

MINUTES
(pending)

BOARD OF DIRECTORS
THE LUTHERAN CHURCH—MISSOURI SYNOD
May 17–18, 2012
St. Louis

110. Call to Order, Opening Prayer, and Adoption of Agenda

The meeting was called to order by Chairman Robert Kuhn, who called on Michael Kumm, devotional leader for the meeting, to provide an opening devotion. After Chairman Kuhn called attention to the agenda for the meeting and noted minor last-minute changes, a motion was introduced and carried “to adopt the agenda for the meeting as presented.” All members of the board were present for the meeting.

111. Officer Reports

A. President’s Report

President Matthew Harrison began his report with a “watchword for today: ‘thankfulness’” in light of the consolidation of Concordia University Wisconsin and Concordia University Ann Arbor and the efforts of so many persons to bring this about; the successful budgeting process and the efforts of all involved; and the hiring of Nicole Ridley by the National Housing Corporation as its chief executive—the first African American woman named to such a position in the Synod.

For the main body of his oral report, he reviewed the content of the Bylaws of the Synod regarding his responsibilities, a paragraph at a time, corresponding his activities to his bylaw duties. He spoke in particular of his duties as chief ecumenical officer of the Synod and his conversations with other creedal/sacramental church bodies to work toward closer relationships, “important for ‘post-Constantinian times,’” underscoring this to be “a very opportune time for the Synod and its world-wide relationships.”

After commenting on conversations with seminary graduates and the significant issue of student loan indebtedness upon entering the ministry, he called attention to his printed report (Section A, pp. 1–2, attached to the protocol copy of these minutes) and asked Pam Nielson of the Communications Department to report on efforts to promote “Witness, Mercy, Life Together” fund development. She spoke of the three currently existing departmental publications coming together into a new 24-page “Engage” magazine that will emphasize that “the people out there,” not the International Center, are the Synod and encourage involvement in Synod activity beyond financial contributions. The magazine will include stories from history, from “the people in the trenches,” and from donors, always including mention of related services provided by the Synod. She emphasized that efforts are being made to maintain a tight budget through better stewardship of staff time and resources, the hoped-for end result to be a richer, fuller message to the church. The themes of the first two issues will be “We Teach” and “Going the Distance.”

President Harrison reported that the Lutheran Malaria Initiative is moving forward. While currently below its set goal for this time in the campaign, it continues to gain momentum and is being adopted by virtually every district in the Synod. It enjoys energetic leadership and very positive receptions at district conventions and is “healthy for our Synod.”

The Wittenberg Project is also moving forward, with \$250,000 in verbal commitments already received and many additional contributors “on the verge.” He invited the board to learn more about the project

from the Internet at www.thewittenbergproject.org, using the password “wittenberg2017.” Recent developments include increased local cooperation from the management of another institution proximate to the building that will be refurbished as well as a revision of the floor plans for the building to suit the new more modest budget. “By all indications,” stated the President, “the project will now succeed.” Concordia University Irvine President Jack Preus is heading up an educational committee to secure a program for Concordia University System student involvement, using the Synod’s best experts to develop the educational program. No unrestricted money of the Synod is or will be used for the project.

In response to questions and comments from the board, President Harrison emphasized the need for an LCMS presence in Washington, D.C. for “kingdom of the left matters,” to seek out like-minded leaders and entities and partner with them and to give congressmen our Synod’s understanding of the relationship of church and state. He noted the existence within the Synod of significant fund development potential for this kind of presence in our nation’s capital. Upon conclusion of the President’s report, Board Chairman Robert Kuhn expressed appreciation to the President for his leadership, especially in the area of restructuring following the significant changes adopted by the 2010 Synod convention.

B. First Vice-President

First Vice-President Herbert Mueller called attention to his printed report (Section A, pp. 3–4, attached to the protocol copy of these minutes) and added commentary regarding his work with the colloquy program (a policy manual has been completed and published), assistance provided to the President when addressing ecclesiastical issues, and the progress being made with the Koinonia Project (districts and circuits from around the Synod are participating in pilot efforts to address specific issues).

C. Secretary

Secretary Raymond Hartwig called attention to his printed report (Section A, p. 5, attached to the protocol copy of these minutes) and to the minutes of the board’s February 2012 regular meeting. After presentation for their approval, a motion was introduced and carried “to adopt the minutes of the February 16–17, 2012 meeting as presented.”

Noting the content of his printed report and inviting questions, Secretary Hartwig called particular attention to the activities of the Commission on Constitutional Matters and its participation in the preparation of the multiple documents associated with the consolidation of Concordia University Ann Arbor and Concordia University Wisconsin, an effort that involved many hours of study and meetings within a limited time frame. He also noted that the “post card campaign” that he initiated to elevate attention to expectations placed upon congregations, circuits, and districts by 2010 convention changes will continue during the remainder of the triennium in preparation for the 2013 presidential election and convention. The timely reminders have been well received and appreciated.

D. Chief Mission Officer

Chief Mission Officer (CMO) Gregory Williamson, after calling attention to his printed report (Section A, pp. 63–64, attached to the protocol copy of these minutes), spoke of the “cultural change” that is underway in the International Center as a result of the restructuring, including the shift from program to policy work by the Board for National Mission and the Board for International Mission. He reported that the latter also recently called 16 new workers for foreign service.

He called particular attention to the “Pastoral Education” section of his printed report and various efforts underway to address the subject of continuing education for clergy, prompting extensive discussion by the board.

E. Chief Financial Officer

Chief Financial Officer (CFO) Jerald Wulf called attention to his report (Section A, pp. 15–62, attached to the protocol copy of these minutes), calling particular attention to the net assets page of the March 31, 2012 financial statement on page 23, noting that total unrestricted net assets have improved since the start of the fiscal year by approximately \$200,000. In addition, the unrestricted undesignated negative total has improved by slightly more than \$1 million.

CFO Wulf reported that he is working with the Audit Committee in the development of “financial dashboards” and plans to present examples to the board at its August meeting. He then commented on specific areas of the financial report showing shortfalls. Missions, although under-spending its budget by \$2.5 million, continues to struggle due to a lag in revenue. Church relations, which had been falling behind at the time of the previous meeting’s report, is now back to a positive balance.

Discussion followed regarding the development of strategy to avoid a recurrence of the mission department’s shortfalls in the future. (It is hoped that the current situation will be resolved by the end of this fiscal year.) The inclusion of stewardship training in the bigger picture of funding and a moving back in the direction of Sunday morning unrestricted funding of missions were also suggested during the discussion.

F. Chief Administrative Officer

Chief Administrative Officer Ron Schultz reviewed the content of his printed report (Section A, pp. 7–14, attached to the protocol copy of these minutes), noting that the search for other organizations using the Synod’s name continues, with a report forthcoming upon completion of the process. He reported that the newly formed Operations Team is functioning and is currently working through a large number of tactical issues. Next on the team’s agenda will be a process for hiring independent contractors, setting spending authority limitations, and working toward strategic conversations.

Discussion followed the CAO report regarding specific decisions made by management during the 2012/2013 budget-development process.

112. Mission Advancement Fundraising Strategy

Mission Advancement Executive Director Mark Hofman, after introducing himself to the board and providing personal background, called attention to his printed report (Section C, pp. 31–35, attached to the protocol copy of these minutes) and provided a slide presentation of “LCMS Fundraising Strategy and Plan—FY2013 and Beyond.” Key points made during his report included:

- Mission advancement exists to accomplish two symbiotic goals: (1) to maximize net charitable gift revenue; and (2) to affirm for every donor through personalized interactions that their offerings are wise stewardship as well as sound investments that make a meaningful difference in the lives of others.
- Contrary to popular opinion, fundraising is not about money. It is about seeking to assist donors in fulfilling their personal charitable goals in a manner that benefits the “common good,” which is called “symmetrical fundraising” or “symmetrical relationship building.”
- The mission advancement strategy of the LCMS will be (a) to develop a compelling case for less tightly restricted gifts; (b) to focus proactive fundraising on budgeted (prioritized) projects, programs, and plans; (c) to build trust with giving constituencies through engagement, accountability, and transparency; (d) to set staff performance goals around activities which they

can control, giving thought to performance-based bonuses (but not commission-based compensation) to acknowledge desired staff behavior; and (e) to maximize net charitable revenue by using objective data and sound analysis to allocate resources to the highest performing activities.

- Mission Advancement will structure its activities and reports to track key performance indicators which reflect the relative health of the Synod's relationship with its stakeholders. Such key performance indicators will include active donor count, gift frequency, average annual gifts, cost per dollar raised, and net funds raised.
- By 2017, Mission Advancement anticipates increased donor confidence, higher unrestricted and where-needed-most support, more multi-year commitments, accurate revenue projections, and net revenue increases.

Executive Director Hofman then outlined in detail the goals and objectives of management and staff for the coming year, noting that special attention will continue to be given to support of the Synod's missionaries and the convention-mandated Lutheran Malaria Initiative. Three additional project areas will receive attention: the Wittenberg Project; the Global Seminary Initiative; and the Novosibirsk Support Network.

Following the presentation, discussion surfaced a number of subjects, including a need to clarify who has the authority to authorize a synodwide fundraising campaign, the importance of good data in reports to the Board of Directors, potential for savings by sharing services with other agencies, and the need for donor education and direction to accompany the introduction of the "Engage" publication.

113. Legal Report

Sherri Strand of Thompson Coburn LLP was introduced to provide the legal counsel report to the board. A motion "to move into executive session to receive the legal report" was introduced and carried.

113X. Executive Session I

After exiting executive session, the board moved on to the report of the Chief Financial Officer (see report under 111 [E] above), followed by the 2012/2013 budget presentation and discussion.

114. 2012/2013 Budget Presentation

A. 2012/2013 Mission and Ministry Operating Budget

After introductory comments by CFO Jerald Wulf, Executive Director of Accounting Charles Rhodes presented the proposed 2012/2013 Mission and Ministry Operating Budget. Using a PowerPoint presentation, he described the development of the 2012/2013 budget as "the most challenging/difficult in 12 years due to re-organization and new personnel."

Reminding the board that the budget provides for all expenditures including anticipated restricted funding, he noted that the projected undesignated revenues will be less than 2011/2012 by \$894,000 (which includes a \$238,000 decrease from districts). As it stands for board consideration, the budget includes no funding for salaries and bonuses, while it projects a surplus of \$907,000. Anticipated revenue does include \$500,000 from requests, as the board continues its effort to phase this item out of the budget.

He then walked the board through the proposed budget, noting changes in budgeted positions and budget provisions from the current fiscal year and detailing changes in income from districts and other sources, also providing a general breakdown of expenditures in five major categories: program, KFUE, ecclesiastical services, officers and administration, and general and administration.

Breaking down the budget into departments, he compared 2011/2012 and 2012/2013 proposed budgeted amounts and offered comment. The presentation was followed by lengthy discussion before a motion was introduced and carried “to table further budget discussion until a time later in the meeting at the chair’s discretion.”

Later in the meeting, the chair brought back the budget proposal for further consideration. A motion was introduced “to approve the budget after adding up to \$30,000 of additional support to Concordia Historical Institute and including provision for the employee bonus action proposed by the Personnel Committee.” An amendment was offered, resolving “that a contingency of up to \$160,000 be added to the budget that will be subject to decision-making by the Chief Financial Officer, the Operations Team, and/or other appropriate parties responsible for those areas affected by the issues discussed by the board.” After brief discussion, the amendment was carried. The amended motion was also carried.

Still later in the meeting, after the proposed 2012/2013 Mission and Ministry Operating Budget as amended was adopted, Chief Administrative Officer Ron Schultz reported learning from conversations with LCMS Foundation and Concordia Plans Services leadership that all International Center entities will continue to participate in funding its cafeteria, the budget therefore to reflect the Synod’s contribution. The coming fiscal year will be used to evaluate the situation. With these changes in place, the 2012/2013 Mission and Ministry Operating Budget was adopted as follows:

2012/2013 Mission and Ministry Operating Budget

Programs	<u>2012/2013</u>		<u>2012/2013 Revenue</u>	
	Total Expense Budget	Materials & Services	Restricted & Bd. Designated	Undesignated Revenue
Office of International Mission	\$ 23,800,868		22,056,143	1,744,726
Pastoral Education	4,240,634	103,000	3,090,310	1,047,324
University Education	4,060,475			4,060,475
Office of National Missions *Youth Gathering	8,157,149	622,000	6,806,743	728,407
Communications	3,856,381	464,239	1,379,191	2,012,951
KFUE	2,006,281		1,536,472	469,809
National Housing Support Corp.				
Mission Advancement	<u>5,420,708</u>		<u>5,420,708</u>	
Total Programs	51,542,497	1,189,239	40,289,566	10,063,692
<u>Ecclesiastical Services/Commissions</u>				
Comm. On Constitutional Matters	14,100			14,100
Comm. On Handbook	10,500			10,500
Comm. On Theol. & Church Relations	997,122		330,000	667,122
Conflict Resolution	30,300			30,300
Rosters and Statistics	435,764	68,580		367,184
Church Relations	<u>661,105</u>	<u>20,000</u>	<u>137,500</u>	<u>503,605</u>
Total Eccl. Services/Commissions	2,148,891	88,580	467,500	1,592,811
<u>Synod Officers/Administration</u>				
President & Vice-Presidents	1,527,888	17,000	456,400	1,054,488
Secretary	412,046	17,500		394,546

Synod Officers/Administration (cont'd)	2012/2013		2012/2013 Revenue	
	Total Expense Budget	Materials & Services	Restricted & Bd. Designated	Undesignated Revenue
Board of Directors	105,820			105,820
Board for International Missions	38,500			38,500
Board for National Missions	38,500			38,500
Council of Presidents	168,050			168,050
Chief Administrative Officer	333,604			333,604
Chief Financial Officer/Treasurer	302,325			302,325
Chief Mission Officer	354,991			354,991
Concordia Historical Institute	460,000			460,000
*Synod Convention				
Circuit Counselors Conference				
Contingency				
Total Synod Officers/Admin.	3,741,723	34,500	456,400	3,250,823
General & Administrative				
Property and Insurance	741,418	333,379		408,039
External Audit	93,000			93,000
Internal Audit	985,085	361,000		624,085
Accounting	2,153,932	331,433		1,822,499
State/Federal Tax Reporting	144,735	14,000		130,735
Legal	500,000			500,000
Information Technologies	4,389,555	645,660		3,743,895
Human Resources	1,035,765	447,348	40,000	548,417
General Services	3,972,177	1,565,445		2,406,731
Interest	136,500	110,000		26,500
Foreign Exchange	3,000			3,000
Total General & Administrative	14,155,167	3,808,265	40,000	10,306,902
Adjustments				
Contra-Expense Adjustment	(7,082,628)			(7,082,628)
Unallocated G & A Expense	0			0
Net Adjustments	(7,082,628)			(7,082,628)
Total	\$ 64,505,650	5,120,584	41,253,466	18,131,600
			Projected Unrestricted Revenue	\$ 19,039,000
			Unrestricted Revenue Board Designated for Communications	(300,000)
			Net Unrestricted Revenue to Fund Operations	\$ 18,739,000
			Surplus/(Deficit)	\$ 717,783

*Youth Gathering and Synod convention occur every three years.

B. 2012/2013 Capital Budget

Executive Director of Accounting Charles Rhodes presented the proposed 2012/2013 Capital Budget, reminding the board that its policy requires all departments to submit capital budgets as a separate annual budget for approval, that departments and other corporate users are then charged for capital acquisition over the economic life of the asset via depreciation, and that all items with a purchase price of more than \$5,000 and a useful life of longer than one year or when aggregated equal \$5,000 or greater are capitalized.

The following Capital Budget was then introduced for the board's consideration and approval:

Capital Budget

Missions*	\$ 2,150,000
KFUO Radio	371,610
Information Technologies	345,470
General Services	282,870
Communications	20,000
Board of Directors	<u>10,703</u>
Total	\$ 3,180,653

(2011/2012 Depreciation Expense \$ 1,105,000)

*Predicated upon restricted receipts of \$2.15 million to cover anticipated expenditures.

Without discussion, the following resolution was introduced and adopted:

Resolved, That the Board of Directors approve the 2012/2013 Capital Budget request totaling \$3,180,653, with funding provided by corporate cash, capital debt, restricted receipts, and/or through allocations to other corporate users.

C. 2013 Convention Budget

Executive Director of Accounting Charles Rhodes called attention to the proposed 2013 Convention Budget, providing the following breakdown of categories and expenses and a comparison with the 2010 budget.

2013 Convention Budget

	<u>2010 Actual</u>	<u>2010 Budget</u>	<u>2013 Budget</u>	<u>Change</u>
Revenue	\$ 94,541	\$ 40,000	\$ 50,000	\$ (10,000)
Expense				
Pre-Convention & Admin.	305,587	318,268	494,705	176,437
BOD/COP Officers	78,536	260,650	135,000	(125,650)
Convention Weed	575,712	739,500	957,100	217,600
Exhibit	17,911	27,000	46,000	19,000
Floor Committees	66,218	163,000	110,865	(52,135)
Installation Weekend	9,145	5,750	16,500	10,750
Public Relations	1,295	40,000	0	(40,000)
Publications	461,364	406,000	325,000	(81,000)
Delegates & Registration	3,663	22,000	6,000	(16,000)
Special Events	57,888	82,500	137,040	54,540
Worship Service	54,554	20,000	27,000	7,000
Nominations Committee	29,285	40,300	41,100	800
BRTFSSG	206,162	387,400	0	(387,400)
Task Force on Funding	<u>251</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	1,867,571	2,512,368	2,296,310	(216,058)
Net	\$ 1,773,030	\$ 2,472,368	\$ 2,246,310	(226,058)

Following the presentation of the convention budget, the following resolution was introduced and adopted by the board:

Resolved, That the Board of Directors approve the 2013 convention budget request totaling \$2,296,310 for the purpose of establishing the district assessments.

115. Board Meetings and Electronic Board Book

Chief Administrative Officer Ron Schultz, following up on discussion during the February board meeting that included soliciting specific information from board members regarding improvements to meetings, standardizing officers' and other reports, identifying other reports of interest, creating a "dashboard" for reporting financial data, and designating a committee to contemplate strategic planning, announced that a survey will be conducted between June 1 and 10 to obtain board members' input.

He also introduced the subject of moving toward the use of electronic board books, a recent poll finding that one out of two companies use a board portal (with 20% more expected to do so in the next year) and 38% will provide an electronic tablet (iPad) to board members in the next year. He noted that the Board of Directors has been using a portal since 2007 and that LCEF, CPS, and the LCMS Foundation boards have since started using a portal and are now using iPads. After sharing some of the advantages of boards' use of electronic board books, he spoke of their proposed use by the Board of Directors:

- An iPad would be given to board members at the beginning of each term.
- The iPad may be used as the new "owner" chooses, so long as the current BoardEffect (BE) application is installed and available for board business.
- The current LCMS Board of Directors portal will continue to be maintained through 2013.
- Board Books (dockets) will continue to be available to all board members via pdf versions.
- Paper versions will continue to be provided to those who elect to forego the use of an iPad.
- Administrative training and site population will continue through July 2012.
- Current board members with terms ending in 2016 who desire to use the electronic devices will receive and be trained in the use of the iPads at the August 2012 board meeting, after which printed dockets will be phased out except for special requests.
- The cost of conversion to iPads (one per board member per 6-year term) will be \$10,703.

After discussion, the following resolution was introduced and adopted:

Resolved, That the Board of Directors implement the iPad project as quickly as practical.

116. Committee Reports

A. Personnel Committee

Personnel Committee Chairman Donald Muchow was called on to give a portion of his committee's report (salary compensation recommendation) prior to the board's return to consideration of the 2012/2013 Mission and Ministry Operating Budget. He reminded the board that it had at its February meeting deferred a decision regarding bonuses or raises until the May meeting. He reported that his committee had given thought to various proposals, taking into consideration fairness, morale, future related costs, timing, impact on the new budget, and appreciation for hard work. The following action proposed by the Personnel Committee was introduced, discussed, and adopted after several friendly amendments:

WHEREAS, Personnel employed by corporate Synod did not receive any salary increases in two of the last three years; and

WHEREAS, Corporate Synod personnel have valiantly and faithfully performed their duties during the turbulent time of budget and organizational restructuring; and

WHEREAS, The Board of Directors is considering adopting a \$907,000 surplus budget for the 2012/2013 fiscal year budget; and

WHEREAS, In light of the then-proposed surplus budget, the Synod's Operations Team explored the possibility of a modest bonus for personnel, rather than a salary increase, that could be given in two increments (July 2012 and January 2013) while still leaving approximately \$500,000 in the projected fiscal year contingency fund; therefore be it

Resolved, That the Board of Directors authorize a bonus in the 2012/2013 Mission and Ministry Operating Budget for certain staff members of corporate Synod. Each full-time employee will receive a \$1,400 bonus. Part-time employees will receive a pro-rated bonus, its calculation based upon scheduled hours or percent of hours designated in the payroll system.

- The bonus will be paid in two equal installments on 7/31/2012 and 1/31/2013.
- Employees must meet eligibility requirements for each of the two installments.
- Eligible employees are those who are active as of 7/1/2012 and/or 1/1/2013.
- Eligible employees must be active and in good standing on the 7/31/2012 and 1/31/2013 pay dates.
- GEO missionaries and temporary and seasonal employees are not eligible for a bonus. Concordia University System and National Lutheran Housing Support Corporation are not included in the numbers.

The remainder of the report of the Personnel Committee was provided later in the meeting, summarizing the report received from Val Rhoden-Kimbrough, Executive Director of Human Resources, including an update on the call for nominations for the LCMS Foundation and Concordia University System chief executive positions and the status of the appointment of a chief executive for the National Housing Corporation; the success of the Be Well Awards campaign of Concordia Plans Services, and the hosting of the annual Retiree Luncheon.

The committee's remaining item of business was its presentation of slates of candidates for vacant positions on the Concordia University System Board of Directors, Lutheran Church Extension Fund Members at Large, and the Lutheran Church Extension Fund—Missouri Synod Board of Directors. In each case, the committee presented its slate of names and, after discussion, the board filled the open positions by ballot vote as follows:

(1) Ordained Minister Position, Concordia University System Board of Directors

Because this is a convention-elected position, the Synod Bylaw 3.2.5 Nominations Committee provided the slate of names to be considered: John G. Brunner, Franklin, NC; Michael S. Ernst, Waterford, WI; James D. Rassmussen, Omaha, NE; Orville C. Walz, Bennington, NE; and Ronald L. Young, Westlake, OH.

After discussion, Orville C. Walz was elected by unanimous vote.

(2) Layperson Position, Lutheran Church Extension Fund Board of Directors

Because this is a convention-elected position, the Synod Bylaw 3.2.5 Nominations Committee provided the slate of names to be considered: Chris A. Anderson, Wichita, KS; Christopher J. Bannwolf, San Antonio, TX; Pedro H. Diaz, Lithia, FL; Sue Elsholz, Birmingham, MI; and Larry D. Hoffman, Belleville, IL.

After discussion, Sue Elsholz was elected.

(3) Four Members-at-Large, Lutheran Church Extension Fund (LCEF)

It was noted that the primary responsibility for these members-at-large (ordained or lay) will be to attend an annual meeting and participate in the process of electing members of the LCEF Board of Directors. The names forwarded for consideration by the board were: Terry L. Brown, Garland TX; Robert Chappell, Southfield, MI; Ronald R. Carnicom, Hackensack, MN; John W. Fiene, Zionsville, IN; Michael Grosse, Gunnison, CO; Duane Helm, Bloomington, MN; Howard Luehmann, Lewiston, MN; and John Rahe, Aurora, IN.

After discussion, Ronald R. Carnicom, Michael Grosse, Duane Helm, and Howard Luehmann were elected.

(4) One Parish Pastor and Three Lay Members, Board of Directors–Concordia Plan Services/Board of Trustees–Concordia Plans

After discussion of the qualifications required for service on this board, the Board of Directors considered the names submitted for consideration: Rev. Kory Boster, Sallisaw, OK; Barbara Damron, Santa Fe, NM; Philip Fluegge, Shelby Township, MI; Frederick G. Kraegel, Henrico, VA; Mark Schmidtke, Valparaiso, IN; and Michael Strauch, Lafayette, IN.

After discussion of the candidates, Rev. Kory Boster, Philip Fluegge, Frederick G. Kraegel, and Mark Schmidtke were elected.

B. Audit Committee

Audit Committee Chairman Curtis Pohl reported on behalf of his committee that preliminary discussions with Brown Smith Wallace of the upcoming 2011/2012 financial audit took place at the committee's meeting prior to the board meeting, including the scope of audit services to be performed, the timeline of the audit, and certain communications required by auditing standards. Also at the meeting, Jerald Wulf presented a discussion of financial dashboards, inviting input regarding the key financial indicators that should be included on the dashboards.

Chairman Pohl reported on conclusions reached after testing of LCMS officer and key employee expense reports: that expenses incurred were, in general, adequately supported, business-related, and compliant with LCMS reimbursement policies. Exceptions were found and noted, however, leading to the conclusion that improvements will be necessary in four areas. These areas were presented to management with accompanying recommendations, to which management has responded with an action plan for each area.

He called attention to the Internal Audit Department's Performance Report, noting that all but two of the department's 2011/2012 objectives will be met: (1) designing and maintaining an Internal Audit Web Site remains to be accomplished; and (2) the final audit of the outgoing program boards called for by 2010 convention Res. 8-40 will be begun in May. He also reported that Internal Audit Executive Director Joann Spotanski has reported that all 12 of the district audits performed by Internal Audit received unqualified audits, with no material weaknesses or significant deficiencies noted. Of the other 23 districts, the three that have been completed are also clean of weaknesses or deficiencies.

C. Legal Committee

Legal Committee Chairman Curtis Pohl provided his committee's final report, noting that the committee had divided its work into two phases: (1) Consideration of the appointment of general legal counsel; and (2) Consideration of the advisability of acquiring in-house legal counsel.

He noted that Phase 1 had been completed by the action of the board at its February 7-8, 2011 meeting to reappoint Thompson Coburn LLP as general counsel for the Synod. Phase 2 was delayed to allow the board's Policy Review Committee to complete its review of legal policies. This review having been completed, the Legal Review Committee met on February 17, 2012, and advised that, due to the breadth of expertise available from Thompson Coburn, the widespread satisfaction that exists with the performance of current counsel, and the reasonable cost of services in the company's proposal, a major change in legal counsel is not advisable at the present time, especially given the significant changes to the Synod's structure and the new leadership put into office by the 2010 Synod convention.

Chairman Pohl concluded the report with a recommendation from his committee that the Board of Directors consider appointing a future *ad hoc* committee at least six months prior to the next appointment or reappointment of general counsel to consider, once again, all alternatives to the Synod's current legal services.

A motion "to receive the committee's final report" was introduced and carried, following which the chair announced the dismissal of the committee.

D. KFUO

Michael Kumm reported that the recent KFUEO Sharathon was "one of the most successful ever, its success being considered as an affirmation of the changes that have been made. His work as interim station manager was recognized by the chair and he was thanked for his efforts. He in turn gave recognition to the contributions made by the KFUEO staff during the past year. Chairman Kuhn instructed the Secretary to write a letter on behalf of the board to Rev. Kumm's congregation, thanking its members for their generous sharing of their pastor while he provided leadership to the station.

E. Property Evaluation Committee

Property Evaluation Committee Chairman Keith Frndak, reporting on behalf of his committee, expressed the committee's thanks for the list of properties of the Synod provided to the committee, noting that the list essentially amounts to two properties, the International Center and the KFUEO radio station. While there are many other properties that might be considered, they are for the most part associated with the Synod's educational institutions or are buildings held on land leases. The committee was unsuccessful in identifying an asset that could be considered for sale to help the Synod financially and questions the need for its further existence.

After discussion, the chair noted that the committee has done its work, has provided its report, and therefore can be excused. A motion "to dismiss the Property Evaluation Committee with thanks" was introduced and carried.

F. Policy Review Committee

Policy Review Committee Chairman Kermit Brashear reported on behalf of his committee, calling attention to three items ready for board consideration. Each of the the resolutions was formally introduced by the committee and adopted by the board without amendment:

(1) Board of Directors Policy Manual Revisions—Legal and Insurance

Background

At the board's November 2011 meeting, it adopted significant updates to its policy manual upon review of all sections of the manual except the legal and insurance policies (5.8.1–5.8.10). As the committee and staff reviewed the final two sections, issues/questions were addressed through additions and deletions. With this resolution these changes are proposed to the board for adoption, with certain new administrative policies and procedures to be created that outline specific expectations of corporate Synod and agencies as they relate to legal and insurance matters, such policies to be kept separately apart from the policy manual.

Action

Resolved, That the LCMS Board of Directors adopt the changes to its Board of Directors Policy Manual regarding insurance and legal policies as shown (attached to the protocol copy of these minutes).

(2) Revision of Board of Directors Policy 2.8 re Officers of the Synod Serving on the Board

Background

Synod Bylaw 3.3.4.1 defines the membership of the Board of Directors of the Synod. When the board adopted Policy 2.8.1 to reflect the content of the bylaw, the wording of the policy did not align properly with the bylaw. This resolution is intended to make the necessary change to bring the policy into alignment with the bylaw of the Synod.

Action

Resolved, That the LCMS Board of Directors adopt the following change to its Policy 2.8.1 to reflect correctly the content of Synod Bylaw 3.3.4.1:

2.8.1 The full-time Synod officers serving on the board as voting members are the President and Secretary and as a non-voting member, the First Vice-President. The Chief Administrative Officer, the Chief Financial Officer, and the Chief Mission Officer shall be advisory to~~are advisory members of~~ the board.

(3) Revision of Board Policy 4.6: Executive Limitation on Property and Purchasing

Background

Board of Directors Policy 4.6.2.1 establishes the limits for all expense, purchasing, contract, and property transactions by the leadership of the Synod. With this resolution, the Policy Review Committee advocates creating a category requiring the signature of officers (supervisors of units) and changing authorization amounts for unit executives and staff, the policy to be changed as follows;

Action

Resolved, That the LCMS Board of Directors adopt the following change to Policy 4.6.2.1:

4.6.2.1 Authorize limits for all expenses, purchasing, contracts, and property transactions.

<u>Required Signature</u>	<u>Authorization Limit</u>	<u>Monitored by/Reported to</u>
LCMS Board of Directors	>\$1,000,000	
Two BOD-Designated Signatories (typically CAO or CFO)	\$500,000 – 999,000	Board of Directors
One BOD-Designated Signatory (typically CAO or CFO)	Up to \$500,000	Board of Directors
<u>Officer (Supervisor of Unit)</u>	<u>\$150,000</u>	<u>CAO & CFO</u>
Unit Executive	<u>\$25,000</u>	<u>CAO & CFO</u>
*If budget is >\$10,000,000	<u>\$100,000</u>	<u>CAO & CFO</u>
*If budget is \$5 – \$10 million	<u>\$50,000</u>	<u>CAO & CFO</u>
*If budget is <\$5,000,000	<u>\$25,000</u>	<u>CAO & CFO</u>
Unit Staff	\$25,000 <u>10,000</u> only with direct authorization of the unit executive and Dir. of Accounting	Exec. Dir. of Accounting Exec. Dir. of Gen. Services

Committee Chairman Brashear concluded by reporting that his committee has identified three administrative policies for agencies and three for corporate Synod that will require attention. Proposed changes will be provided to the members of the board prior to the next meeting with opportunity for response.

117. Funding the Mission

Using a slide presentation, Chief Financial Officer Jerald Wulf placed before the board the two recommendations of the Funding the Mission Task Force to be considered at this meeting, noting their “somewhat controversial” nature.

Recommendation #8, “Support from Corporate Entities,” advocated that each of the five synodwide corporate entities make a contribution from their annual budgets to the unrestricted budget of the Synod, the amount based upon the revenue generated by each entity. It was noted that Concordia Historical Institute requires budgetary support from the Synod, Concordia Publishing House (CPH) already has a formula for sharing its profits with the Synod, the Lutheran Church Extension Fund (LCEF) also has a formula for sharing its profits, the LCMS Foundation pays out its income based on donor instructions, and the Concordia University System also requires budgetary support from the Synod.

In the discussion that followed, it was suggested that the profit-sharing of the synodwide corporations should be reviewed, especially with CPH and LCEF; that a portion of this conversation include an inquiry how the Board of Directors can be of assistance to these agencies; and that the President work with these agencies through his representatives to see how this can be a mutual dialogue—the staff to report back to the board during its August meeting through the Chief Administrative Officer’s report. The need to recognize that these agencies are also competing in their own environments and that contributions to the Synod may result in reducing their capacity to compete was also noted.

Recommendation #9, “Support from RSOs,” advocated that a “partnership fee” be built into each recognized service organization’s (RSO) annual budget to be contributed to the support of the Synod’s unrestricted budget—the final design, communication, and implementation of this recommendation to be determined by the Synod’s Chief Financial Officer and a representative of each Synod board or agency

that grants RSO recognition. It was noted that many RSOs are school associations, that they would probably need to be separated from other RSO organizations, and that such measures as partnership fees, renewal fees, etc., probably would not require convention action.

After extensive discussion of possible approaches and solutions and after the board was informed of an upcoming May 29 RSO meeting, a motion was introduced and carried “to take these concerns to the May 29 meeting and bring back a report to the August Board of Directors meeting.”

118. Concordia University System Presentation

Interim Concordia University System Executive Director Alan Borcharding began his presentation with a brief report regarding newly named “Concordia College Alabama,” formerly Concordia College Selma. He reported that, despite ongoing challenges, the school’s situation continues to improve. A motion “to move into executive session to discuss the Concordia University Wisconsin/Concordia University Ann Arbor consolidation transaction” was introduced and carried.

118X. Executive Session II

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

RE: Affiliation of Concordia University Ann Arbor with Concordia University Wisconsin

Background

On April 20, 2012, the Concordia University System (CUS) Board of Directors adopted this resolution:

Resolved, That the CUS Board endorses the proposed actions that will join the Concordia Ann Arbor corporation to the Concordia Wisconsin corporation, and the Board authorizes the Interim President to convey the appropriate documents to the LCMS Board of Directors for their adoption.

Action

WHEREAS, Concordia University Wisconsin, Inc. (“CUW”) and Concordia University Ann Arbor (“CUAA”) are each educational institutions affiliated with and subject to the Bylaws of The Lutheran Church—Missouri Synod (“the LCMS” or the “Synod”) which have been operated as components of the Concordia University System of the LCMS; and

WHEREAS, CUW, CUAA, and the LCMS are parties to that certain letter of intent dated April 4, 2012 (the “Letter of Intent”) pursuant to which the parties contemplate, among other things, the occurrence of certain transactions (the “Transactions”), the result of which will be that CUAA will no longer be an agency of the LCMS and will become an affiliate of CUW (CUW is and will continue to be an agency of the Synod); and

WHEREAS, The Board of Directors of the LCMS (the “Board”) has determined that the Transactions are in the best interest of and in furtherance of the missions of CUW, CUAA, and the LCMS, and desires that such Transactions be consummated; and

WHEREAS, In connection with the Transactions, CUW and CUA A propose to enter into an affiliation agreement, the current draft of which has been presented to the Board (the “Affiliation Agreement”); and

WHEREAS, In order to effect the Transactions, CUW, CUA A, and the LCMS propose to enter into a Reversion Release Agreement, the current draft of which has been presented to the Board (the “Reversion Agreement”); therefore be it

Resolved, That the Board hereby ratifies and approves:

- (a) The Letter of Intent;’
- (b) The affiliation of CUS and CUA A upon terms and conditions substantially as set forth in the Letter of Intent and the Affiliation Agreement, including the structure for the organization and governance of CUA A set forth in the Letter of Intent; and
- (c) The Reversion Agreement.

And be it further

Resolved, That the President and/or the Secretary of the LCMS (the “Authorized Officers”) be, and each of them hereby is, authorized, empowered, and directed in consultation with the LCMS’ legal counsel to negotiate and cause the preparation of such agreements, instruments, documents, and certificates (collectively, the “Transaction Documents”) as any such Authorized Officer considers to be necessary, desirable, or appropriate to effect and carry out the Transactions, including, but not limited to, the Reversion Agreement and such certificates and assurances as may be necessary, desirable, or appropriate to confirm the LCMS’ consent to the Transactions and to make such changes to the Reversion Agreement or any other Transaction Document as any such Authorized Officer may approve (the signed thereof by any such Authorized Officer to be conclusive evidence of such approval); and be it further

Resolved, That the Authorized Officers be, and each of them hereby is, authorized, empowered, and directed in consultation with the LCMS’ legal counsel to execute the Reversion Agreement and each other Transaction Document to which the LCMS is a party in the name of and on behalf of the LCMS and to deliver each such executed Transaction Document to the counterparties thereto and such other interested persons as any such Authorized Officer, in his sole discretion, considers necessary, desirable, or appropriate in connection with or in furtherance of the Transactions; and be it further

Resolved, That any and all actions heretofore taken or caused to be taken by the officers of the LCMS inn the name of or on behalf of the LCMS in connection with the Transactions and which are consistent in tenor and purpose with the foregoing resolutions, be and such actions hereby are ratified, confirmed, and approved; and be it finally

Resolved, That the Authorized Officers be, and each of them hereby is, authorized, empowered, and directed hereafter from time to time to execute and deliver in the name of and on behalf of the LCMS any and all other agreements, instruments, documents, and certificates, and to do or cause to be done any and all such other acts, as any such Authorized Officer in his good faith judgment considers to be necessary, proper, or advisable to fulfill the purpose and intent of the foregoing resolutions.

Exhibits: Letter of Intent
Affiliation Agreement
Reversion Release Agreement

With the completion of this project and the adoption of this resolution, it was noted that the work of the *ad hoc* committee and its lead representative, Curtis Pohl, was now also completed. The chair excused the committee “with many thanks.”

The board continued its discussion of the critical need for an over-arching vision for the Concordia University System and where it is headed. By common consent, the board asked Victor Belton, a board representative on the CUS Task Force on Strengthening Governance, to take to the next task force meeting a resolution prepared by the Secretary encouraging the development of such an over-arching vision for the Concordia University System in place of the “piecemeal efforts” that exist today.

Near the end of the meeting, the board received a report by Victor Belton, one of the board’s representatives on the CUS task force, from the meeting he and Secretary Hartwig attended. He called attention to his printed report (Section C, pp. 19–24, attached to the protocol copy of these minutes) and in particular to discussion at the meeting regarding the ever-present reality that the Synod’s schools are vulnerable to sudden change. Chief Administrative Officer Ron Schultz was asked to inquire regarding the existence of any plan for responding to critical situations as well as opportunities.

119. Action Items

A. To Rescind the February 2009 Hiring Freeze

After brief explanation by Chief Administrative Officer Ron Schultz, the following resolution was introduced and adopted:

WHEREAS, The Board of Directors at its February 2009 meeting directed the implementation of a hiring freeze for corporate Synod; and

WHEREAS, That hiring freeze remains in effect today; and

WHEREAS, Changes in organizational structure and the accountability created thereby have resulted in regular strategic review of expenditures; and

WHEREAS, Internal controls are in place through administrative policies, human resources, and payroll/accounting to provide oversight to the hiring authorization process; therefore be it

Resolved, That the Board of Directors rescind the previously implemented hiring freeze, allowing for the hiring of budgeted positions according to internal administrative policies.

B. To Authorize the Chief Mission Officer to Procure, Organize, and/or Manage Level II and Level III Fundraising Services

After explanation by Chief Administrative Officer Ron Schultz and following its formal introduction and brief discussion, the following resolution was adopted by the board:

WHEREAS, The Lutheran Church—Missouri Synod, acting in convention, voted to restructure certain programmatic functions of the Synod; and

WHEREAS, The now-completed restructuring resulted in the establishment of a unified and self-contained fundraising unit (Mission Advancement) reporting directly to the Chief Mission Officer; and

WHEREAS, The Board of Directors requested the LCMS Foundation to administer all Level I, II, and III fundraising efforts over eight years ago, and then authorized the transfer of Level I fundraising efforts to be returned to the “ministries” approximately four years ago; and

WHEREAS, Mission Advancement currently administers all Level I fundraising and donor relations efforts which had formerly been divided between the now-dissolved Board for Mission Services, Board for World Relief and Human Care, and the LCMS Foundation; and

WHEREAS, At Synod’s request, the LCMS Foundation has continued to provide the LCMS national offices with Level II and Level III fundraising services on an “at-cost” basis (not a revenue stream for the Foundation); and

WHEREAS, the LCMS Foundation has stated a willingness to transfer these services back to the Synod upon request; and

WHEREAS, Opportunities exist under the restructured administration of the national office to (1) more closely synchronize all direct fundraising and donor relations functions under the authority of the Chief Mission Officer, and (2) to maximize opportunities to realize greater efficiencies in direct-gift fundraising and donor relations; and

WHEREAS, The LCMS Board of Directors resolved at its May 2008 meeting that “until further action is taken by the Board of Directors regarding ‘Level 2’ and/or ‘Level 3’ services, the LCMS Foundation will continue to have authority and sole responsibility for those shared gift solicitation and support activities (‘Level 2’ and ‘Level 3’) associated with fundraising and for all gift planning services”; therefore be it

Resolved, That the Board of Directors acknowledge the Chief Mission Officer role and responsibility under the Bylaws to “supervise fundraising activity of the national office according to policies established by the Board of Directors of the Synod” and therefore acknowledge the need for the Chief Mission Officer to determine the appropriate means, activities, partners, and programs, etc. to carry out this responsibility; and be it further

Resolved, That the Board of Directors of The Lutheran Church—Missouri Synod authorize the Chief Mission Officer to procure, organize, and/or manage Level II and Level III fundraising services at his discretion, in consultation with the President and with Mission Advancement; and be it further

Resolved, Should the transfer of Level II and Level III services from the Foundation be deemed prudent by the Chief Mission Officer and his staff, that the transfer of these services be accomplished under a timeline and in a mutually agreeable manner which meets the management needs of both the LCMS Foundation and The Lutheran Church—Missouri Synod, Inc.; and be it finally

Resolved, That the Chief Administrative Officer, in collaboration with the Chief Mission Officer, develop appropriate recommendations for revisions to Board of Directors Policy 5.2.6, for consideration at the board’s August 2012 meeting.

C. To Approve Construction of Concordia University Wisconsin Parking Structure

Chief Financial Officer Jerald Wulf explained that the Concordia University System Board of Directors has already seen and approved this construction plan for an \$11.5 million 700-space parking structure, calling attention to information provided by the school in the docket for the meeting. He also explained that the project will be financed from operations and reserves and will not require any borrowing. The following action was introduced and adopted by the board:

Resolved, That the LCMS Board of Directors approve the request from Concordia University Wisconsin to construct a 700-space parking structure, to be paid for with institutional funds.

120. Adjournment

After a brief period of open discussion centering on how best to approach the next fiscal year's anticipated \$2 million shortfall, a motion to adjourn the meeting was introduced and carried. The meeting was closed with prayer.

Raymond L. Hartwig, Secretary