l Housing Program	1,586,072	1,046,888		
Black Ministry	689,650	663,608	533,675	544,608
Total Program Boards	<u>63,579,237</u>	<u>59,113,686</u>	<u>11,355,147</u>	<u>11,636,986</u>
KFUO	<u>3,303,854</u>	<u>3,591,666</u>	<u>214,428</u>	<u>209,206</u>
Suppl. Retirement Vets of the Cross	520,019	462,675	27,157	27,157
Eccl. Services and Commissions:				
CTCR	788,664	772,776	729,164	703,376
Comm. On Worship	498,345	448,526	332,730	316,526
Comm. Min. Growth and Support	625,914	603,013	382,602	384,783
Roster Maintenance	409,500	385,068	342,170	320,738
Recruitment Retention				
Conflict Resolution	50,400	18,400	50,400	18,400
Ch. Rel., COS, CCM, Concord	498,323	529,863	498,323	509,863
Total Eccl. Serv. and Comm.	<u>2,871,146</u>	<u>2,757,646</u>	<u>2,335,389</u>	<u>2,253,686</u>
Synod Officers and Administration:				
President/Vice-Presidents	1,612,354	1,384,022	1,320,354	1,078,022
Treasurer	450,627	329,336	450,627	329,336
Board of Directors	379,049	375,062	379,062	375,062
Secretary	332,100	315,054	332,100	315,054
Council of Presidents	153,750	153,500	153,750	153,500
Concordia Historical Institute	400,000	400,000	400,000	400,000
National Convention	2,512,368			
Circuit Counselors Conference	4,500		4,500	
Other		358,895		358,895
Total Officers/Administration	<u>5,844,748</u>	<u>3,315,869</u>	<u>3,040,380</u>	<u>3,009,869</u>
General and Administrative				
Accounting	2,268,047	2,246,286	1,942,946	1,903,356
External Audit	87,000	57,000	87,000	57,000
Internal Audit	976,267	1,044,469	578,267	647,969
Legal	450,000	450,000	450,000	450,000
State/Federal Tax Reporting	142,161	137,534	124,561	119,934
Property and Insurance	4,916,397	4,933,275	673,438	647,197
Foreign Exchange	10,000	15,000	10,000	15,000

Human Resources	1,244,601	956,950	769,930	482,398
General Services	4,763,511	4,659,142	3,222,430	3,185,885
Concordia Technologies	3,290,577	3,849,364	2,639,077	2,079,352
Cross Connect Project	784,017	478,434	15,552	445,684
Total Gen. and Admin.	18,932,577	18,827,454	10,513,201	10,033,775
Interest	120,600	227,500	(816,500)	59,940
Contra-Expense Adjustment	(7,506,773)	(7,110,709)	(7,506,773)	(7,110,709)
Unallocated G & A Expense	(63,762)	91	(63,762)	91
Net Contra-Expense Adjustment	(7,570,535)	(7,110,618)	(7,570,535)	(7,110,618)
Total	87,601,646	81,185,878	19,098,667	20,120,000
		Projected Unrestricted Revenue	20,425,000	20,120,000
		Surplus/(Deficit)	1,326,333	

## 172. 2010/2011 Capital Budget

Executive Director of Accounting Charles Rhodes explained the Board of Directors policy requiring all departments of corporate Synod to submit requests for capital items as a separate annual budget for approval. The Vice-President–Finance—Treasurer has identified the source of funding to be general corporate cash or capital debt, as necessary. Departments and other corporate users are charged for capital acquisitions over the economic life of the asset via depreciation.

The capitalization level is \$5,000. All items with a purchase price above \$5,000 and a useful life of longer than one year or an aggregate amount above \$5,000 when purchased together are capitalized. The following capital budget requests were presented to the Board of Directors:

<u>Department</u>	<u>Description</u>	<u>Amount</u>
KFUO Radio	AXIA Studio Console Control Boards Upgrade to Digital	\$111,800
Concordia Technologies	Hosting Increase Network Storage (Hardware) Corporate Synod Only—Included in G & A PCs, Laptops, and Monitors (Hardware) Upgrade Network Printers Printer and Scanner Purchases	\$ 10,000 \$198,250
Missions	Hanoi School—Registered Capital	\$2,000,000
Cross Connect (2010/2011 Capital Expense Only)	Administration Constituency Relations Management Net Communications	\$702,000 \$371,000

In addition, the following identify potential capital projects for 2011. The cost identified for each project is typically share among the corporate and trust entities of the LCMS International Center using various methods of allocation. As such, the cost to corporate Synod will be less than shown:

Roof Top A/C Unit	\$51,000
Printer Replacement	\$10,000
Folding Machine	\$8,000
Capital Projects Not Specifically Identified	\$150,000

The FMSB has a standing approval for a \$150,000 annual capital budget for developing capital projects not specifically identified during the budget process. The Executive Director of the General Services Department may approve capital expenditures up to \$50,000. The FSMB must approve any capital expenditure greater than \$50,000.

Total 2010/2011 Capital Equipment Request Budget	\$3,612,156
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After discussion, the following resolution to approve the proposed budget was introduced and carried:

*Resolved*, That the proposed 2010/2011 capital budget requests totaling \$3,612,156 be approved as presented, with funding provided by general corporate cash, capital debt, or through allocations to other corporate users.

**173. Legal Counsel Report**

As Sherri Strand of Thompson Coburn, general legal counsel of the Synod, prepared to present her report, a motion was introduced and carried ~~to~~ move into executive session to receive the legal report.”

**173X. Executive Session I**

Following the legal report, the board continued with its agenda for the meeting.

**174. Action Items**

A. Lutheran Malaria Initiative

Jeff Craig-Meyer, Associate Executive Director of LCMS World Mission, provided an executive summary of recent developments in the Synod’s participation in the Lutheran Malaria Initiative (LMI). He reported that it was agreed during an April 30 LMI Executive Committee meeting that for a number of reasons, the partnership between the ELCA, LCMS, and Lutheran World Relief (LWR) should be ~~—unbundled,~~ each of the three entities to submit mutually exclusive grant requests to the United Nations Foundation (UNF). The deadline for these grants (for awareness building and fundraising efforts) was May 17.

On May 3, LWR initiated conversations with the LCMS to consider a joint partnership and joint UNF funding proposal. A collaborative goal of \$45 million in funds raised was proposed, with a campaign budget of \$5.5 million (four million dollars to be requested as a grant to LCMS/LWR from the UNF and 1.5 million provided by LWR through the joint partnership). The LCMS will have no financial commitment to the campaign budget, nor will fundraising costs be deducted from contributions received. The LCMS and LWR will work to develop a collaborative and coordinative arrangement for LMI fundraising activities, especially in the area of major donor and congregational relationships. Where existing LCMS support and leadership functions can assist LMI, they will provide such assistance to ensure the success of the initiative.

The grant request that has been submitted is being reviewed by the UNF Grant Committee. If the amount of the grant is reduced, the campaign budget will be reduced correspondingly.

After brief discussion, the following resolution was introduced and adopted by the Board of Directors:

*Resolved*, That the LCMS Board of Directors endorse the LCMS/LWR joint proposal to the United Nations Foundation (UNF), including a grant request for four million dollars to be made by these two entities to the UNF; and be it further

*Resolved*, That the LCMS and LWR develop a collaborative and coordinative memorandum of understanding regarding the appropriate policies for working in concert to raise \$45 million to combat malaria and to build support among their respective constituencies for the Lutheran Malaria Initiative.

#### B. Martha H. Lamar Scholarship Fund

Vice-President–Finance—Treasurer Tom Kuchta explained that the Martha H. Lamar Scholarship Fund has been in existence for more than 25 years (the result of a bequest), with Concordia Texas the beneficiary. According to the terms of the bequest, the Board of Directors is now (after 25 years) to determine where the funds, currently invested with the Lutheran Church Extension Fund—Missouri Synod, are to be invested. After researching the matter, Concordia University System advocates moving the funds to the LCMS Foundation to obtain better returns. The scholarship fund is valued at \$841,000.

After brief discussion, the following resolution was introduced and carried:

*Resolved*, That the LCMS Board of Directors instruct the Vice-President–Finance—Treasurer of the Synod to invest the Martha H. Lamar Scholarship Fund with the LCMS Foundation.

#### C. Minnesota South District Gift to the Synod for Unrestricted Budget

Chairman Don Muchow introduced the following action item, noting that the resolution of the Minnesota South District (that resulted in a check for \$250,000 to the Synod for its unrestricted work) also encouraged “each district’s board of directors in the Synod to consider a faith-filled gift for God’s work, supporting the unrestricted work within the Synod.” It has been agreed that the gift will be included in the national convention offering but applied to the Synod’s unrestricted budget needs in its entirety.

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

WHEREAS, The Minnesota South District of The Lutheran Church—Missouri Synod adopted the following resolution:

WHEREAS, The Lord has blessed the work of the Minnesota South District for more than 125 years (1882–2010); and

WHEREAS, The Minnesota South District throughout its history has been a leader among districts in providing financial support for the work of the Synod; and

WHEREAS, The Synod in convention has mandated certain core services which must be funded through the unrestricted budget of the Synod; and

WHEREAS, The Synod is currently experiencing financial challenges in meeting its unrestricted budget needs due to decreased support from the districts; and

WHEREAS, Holy Scripture encourages us to share with those who are in need (*i.e.*, Luke 3:11; Rom. 12:13; Eph. 4:28; 1 Tim. 6:18; Hebrews 13:16); therefore be it

*Resolved*, That the Minnesota South District Board of Directors encourage each district's board of directors in the Synod to consider a faith-filled gift for God's work, supporting the unrestricted work within the Synod; and be it further

*Resolved*, That the Minnesota South District show its concern and support for the unrestricted work of our Synod by sending the Treasurer of the Synod a gift in the amount of \$250,000.

Therefore be it

*Resolved*, That the Board of Directors express its prayerful thanks to Almighty God for the work of the Minnesota South District for the past 128 years and its faithful service to the Great Commission and to The Lutheran Church—Missouri Synod; and be it further

*Resolved*, That the board express its sincere appreciation to the Minnesota South district president and its board of directors for the sacrificial gift of \$250,000 that they have graciously directed to the —unrestricted work of our Synod"; and be it further

*Resolved*, That the board acknowledge and echo the words of encouragement from the Minnesota South District to the other districts of the Synod asking them also to —consider a faith-filled gift for God's work, supporting the unrestricted work within the Synod"; and be it finally

*Resolved*, That the board ask its chairman and the Vice-President—Finance—Treasurer of the Synod to express the board's and the Synod's appreciation by way of a letter to Reverend Lane Seitz, President of the Minnesota South District.

#### D. Expression of Thanks to Those Who Have Provided Support to Board of Directors Meetings

Chairman Donald Muchow introduced the following resolution to express appropriate thanks to those who so ably provided assistance and support to the board during the past triennium. The resolution was formally introduced and adopted.

WHEREAS, The board has held twelve regular meetings and dozens of committee and special committee meetings during the past triennium; and

WHEREAS, Meetings are planned by the office of the Chief Administrative Officer and managed by Brenda Wilson; and

WHEREAS, The LCMS Travel and Meeting Planning Department of General Services is responsible for coordinating arrangements with the Crowne Plaza Hotel and other external meeting locations; and

WHEREAS, The LCMS Travel and Meeting Planning Department is also responsible for coordinating arrangements with internal International Center departments and services; therefore be it

*Resolved*, That the Board of Directors express its deep appreciation to the entire staff of the Travel and Meeting Department of General Services for the support it provided in coordinating arrangements for Board of Directors meetings during the triennium; and be it further

*Resolved*, That the board express its deep appreciation to Brenda Wilson, Executive Assistant to the Chief Administrative Officer, for her support of and assistance to the board during the triennium with meeting arrangements as well as her daily work on behalf of the board; and be it finally

*Resolved*, That the board chairman express the board's appreciation by way of a letter to Lynne Marvin, Director of Travel and Meeting Planning, and David Fiedler, Executive Director of General Services, along with a note of appreciation also to Brenda Wilson.

#### E. Concordia Wisconsin School of Pharmacy Facility

In July 2009, the Board for University Education/Concordia University System Board authorized Concordia University Wisconsin (Mequon) to initiate a pharmacy program. This was followed in September 2009 by approval of a campus facilities Master Plan that included the footprint of the proposed pharmacy building. Anticipated to cost \$12 million, with an additional \$1.5 million in infrastructure costs, the building will total approximately 57,000 square feet on three levels and accommodate all of the educational space (except library and cafeteria) that will be needed for the 400 students eventually to be enrolled in the program. Construction of the building by fall of 2011 is a condition of "pre-candidate status" of ACPE accreditation.

Construction of the building is a significant part of the school's current development efforts. To date approximately \$8 million has been raised in pledges, and the school is committed to continue the fundraising process until the building is "fully subscribed." The institution's Debt Burden Ratio is 2.5 percent. It finished last year with a \$5 million surplus (excluding investment results).

The Board for University Education/Concordia University System Board has recommended that Concordia Wisconsin be approved to borrow up to \$10 million, also recommending that the school be encouraged to utilize operational funds and to borrow as little as possible. Accordingly, at its meeting in April 2010 the board endorsed the resolution now being considered by the Board of Directors.

After discussion, the following resolution was introduced and adopted by the board (with Robert Kuhn requesting that the minutes show his abstention):

*Resolved*, That Concordia University Wisconsin be approved to borrow up to \$10 million for construction of a facility for a new School of Pharmacy and that it be encouraged to utilize operational funds as much as is prudent.

### **175. Committee Reports**

#### A. Personnel Committee

Personnel Committee Chairman Gloria Edwards reported on behalf of her committee that during its May 19 committee meeting, it visited with the Secretary of the Synod regarding nomination procedures, discussed the issue of six-month transition pay and affirmed the bylaw policy, reviewed the human resources performance report, reviewed the LCMS International Center's *Employee Handbook* (to be provided to employees via the Internet), continued its work to provide executive staff comparisons with other non-profit corporations, and reviewed a staff situation to be resolved by the Executive Director of Human Resources and the Chief Administrative Officer.

She also reported that her committee is recommending a two percent increase in officer salaries. After discussion, the committee's motion —~~t~~ increase officer salaries by two percent" was carried. (It was requested that the minutes show that the officers of the Synod did not participate in this decision.)

She introduced the ballot for appointments to the Board of Trustees of Concordia Plan Services, noting the requirements of the four positions, observing that many well-qualified candidates were nominated, and explaining how the final slate of candidates was determined by the committee. After brief discussion, the following four laypersons and one ordained minister were elected:

James Jaacks, St. Louis, MO  
George Nolde, Richmond, VA  
Dr. Carol Reineck, San Antonio, TX  
Judy Strombeck, Minneapolis, MN  
Rev. Fred Schroeder, Lander, WY

The Personnel Committee chairman concluded her report with the suggestion that the board revisit its previous actions to move forward with the appointment of members to the Board for Human Care Ministries and Board for Communication Services at this meeting, this due to the uncertainty as to whether these positions will exist after the 2010 convention. After brief discussion, a motion was introduced and carried ~~to~~ postpone the selection process for members of the Board for Human Care Ministries and the Board for Communication Services pending the outcome of proposed restructuring proposals to be decided by the convention." It was noted that the board will need to be prepared to act if necessary during one of its two noon convention lunches, this after the convention has made its decisions. In the meanwhile, additional names for these board appointments may still be submitted to the Secretary's Office.

#### B. Audit Committee

Audit Committee Chairman Curtis Pohl read his committee's report,\* which included a report of the upcoming 2009/2010 financial statement audit, the scope of the audit services to be performed, the audit timeline, and specific communications required by auditing standards.

He reported that all Internal Audit Department's 2009/2010 objectives will be met. At present, five of the seven audit professionals in the department are licensed CPAs. Of the Synod's 35 districts, twelve have requested audit services from the Internal Audit Department, with the remaining 23 to have audits conducted by external auditors. In addition, the department is assisting LCEF, will be assisting the Synod's external auditor with its audits of the Synod and the LCMS Foundation, and has completed the Concordia Historical Institute audit, noting material weaknesses in internal controls to be corrected by board and management.

He also reported that the Internal Audit Department's budget request for 2010/2011 will show an overall decrease in net expenses of approximately eleven percent due to a decrease in personnel.

#### C. KFUO Committee

As the chair called on KFUO Committee Chairman Walter Tesch for his report, a motion ~~to~~ move into executive session" was introduced and carried.

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### 175X. Executive Session II

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After exiting executive session, a motion was introduced —~~a~~ discontinue broadcasting of classical music at the time of the closing of the sale, such time to be determined by the buyer.” During discussion, the board agreed to consider the following substitute resolution, which was discussed and subsequently adopted:

*Resolved*, That the Board of Directors does hereby authorize and direct the cessation of the FM radio operations pursuant to existing contract, applicable law, and Synod policy, at the time to be determined by the Synod and Gateway Creative Broadcasting.

### **176. Discussion of Convention Proposals**

The agenda provided opportunity for discussion of proposals before the 2010 convention, especially those resulting from the report of the Blue Ribbon Task Force on Synod Structure and Governance as pertain to the Board of Directors. Topics raised during discussion included establishing a firmer line of demarcation between the President’s ecclesial responsibilities and the Synod’s administration; the size of the proposed national and international mission boards/commissions; the application of regional representation to vice-presidents and boards; the appointment of some board members by the elected members of the boards; and the importance of checks and balances where the Office of the President is concerned. Regarding the latter, there was agreement that a committee be requested to look into this concern, possibly including involvement of members of the Board of Directors and the Council of Presidents.

Near the end of the meeting, the board returned again to discussion of convention matters and possible conveyance of any message to floor committees. Regarding the composition of the Board of Directors, common themes from the discussion were:

- Twenty members is too large
- Both clergy and lay regional representation is not necessary
- Greater representation by lay members is valuable to satisfy skill sets needs
- It is important to be sensitive to ethnic and gender inclusivity
- The need for expertise trumps interest in regional representation

### **177. Partner Visit: Board for District and Congregational Services**

Board for District and Congregational Services Interim Director Bill Cochran began his presentation to the board with a review of his board’s purpose statement (~~—District~~ and Congregational Services serves with districts in helping congregations to develop and foster vibrant ministries to bring the saving, life-giving Gospel of Jesus Christ to the sinful, dying world”) and vision statement (~~—Districts~~, congregations, schools, and ministries constituting The Lutheran Church—Missouri Synod are interdependent, relevant, dynamic, mission-driven, living in and faithfully proclaiming the Gospel of Jesus Christ”).

After providing a brief history of the Board for District and Congregational Services (DCS), he spoke of its outlook. Financially, with the current budget covering three directors, one full-time assistant, and three part-time assistants, he described its outlook as ~~—bleak~~,” given the Synod’s declining budget. The financial outlook for its youth and school ministries, however, remains good.

He spoke of the uncertainty that exists among the staff in his department, given decisions that may be made by the national convention. But relationships within the staff and with districts, congregations, schools, and education organizations remain positive. He also spoke positively of his board’s relationship with the Board of Directors of the Synod.

He offered as recent successes of his department the National LCMS Youth Gathering, the Lutheran School Funding Academy, the National Children's Ministry Conference, and the Faith Aflame initiative. He then responded to specific questions submitted to him by members of the Board of Directors prior to the meeting:

- DCS determines service needs through constant input from surveys, personal contacts, contacts with district executives, contacts with congregations, and its endeavors to stay attuned to what is going on in the Synod.
- DCS has reacted immediately when needs are known, as with its youth Bible studies on 9/11 and *The Passion of Christ* (youth ministry), National Children's Ministry Conference (children's ministry), Family Ministry Task Force (family ministry), National Funding Academy and Lutheran Schools of Excellence material (schools), and Faith Aflame pilot program (stewardship).
- DCS coordinates its services with other agencies of the Synod through dialogue, with partnerships, by highlighting other agency events and resources, through its consultations with districts and congregations, and by staying informed regarding what resources are being provided by others.
- With possible restructuring this summer, districts do not believe they are equipped to manage the work that DCS now does. Feedback from various meetings of district executives indicates that they are not equipped to do or have the resources to do what DCS is currently doing. In particular, they would not be able to be a national voice or presence.
- Regarding implementation of the broad spectrum of work under the DCS umbrella, it isn't important in itself to have a board or department for district and congregational services, but there remains a need for a national voice and advocate for each of the current ministry areas, as well as a need for an advocate for congregational ministry in the International Center.

He concluded his presentation with the statement: —Alof us in District and Congregational Services feel very passionate about our ministries and we thank God and the LCMS for allowing us the opportunity to serve together.”

In discussion that followed, he provided information regarding the Lutheran School Portal, education executive staffing in the districts, and the financial health of Lutheran schools. Regarding the latter, he noted that 42 schools were lost during the past year, while eight were added. More schools are currently closing, with some high schools having significant issues. He also commented regarding online high school education opportunities provided by Lutheran schools, Synod stewardship concerns, and concerns regarding the loss of international and ethnic emphases at national youth gatherings. He emphasized that the focus of the school ministry department is not only education but also, and more importantly, the Lutheran Christian environment provided the Lutheran school. The primary focus of the department remains enabling and promoting the Synod's schools to be “schools of choice,” especially for families outside the church.

### **178. Concordia University System Update**

Concordia University System (CUS) President Kurt Krueger (and President-elect of Concordia University Irvine) introduced Alan Borcharding as the interim CUS president, who provided a Concordia College Selma update.

After providing a positive report that the school's new president, Dr. Tilahun Menedo, is off to a good start; that the school's SACS accreditation follow-up visit went well; that positive results have been

reported from the first half of the school year, with the year-end anticipated to be the same; and that the primary challenges faced by the school remain: to increase enrollment and to upgrade facilities, much of his report centered around the availability of the property of the United Methodist Childrens Home (UMCH) adjacent to the school.

He reported that UMCH is eager to sell the property at a cost of \$2.95 million (which will include additional required renovation costs of \$.5 million). Financing for this purchase would include three components: private investors (currently \$1.5 million); contributors; and a Lutheran Church Extension Fund loan (not to exceed \$1.9 million). After familiarizing the Board of Directors with the layout of the property, he requested that the board consider scheduling a conference call shortly after June 1 to consider approval of this opportunity.

Executive Director Krueger then reported on the Concordia University Irvine (CUI) and Concordia University Ann Arbor (CUAA) current situations. Regarding CUI, he reported that the school will be taking the initiative to grow enrollments by strengthening current programs and adding new programs, to decrease undergrad discount rates, to decrease dependence on gifts for operations, to pay down indebtedness, and to operate with a balanced budget. At present the school has an enrollment of 2,650 students, operates with an undergrad discount rate of 43.6 percent, anticipates a 5% budget gift support, and has an outstanding debt (bonds) of \$37.0 million, while the school's endowment currently totals only \$10 million.

Regarding Concordia Ann Arbor, he reported that Dr. Russell Nichols is the new chief executive officer, bringing 20 years of experience as a successful college president to the task. Charles Winterstein will serve as the new acting president of the school, the call for a president to be delayed for at least 18 months. The current school year will end with an operating loss. Concordia University System will wait to see what the new administration is able to accomplish in the coming year.

After discussion, it was agreed that the board will provide time on the agenda of its September meeting for further consideration of the CUAA situation.

### **179. Macro Financing Discussion**

Chairman Muchow announced a two-fold purpose for an invited discussion with representatives of the LCMS Foundation: the status of the national offering in conjunction with the 2010 convention, and a discussion of macro financing, hopefully to identify —at least a first step forward.”

LCMS Foundation President Tom Ries and Sr. Vice-President Terry Whittle provided an update on the success of the process to develop a —promise statement” for use in board fundraising. A 25-member promise planning group, working with consultant Keith Ogorek, worked on such a statement over several months time, resulting in the following:

*Embracing all people with the love of Christ no matter what their need or season of life and compelled by Jesus' promise to bring us fullness of life, the LCMS helps people live confidently for Christ by providing:*

- *A church-wide vision*
- *Trustworthy resources faithful to the Word*
- *A ministry network accountable for equipping the local congregation, and*
- *A connection to global missions.*

This promise statement will serve as a gauge against which strategic planning and communication are measured. While it is yet to be used with key constituencies and leaders within the Synod, it was used extensively to position and prepare communications for the 2010 National Offering associated with the coming convention. Carefully prepared communications have been mailed to congregations and individual donors. Resources also appear on a special National Offering Web site and will be included in LCMS publications.

The board was given sample materials and received an explanation of the intention of the specially designed logo. It was noted that many gifts have already come in, sufficient to clear all expenses. In addition, donors will receive signed response letters from the President of the Synod as well as telephone calls from Synod officers and staff to thank them personally. It was also noted that the unrestricted nature of the offering could provide a vehicle for developing an annual appeal, perhaps during the season of Pentecost. The activity will also be a means for cultivating additional significant donors.

Discussion followed regarding the need of the board to provide leadership in the area of macro financing, the needs to be met, other denominational models, root causes, the need to promote an atmosphere of trust, the importance of coordinating fundraising materials originating from the International Center, and the need to focus on three categories of interest to the membership of the Synod: human care, outreach, and education.

The Foundation representatives concluded their presentation by noting that the first of four key components for unrestricted gift-raising for the Synod has been addressed: development of a unique —promise” that supports the Synod’s mission and vision. Still to come must be: board ownership and participation; strategy for a Synod-wide annual appeal; and the engagement of the President’s Advisory Council. It was suggested that the board look toward September for giving this report further attention. In the meanwhile, an earlier memo from the Vice-President—Finance—Treasurer underscoring the financial crisis facing corporate Synod and the —Report of the Task Force for Funding the Mission” to the 2007 convention will be given renewed attention.

At the conclusion of their report to the board, the Foundation representatives made a presentation to Vice-President—Finance—Treasurer Tom Kuchta in appreciation for his service to the Foundation’s board of directors.

## **180. World Mission Update**

Board for Mission Services Executive Director Tom Zehnder provided a brief report from LCMS World Mission that included the following:

- Hong Kong International School: The situation has improved and is on a good path, with an excellent search committee, very supportive leadership, and a temporary supervisor in place to oversee the spiritual nature of the school until a new head of school is selected. A candidate search has been underway and many responses have been received.
- Hanoi International School: Although it has at times been challenging, 35 of 36 —kops” (steps) are in place and the school is on track for both its —soft” and —hard” openings.
- Transcultural Mission Program: This international missionary training program (TMP) involves people from all over the world. Led by David Birner and currently underway in Paraguay, its goal is to become globally engaged with LCMS partner churches around the world in a manner that makes everyone equal partners at the table.
- Interchurch Relations: Cameroon is the latest country with a church body that has approached the LCMS for a deeper and supportive relationship. Such contacts take place almost daily now, in

part due to recent actions of the ELCA. This continuing development speaks well of the reputation of the LCMS in other parts of the world.

- Budget Matters: Steps continue to be taken to make good decisions and “get World Mission’s house in order.” The department is on a good track and appreciates the cooperation it has received.
- Donor Base: Of the 2.4 million baptized members of the Synod, 40,000 households support LCMS World Mission as donors and have contributed \$125 million since 2004. Revenues increased last year by seven percent, in part due to the personalized support for missionaries initiative that not only increases funding but also builds relationships between the missionaries and congregations.
- Missionaries: The LCMS has 800 people out in the world somewhere right now doing mission work on behalf of the Synod. This includes career, long-term, and short-term missionaries as well as military chaplains, English teachers, and international educators.

After presenting his report, Executive Director Zehnder announced his plan to retire as of July 31. He stated that he will leave behind a good spirit, good order, good cooperation, and a seamless transition in the missions department. It was asked that the minutes reflect the Board of Directors’ appreciation and thanks to the executive director (and his wife Jackie) for their willingness to come out of retirement to render important service to the Synod.

### **181. Concordia Plan Services Health Insurance Legislation Impact**

Concordia Plans Services President James Sanft was introduced for his presentation on the anticipated impact of the federal health care reform on the Concordia Health Plan. A motion was introduced and carried “to move into executive session” to receive the report.

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### **181X. Executive Session III**

CPS President Sanft was thanked for his vigilance with regard to the impact of health care reform legislation on the Concordia Plans.

### **182. Chief Administrative Officer Evaluation/February 2010 Executive Session Minutes**

A motion was introduced and carried “to move into executive session to review the February 2010 executive session minutes and to review the survey results of the Chief Administrative Officer evaluation.”

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### **182X. Executive Session IV**

After exiting executive session, Chairman Muchow called the board’s attention to the need for a final important resolution to acknowledge the service of Betty Duda as an outgoing member of the Board of Directors as she completes her second term. The following resolution was introduced and adopted:

*Resolved*, That the Board of Directors express on behalf of a grateful Synod its deep appreciation and thanksgiving for the service of Betty Duda as a member of the Synod's Board of Directors over the past twelve years, 1998–2010.

**183. Adjournment**

After a closing prayer by Robert Kuhn, a motion ~~to~~ "adjourn the meeting" was introduced and carried.



Raymond L. Hartwig, Secretary