

**MINUTES
BOARD OF DIRECTORS**

**Marriott St. Louis Airport
November 18, 2021**

193. Joint Board of Directors / Council of Presidents Breakfast Meeting

The Rev. Dr. Daniel Brege, President of the LCMS Indiana District, offered devotions based on Psalm 43.

Chairman Kumm, having offered greetings and outlined the morning joint meeting, introduced Christian Preus, member of the Board of Directors and chairman of the 2019 Res. 7-03 committee regarding governance of the Synod's colleges and universities. Preus reviewed, from the noted resolution, the convention's specific charge of the Board of Directors regarding the governance proposal, noting the direction to *strengthen* institutions' connections to the Synod and the confessional Lutheran identity of all, as well as to *review* related processes and operating models. He reviewed the composition of the committee and its meetings and process, noting that extensive discussion has coalesced solutions in many significant areas. Comments received in a 6-month request for comment on an initial draft have been initially reviewed; the committee will meet with university presidents and board chairs on Friday to delve deeper. Preus highlighted several issues for further consideration by the drafting committee, surfaced by the comment received so far:

- Meaning and application of “two kingdoms” principle as it applies to the proposal: Left- and right-kingdom activities can be distinguished but not separated in the roles, especially, of the boards and presidents of the universities.
- Workload and expense of proposed Commission for University Education (CUE): The scope of authority and work of CUE is often thought to be very extensive—but in fact is more focused and significantly reduced from the roles of the present Concordia University System (CUS).
- Process for selecting regents / composition of boards of regents: Thinking has not coalesced around a specific proposal for change. Comments from beyond the committee vary widely. *Any* changes here, beyond the minor tweaks present in the current proposal, may well evoke strong feelings in opposition from some quarter of the Synod. Nonetheless, the committee continues to look at this item, possibly for suggestion of a standalone overture.
- Process for selecting CUE members / CUE composition: There continue to be differences of opinion in this area.
- Impact upon other Synod agencies/operations in the event of university disaffiliation: It is true that the proposal makes disaffiliation by a university a more structured or practicable option. Such a decision by a university, while not likely to be made by many of them, might significantly impact other aspects of the Synod's work and the work of other Synod agencies. Many external factors, as well, continue to impact the higher education environment for tuition-driven, lesser-endowed schools, and for confessionally-committed but outward-facing religious institutions.
- Other details where further clarification/elaboration has been requested:
 - Clarification that accreditation is intended to benefit the universities and bring them closer to the Synod ecclesiastically.
 - More precise specifications of certain requirements (for example, that affiliated universities operate “in harmony with the programs of the Synod”).
 - Details of CUS dissolution and its impact on related operations.

Chairman Kumm welcomed Texas District President Michael Newman to summarize comment on the proposal resulting from the table discussions of the Council of Presidents (COP) with CUS institution presidents and CUS staff the previous day. He outlined the following:

Strengths:

- Strengthening Lutheran identity and ethos, accountability, greater connection to Synod
- Collaborative training/catechesis of faculty, staff, and regents
- Mission opportunity to new generations and people
- Left-hand/right-hand distinction is positive

Challenges:

- Perceived ecclesiastical supervision shift toward committees and regents
- CUE a “centralized authority” lacking perceived accountability, has potential for overreach, “clunky” processes
- Regent selection is centralized and removed from context
- Inadequate number of LCMS professors to staff universities
- Proposal does not end institution’s entanglement with federal financial support
- Ensuring non-LCMS faculty and staff support standards
- Need to ensure “Gospel motivation,” “mission lens”

Opportunities:

- Use current systems to address issues / encourage/form faculty and staff
- Develop shared orientation of new faculty
- Renew emphasis on church worker education
- A new approach can either make us better or become a reaction to protect
- Productive to have ongoing conversation, work toward greater agreement

Big Questions:

- Who holds CUS debt?
- Is there a biblical model that might serve better?
- Will bylaws have unintended effect of pushing schools away?
- Does the proposal effectively limit exposure to university liability?
- Do CUS presidents want their universities to remain part of LCMS with a system that will help address issues?
- What does the church really want?
- Are we afraid of losing power and position?

The joint session next engaged in breakout table discussion, after which high points of the conversation were summarized:

- Communication is to be valued over legislation. Is this a reactive solution to specific situations or plan for future?
- Greater transparency, collegial conversation are appreciated. Might CUS presidents to identify principal weaknesses of their institutions and identify them to the church—how can we help?
- What is the purpose of the university relative to the purpose of the Synod?
- Does the proposal help recover the original mission of church worker training? With decreased demand for worker / trust of schools, availability of Lutheran students, how can this be fixed and on what scale?
- Should the Synod simply “cut the universities loose”?
- Is this a tuition- and market-driven university system or a Gospel-driven university system?
- Regent selection and vetting – maintain governance attentive to local and regional requirements.
- Is this a “back to the future” centralized commission like the Board for Higher Education (BHE)?
- What are the “teeth” when a university disaffiliates / is disaffiliated?

- Noting school debt, as well as how much corporate Synod has paid over the years to aid troubled universities, where is the money coming from to run CUE and where is the CUS debt going?
- Relative roles of the Synod President, present CUS / future CUE, and district presidents were discussed, along with whether this proposal “muddies the water.”
- Will ecclesial accreditation impact schools’ secular accreditation?
- The proposal helps to improve Lutheran ethos—but does this effectively minimize exposure to federal and state governments and markets decreasingly inclined to support our mission?
- What about having one university with a number of satellite campuses? It was noted in response that the ability of schools to consolidate is increased and simplified under current proposal.
- The proposal helpfully clarifies relationships to avoid any potential misunderstandings regarding left-hand kingdom responsibilities.
- Suggestion of formal, required visitation by DP and teams of DPs.
- Should CUE have more mandated lay participation?

In response to a final question of whether “this train is on the track,” Preus noted next steps: The 2019 Res. 7-03 Committee meets Friday and will likely continue to refine for some time based on feedback on these and other issues; ultimately the Synod Board of Directors will send the finalized proposal to convention.

194. Call to Order

Chairman Michael Kumm called the board’s November meeting to order with all members present. Also in attendance were Chief Administrative Officer (CAO) and acting Chief Financial Officer (CFO) Frank Simek, Chief Mission Officer (CMO) Kevin Robson, and General Counsel Matt Buesching of Thompson Coburn.

195. Adoption of Agenda

The meeting agenda (pp. 8–9/304 of the printed board docket, attached to the protocol copy of the minutes) was moved and adopted.

196. Consent Agenda

The meeting’s consent agenda (pp. 11–12/304) was moved and, the Secretary having removed the August 26, 2021, minutes for separate approval among the action items, adopted:

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

WHEREAS, The Board policy reads

3.6.2 Consent Agenda

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

therefore, be it

Resolved, That the Board of Directors herewith accept this consent agenda which includes the following:

- Officer and related Strategic Reports
 - Office of the President, First Vice-President, and Church Relations
 - Secretary; Rosters, Statistics, and Research Services; Commissions on Constitutional Matters / Handbook; and Conflict Resolution / Expulsion
 - Council of Presidents
 - Chief Administrative Officer and Chief Financial Officer
 - Board of Directors
 - Legal, Risk Management, External Auditing
 - Accounting
 - Human Resources
 - Internal Audit
 - Operations / Information Technology
 - Chief Mission Officer (plus Boards for National and International Mission)
 - International Mission
 - National Mission
 - Pastoral Education
 - Mission Advancement
 - Communications
- Commission on Theology and Church Relations
- Concordia Historical Institute
- Concordia University System
- KFUE Radio
- Board of Directors Committee Reports
 - Governance Committee
 - Personnel Committee
- Action Items
 - ~~Approval of August 26, 2021, LCMS Board of Directors Minutes~~
 - Approval of September 30, 2021, LCMS Board of Directors Minutes

and be it further

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

197. President's Report

President Harrison extended briefly upon his written report (pp. 273–83/304). He commented on the board's meeting falling in a "long week," starting with Praesidium and Council of Presidents meetings and wrapping up with the 2019 Res. 7-03 Committee. He highlighted two items for the board's attention:

- LCMS Disaster Response, in the course of its relief work in Haiti following the country's Aug. 2021, 7.2-magnitude earthquake, fed some 300,000 people in September and October.
- Noting that posts of pro-life statements on the LCMS website at the time of significant, abortion-related cases before the Supreme Court often are met with comments that the Synod "cares *only* about *unborn* children." To counter this false impression, LCMS Life Ministry is planning a million-dollar matching grant initiative, funded with mercy funds, to advance congregations' work with life clinics, mothers in need, etc.

198. Chief Mission Officer Report

Chief Mission Officer Kevin Robson extended upon his written report (pp. 42–55/304). He highlighted a few items:

- Mission offices have been filling budgeted vacancies, calling Dr. Mark Rabe to serve as the Office of International Mission's new director of missionary recruitment and Mr. Alan Freeman to the Office of National Mission as associate director of school ministry.
- A recent, face-to-face intensive session (the first of such future planned sessions) of the Riga Luther Academy program, conducted at the Wittenberg Old Latin School, was "well-received."
- The Stinnett family, the last remaining OIM missionaries deployed in Ethiopia, have been evacuated from Addis Ababa for the foreseeable future due to heightened civil unrest in Ethiopia.

The established OIM evacuation protocol worked flawlessly. Rev. Stinnett, a theological educator, is now serving on an interim basis at Matongo Lutheran Theological Seminary in Kenya.

- The Office of Pastoral Education is rolling out initial elements of the Synod’s church worker recruitment initiative as *Set Apart to Serve*.
- CMO Robson continues to work intensively with the Synod’s international schools.

199. Financial Report

Ross Stroh, Executive Director of LCMS Accounting and Financial Services, presented the financial report for the first quarter of Fiscal Year 2021–22 (FY22), ended September 30, 2021 (pp. 71–76/304): Corporate Synod ended the first quarter “in good shape,” ahead of budget by \$576 thousand (k) on the bottom line, with revenue under budget by \$1.01 million (M) but expense below budget by \$1.59M. Budget-relative variances through September are positive in all areas (\$504k in mission/ministry program, \$219k in ecclesiastical program, \$13k in management/general) except for Mission Advancement, which lags by \$92k, typical for this time of year. Unrestricted revenue of \$4.02M trails the budget by \$69k, largely reflecting unrealized gains and interest that are budgeted monthly but not booked until October.

Allowing for timing factors adds, to net first-quarter revenue of \$513k, \$375k in unrealized gains/interest vs. budget and \$25k in Schwan grants and subtracts \$147k in district revenues ahead of schedule, for an “adjusted” net first-quarter revenue of \$766k.

Stroh reviewed cash positions in US Bank (\$2.9M), LCEF (\$10.3M), and LCMS Foundation (\$22.5M). A board member noted in response the need to reevaluate short-term investment of funds to increase gains—at a time suitable for reinvestment.

Corporate Synod’s net assets without donor restrictions (including land, buildings, and equipment), Stroh noted, stand at \$24.09M, an increase from \$23.57M at the end of FY21 and \$10.75M the year before—the highest level in “probably 25 years.” Stroh reported a current ratio of 5.6; a program spending ratio of 78.3%, reflecting resumption of full programmatic work post-COVID; and 234 days cash on hand.

CAO Frank Simek presented a report covering gifts received in the first quarter of FY22, through September 2021 (pp. 284–89/304). Unrestricted giving is tracking the 3-year, FY19–21 average and loosely projected to finish the fiscal year approximately on budget (\$70k short of a budget of \$20.14M), despite unrestricted gifts and grants tracking, at present, modestly below comparative levels for FY21. Restricted giving is tracking the 3-year average, loosely projected to finish the fiscal year \$1.52M above a budget of \$42.33M. Operations and Administration Teams review these numbers monthly.

200. Personnel Committee Report and Vacancy Appointments

Personnel Committee Chairman Larry Harrington reported on his committee’s meeting of October 19 (pp. 92–93/304). Harrington noted that Nathan Thomas, formerly acting director, has been appointed permanent Executive Director of LCMS Human Resources. Along with slates for two vacancies in convention-elected positions to be filled by board appointment, Harrington presented the committee’s recommendations: for the Board for International Mission, Rev. Wolfmueller or Dr. Rueger; for Concordia Theological Seminary, Rev. Douthwaite, a non-candidate consenting nominee. Without objection the latter was added to the slate for election, the board exercising its option to do so under Bylaw 3.2.5 (d). (It was clarified by the Secretary that Rev. Young, another non-candidate consenting nominee, had not been nominated by an eligible submitter under Bylaw 3.2.5, and was therefore not available for consideration.) Harrington noted the committee’s gratefulness for a “big list of qualified people” nominated for the seminary regent position.

Chairman Kumm introduced the items related to these two appointments:

(A) Vacancy Appointment: Board for International Mission, Individual Member, East-Southeast Region

The LCMS Chief Mission Officer notified the LCMS Office of the Secretary that the Rev. Roberto E. Rojas, Jr., an individual member (ordained or commissioned minister) on the Synod's Board for International Mission representing the East-Southeast Region, having been elected by the 2019 LCMS convention for the 2019–2026 term, had resigned his membership on the board. This necessitated the LCMS Board of Directors making an appointment to fill the following vacancy position:

LCMS Board for International Mission

(1) one individual member (ordained or commissioned) representing the East-Southeast region for the remainder of the 2019–2026 term (less than one-half term)

The LCMS Office of the Secretary sent out a call for nominations on May 28, 2021, requesting responses by August 16, 2021, and, assisted by the LCMS Department of Human Resources, compiled information on all nominees, including the slate of candidates from the previous convention (pp. 3–80/363 of the board's appointment book). The Standing Committee on Nominations ("Bylaw 3.2.5 Committee"), having evaluated all submitted nominations, biographical sketches, and confidential evaluations, having been charged to select a slate of no fewer than three and no more than five candidates, on October 13 presented the following slate to the board:

Candidates (three to five selected by the Standing Committee on Nominations)
*Brones, Dana A. — Jacksonville, Fla. (FG) Skopak, Jeffrey — Atlantic Beach, Fla. (FG) Whited, Jr., Charles — Tonawanda, N.Y. (EA)
Non-Candidate Consenting Nominees
Douthwaite, James A. — Springfield, Va. (SELC)
Declined
*Diefenthaler, Jon T. — Annapolis, Maryland (SE)
<i>* from the 2019 Convention Slate of Candidates</i>

With consent of the board, at the suggestion of the board's Personnel Committee, the Rev. James Douthwaite was added to the above slate of candidates, as permitted under Bylaw 3.2.5 (d).

The board in a single electronic ballot elected from that slate by majority vote:

Rev. James A. Douthwaite, Springfield, Va. (SELC)

The Secretary of the Synod is charged, thereupon, to notify those appointed and thank the other nominees, on behalf of the board, who allowed their names to be considered.

(B) Vacancy Appointment: Board of Regents, Concordia Theological Seminary (Fort Wayne, Indiana), Minister of Religion—Ordained

The president of the Concordia Theological Seminary informed the LCMS Office of the Secretary of the resignation of Rev. Dr. Ronald M. Garwood, a minister of religion—ordained elected by the 2016 convention of the Synod, necessitating the LCMS Board of Directors making an appointment to fill the following vacancy position:

Concordia Theological Seminary (Fort Wayne, Indiana) Board of Regents

**(1) one minister of religion—ordained
for the remainder of the six-year term 2016–2023 (less than one-half term)**

The LCMS Office of the Secretary sent out a call for nominations on June 30, 2021, requesting responses by September 15, 2021, and, assisted by the LCMS Department of Human Resources, compiled information on all nominees, including the slate of candidates from the previous convention (pp. 83–363 of the board's appointments book). The Standing Committee on Nominations ("Bylaw 3.2.5 Committee"), having

evaluated all submitted nominations, biographical sketches, and confidential evaluations, having been charged to select a slate of no fewer than three and no more than five candidates, on Oct. 13 presented the following slate to the board:

Candidates (three to five selected by the Standing Committee on Nominations)
Golter, Randall L. — Davenport, Iowa (IE) Neuendorf, Donald O. — Pinckney, Mich. (MI) **Rueger, Matthew W. — Hubbard, Iowa (IE) **Skopak, Jeffrey E. — Atlantic Beach, Fla. (FG) Wolfmueller, C. Bryan — Round Rock, Texas (TX)
Non-Candidate Consenting Nominees
Bauman, Douglas D. — Columbus, Indiana (IN) Blazek, Scott R. — Clovis, New Mexico (RM) Duerr, John M. — New Baltimore, Mich. (MI) **Fisher, Joseph M. — West Bend, Wisc. (SW) Lingsch, Keith A. — Naples, Fla. (FG) Maas, Mark J. — Cheyenne, Wyo. (WY) Reese, Kerry D. — Everett, Wash. (NOW) Spittel, Douglas H. — Pittsburgh, Pa. (EN) Stoterau, Larry A. — Orange, Calif. (PSW) Young, Philip H. — Nashville, Tenn. (MDS)
Declined
*Michael, Jr., Gerhard C. — Cumming, Georgia (FG) **Newton, Robert D. — Frankfort, Mich. (CNH)
<i>from the *2016 and **2019 Convention Slate of Candidates</i>

The board in a single electronic ballot elected by majority vote:

Rueger, Matthew W. — Hubbard, Iowa (IE)

The Secretary of the Synod is charged, thereupon, to notify those appointed and thank the other nominees, on behalf of the board, who allowed their names to be considered.

201. Governance Committee Report

Governance Committee Chairman Christian Preus reported on the Governance Committee’s meeting of October 27 (pp. 79–91/304).

The committee reviewed and proposed minor revisions to board policies under section 5.7, entitled “Miscellaneous Administrative Policies,” as attached to the docket. The committee brought to the board’s attention the distinction in these policies between appointments for vacancies in convention-elected positions, which are subject to Bylaw 3.2.5, and appointments to board-appointed positions.

The committee prepared for the board’s upcoming self-review, reviewing the process used three years ago and making a few adjustments to questions for presentation to the February meeting of the board, with analysis to follow. The committee discussed the pros and cons of annual and triennial schedules for self-review.

Preus noted that the policy review calendar operates on a triennial basis and that the committee determined to use the “bonus” year of this four-year triennium to focus on those policies related to insurance, donor list management, human resources, board designated funds, and recognized service organizations.

Finally, the committee discussed extension of the engagement contract for outside general counsel to address the additional year of this extended triennium, recommending that the current contract term be extended for the additional year of the triennium, through June 30, 2024, as proposed in the legal services engagement letter provided by Thompson Coburn (pp. 161–64/304), with a regular review and appointment following the convention on usual schedule.

It was moved and adopted:

Resolved, to extend the term of the Thompson Coburn engagement for an additional year under the terms proposed in the engagement letter included in the docket (pp. 161–64/304).

Preus noted that the committee will look forward to a suggestion of policy for use of board-designated funds from the Audit Committee, which committee is planning to offer recommendations after its next meeting.

202. 2019 Res. 7-03 Committee Report

Committee Chairman Christian Preus commented briefly on the status of this process, noting the morning's discussion. While the board is finally responsible for developing the proposal, there is no procedure specified by the resolution after the required six-month comment period, just concluded. Comments were shared with the board in the docket (pp. 191–247/304). The value of continuing conversation and refinement was noted, but also that achievement of universal consensus is not a realistic expectation. At the same time, financial, demographic, and regulatory changes are mounting for all institutions—a challenge that must be addressed. Governance topics on institutional and oversight levels continue to evoke discussion. Concern was noted regarding the impact of potential university disaffiliation on the operation of the Synod and its other agencies.

It was moved and adopted:

Resolved, that the 2019 Res. 7-03 Committee continue to consider and revise its proposal on the basis of comment received and continuing conversation, presenting its revised recommendation at an appropriate time for the board to consider and submit a finalized proposal to the 2023 convention.

203. Interview of Chief Financial Officer Candidate; Appointment of Chief Financial Officer

The board entered executive session to interview the available finalist, of four candidates interviewed by the personnel committee and chairman, for Chief Financial Officer (job description, pp. 171–77/304).

203X. Executive Session IA: Interview of Chief Financial Officer Candidate

204. 203XX. Executive Session IB: Chief Financial Officer Interview Review and Appointment

It is reported that, while in executive session, the board appointed Mr. Nathan Haak of Houston, Texas, to a three-year, renewable term of office as Chief Financial Officer, to commence with date of employment, an appointment which Mr. Haak subsequently accepted.

205. Audit Committee Report

The board having exited executive session, Keith Frndak reported for his committee. His committee received the report of Armanino LLP on the audited financial statements for the Synod and consolidated entities. Leaving the auditors to present the report on the statements, Frndak noted a discussion regarding consolidation of certain foreign entities. This conversation notwithstanding, the committee supported the board's acceptance of the presentation.

In other areas of the committee's work, Joann Spotanski reported to the committee on LCMS Internal Audit and its upcoming audits for Synod agencies. The committee continued to discuss policies regarding borrowing from board-designated funds, which has been reduced very considerably in the last fiscal year. The committee also discussed succession planning in Internal Audit and Accounting departments and the interrelation of these positions. With Joann Spotanski retiring in the very near future as executive director

of Internal Audit, the committee is planning to interview candidates for her successor at its February meeting.

206. Lutheran Church Extension Fund—Missouri Synod Presentation

Chairman Kumm welcomed the Rev. Bart Day, President of the Lutheran Church Extension Fund, to present to the board on his entity's developing strategic plans, an early draft of which the board had reviewed. Rev. Day explained that a five-year plan was adopted by the LCEF board at its October meeting in a form "matured and developed" since the early draft but retaining "significant flexibility."

Part of the plan, developed with input from an outside consultant, involves a 3-year model for improving internal LCEF operations in five aspects: continuous improvement, increased investment in core technology, transformation of identity and positions, development of key partnerships, and access to greater financial resources. LCEF is already making investments to improve business efficiency, customer relations and digital experience, marketing, and data analytics. Day noted also his encouragement that LCMS Research Services host a "research roundtable" with participation from the synodwide entities and perhaps others, to gather, share, and participate in deeper analysis of enterprise-level data.

At a higher level, Rev. Day explained that the LCEF board has been growing into its "strategic and generative role" to think about the future. LCEF has a higher cost of funds and lower margin on lending—a "squeeze" that simply must be addressed. At the same time, LCEF believes itself to be a catalyst but knows it cannot achieve strategic goals alone; the board sees ministries "dreaming and expanding" in partnership with LCEF and wants to do more, for the sake of the Gospel being proclaimed and the church serving its people and communities. Day noted LCEF's strategic planning has already engendered much healthy conversation between LCEF and LCMS leadership (President, Chief Mission Officer, and Chief Administrative Officer), between the LCMS President and the LCEF board, and between the respective board chairs. Underscored the importance of advancing strategic planning that aligns Synod and its agencies together to move toward specific objectives with measurable outcomes and noting that he hopes this to be a beginning of a continuing, fruitful conversation, he responded to a number of questions posed in advance by the board (pp. 248–49/304):

1. Regarding "aggressive growth" as a goal, Day noted that the LCEF board first considered growth of total assets a helpful "forcing factor," but that it now defines the sought-after "aggressive growth" as referring to increasing total loan portfolio, wherein assets are being put to work in and for the church and LCEF also has extensive experience at risk mitigation. LCEF is challenging itself to achieve a total loan portfolio of \$1.85 billion (B) in five years, which will require origination of \$1.23B in new loans over the period. This requires about \$2.5B in total assets, meaning raising an additional \$200–250M over the next few years as lending growth occurs.
2. Bigger is not always better. It is better for LCEF if the church is growing—especially if funds are needed for new, coordinated, effective, models beyond "place and space" (property and building) lending—but growth may not lead to profitability. Profitability and margin are critical for providing resources to the church but "cannot be used for selfish growth and gain;" LCEF intends to apply gains for the furtherance of the church around the world. It is neither present reality nor future aim to serve "macro" lending at the expense or to the exclusion of "micro" lending. LCEF engages in big lending to big organizations (e.g., senior service facilities) as part of the portfolio growth strategy but congregation lending remains the core; all LCEF district vice-presidents focus almost exclusively on congregational needs.
3. The conversation around a potential LCEF endowment, a "catalyst or tool for support of growing the church," continues. Current unsolicited estate gifting to LCEF suggest that raising funds for such may not be, relative to other opportunities in the Synod, a "zero-sum game." The concept needs more research. Do donors desire a permanently-restricted endowment that might backstop certain loan pools or generate cash for funding of ministries? LCEF will continue to explore this

idea, continuing conversations with partner LCMS Foundation and with LCMS Mission Advancement, continuing to avoid programmatic overlap with LCMS mission offices.

4. “It’s always time, maybe past time, but never too late,” Day noted, to engage in the broader conversation with key stakeholders about where the church together is going. LCEF does not set the agenda for the whole church, where the Synod Board of Directors and, on the programmatic side, President and Chief Mission Officer, are more prominent. Day encourages “bringing people to the table” to coordinate efforts for the benefit of the whole church. Including the entities, universities, and seminaries, LCMS is blessed “superabundantly” with gifts and has a tremendous impact. More can be done to grow ministry opportunities, whatever we collectively decide those targets should be.

Rev. Day noted opportunities for strategic investment of effort in a few identified “places where energy and enthusiasm are being built”:

- Establishing and strengthening elementary and high schools, exploring new models to teach uniquely and distinctively, to a growing number seeking it out, “the truth of God’s creation and salvation.”
- Cultivating leadership that will start and sustain mission, becoming more generally intentional about leadership development, equipping with business and entrepreneurial skills needed for new ministries.
- Care and wellness of our workers. Ministries have weathered the pandemic, for the most part, well—many with assistance of LCEF through deferrals (mostly resolved) and new lending. Workers, however, are more wearied than ever—an area needing investment for the long-term good of the workers and the ministries.

Rev. Day described the strategic plan as a “living document” continuing to grow with eagerly-invited input from the Synod board, from partners and the broader Synod, explaining that his board is holding LCEF to account for progress to the plan, which retains flexibility to adapt and respond to interest and needs from the broader Synod. Board members responded with a few comments:

- Rev. Day clarified in response to a question that LCEF’s partners in strategic planning are principally corporate Synod and the corporate entities—where “great opportunities” and ongoing conversations are noted with LCMS Foundation and Concordia Plan Services (CPS), not so much for “ministry resources” but in business-related services—then the auxiliaries and universities. One of two specific key partners in the near term is CPS; LCEF and CPS hope to benefit from each other’s “reach” into served congregations to offer additional services.
- President Harrison noted his support for thinking “outside the box” and taking things “to the next level” within the potential for new opportunities for LCEF “financial resources and related services” (Bylaw 3.6.4.4.1) “consistent with the ministry and mission of the Synod” and subject to policies approved by the Synod Board of Directors.
- A desire was expressed for clarity of language and further development of the plan, to make clear, with respect to the roles assigned LCEF and others, where the plan suggests new activities—an already-identified objective, Day noted, of subsequent drafts of the document. As to whether LCEF is stretching its bounds, Day explained that LCEF’s “entrepreneurial” board believes it has a role and responsibility to grow the church now, to aid, expand, replicate, successful ministry approaches, to be more intentional about cultivating work that moves ministry ahead. LCEF, he noted, is not the catalyst to bring everyone together—that may be the Synod Board of Directors, President, or Chief Mission Officer, with the mission boards. Larger conversations around strategy in the church should be had. LCEF hopes, for its part, to remain flexible to support that strategy effectively as it continues to develop.

- Another member noted LCEF’s income, relative to invested assets, and questioned whether leverage could improve performance. Day noted that competition in the lending market and the intent to provide low-cost loans for mission puts on a significant squeeze. LCEF is trying to reduce cost of capital, whether by the endowment LCEF is initially exploring or by other means, perhaps in specific loan pools with particular ministry-related purposes. Day noted also the belief that there is more than \$1.5B in lending in the Synod that is not with LCEF; more effectively serving this pool, along with capturing other efficiencies, will help improve the core work of LCEF and assure funds and services are available to the church in the future.

Wrapping up, Rev. Day noted that his board is hosting a strategy planning session in January; LCEF has invited the Synod board to send a few members to Tampa to discuss strategy in a facilitated conversation with the LCEF board.

207. Fiscal Year 2020–21 (FY21) Annual Audit Review

The board welcomed external auditors Frank Megargel, Janet Ramey, and Tommy Hill of Armanino LLP (formerly Brown Smith Wallace LLP) to present the annual audit (presentation, pp. 290–304/304; audit attached to the protocol minutes) for the fiscal year ending June 30, 2021. Also joining the board was Jim Ehlers of LCMS Accounting, who prepared the related financials. Janet Ramey presented the audit report for Armanino, noting a “very good report.”

Consolidated are LCMS (corporate Synod), the Lutheran Center for Religious Liberty (LCRL), LCMS Holdings, Concordia Plan Services, and the LCMS National Housing Support Corporation (dissolved during the year). The audit opinion is unmodified. With regard to LCMS Holdings, an audit (also unmodified) was performed by another auditor under Hong Kong standards and relied upon with additional procedures performed on their work. Ramey reported no material weaknesses in internal control discovered in the course of audit procedures, as well as no significant deficiencies. Required communications were discussed with the committee. No audit adjustments were required, even immaterial ones. The audit process was smooth, reflecting skilled, experienced, knowledgeable, and engaged work of accounting staff, management, and the board’s audit committee.

Tommy Hill presented financial statement analysis associated with the audited financial statements, related to corporate Synod only and not including other consolidated entities. Total assets for FY21 were up 25% year over year, due both to strong markets and strong contributions. Decreased liabilities reflect forgiveness of corporate Synod’s Paycheck Protection Program loan during the fiscal year, resulting in a net asset position increase of 32% relative to FY20. Net assets are increasing year-over-year in all categories (without donor restrictions, temporary restriction, and permanent restriction).

Expenses for FY21 (\$51.77M) were significantly reduced from FY20 (\$67.25M), in large part due to this being a non-convention, non-gathering year, but revenues increased from \$73.03M to \$79.94M. Notably, Synod’s undesignated net asset deficit decreased from \$15.31M at the end of FY20 to \$2.83M in FY21, while undesignated and board-designated assets (excluding land, buildings, and equipment) increased significantly, from \$5.68M to \$18.82M. Hill noted the opportunity to review board designations and perhaps to allow release of certain board-designated assets to eliminate the undesignated net asset deficit.

Hill noted that assets with donor restrictions (purpose-restricted, temporary or perpetual) have increased 80% since 2017, a significant increase—a trend in non-profits, donors being generally quite intentional and specific in their giving, which has suggested strategic appeals for designated giving as a strategy for many non-profits. Reviewing support and revenue by source, Hill noted that processing of bequests was generally slow in 2020, so the increase in FY21 is typical of many nonprofits. District revenue, a significant source of undesignated resources for operations, of approx. \$12.6M continues to decline by about \$600k a year—CMO Robson noted, a change of support equal to about 6 positions a year.

With regard to functional expense analysis, Hill noted a program spending ratio of 75% for FY21, at midrange of the targeted 70–80%. General and administrative expenses continue to decline as a proportion of spending, with fundraising costs holding steady. Program spending was noted as down for FY21 due to COVID-related obstacles.

208. Legal Report

The board entered executive session.

207X. Executive Session II: Legal Report

209. Action Items

Chairman Kumm presented to the board the following remaining action items, as scheduled for the present meeting:

(C) Acceptance of Audited Financial Statements

The board having been presented by representatives of Armanino LLP with audited financial statements (attached to the protocol minutes) for the year ended June 30, 2021, it was moved and adopted:

WHEREAS, The Audit Committee of the Board of Directors met with representatives of Armanino LLP and management to discuss the audited consolidated financial statements of The Lutheran Church—Missouri Synod for the year ended June 30, 2021, and made inquiries of them regarding the audit; and

WHEREAS, The Audit Committee received a summary of the required communications from representatives of Armanino LLP in accordance with generally accepted auditing standards; and

WHEREAS, The auditors' opinion on the financial statements, dated November 18, 2021, is unmodified; and

WHEREAS, The auditors did not identify any material weaknesses in internal control during this audit; and

WHEREAS, The Audit Committee unanimously approved the audit report for presentation to the Board; therefore be it

Resolved, That the Board of Directors accept the audited Consolidated Financial Statements of The Lutheran Church—Missouri Synod for the year ended June 30, 2021.

(D) Revision of Board Policies: Section 5.7, Miscellaneous Administrative Policies

It was moved and adopted:

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

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

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

Resolved, That the Board of Directors adopt the changes to Board Policy 5.7 Miscellaneous Administrative Policies found in The Lutheran Church—Missouri Synod Board of Directors' Policy Manual as shown in Exhibit A attached (pp. 257–67/304).

(E) Appointment of New Resident Agent in the Philippines

It was moved and adopted (pp. 268–79/304), with the board members signing the resolution as required by Philippine law:

WHEREAS, THE LUTHERAN CHURCH—MISSOURI SYNOD (LCMS) is a religious corporation duly organized and existing under the laws of the State of Missouri, USA, with office address at 1333 South Kirkwood Road, Saint Louis, Missouri, 63122, United States of America;

WHEREAS, LCMS complies with the requirements of the Securities and Exchange Commission (SEC) in relation to its Petition for the change of Resident Agent;

WHEREAS, the Resident Agent of LCMS, Ms. Adelina R. Balunsat, has already retired, having reached the retirement age as stated under Philippine law;

WHEREAS, LCMS will appoint a new Resident Agent in the Philippines, to replace Ms. Balunsat;

NOW, THEREFORE, for and in consideration of the foregoing premises, the Board of Directors of LCMS hereby approves the following resolutions:

RESOLVED as it is hereby resolved, that LCMS revokes the appointment of Adelina R. Balunsat as the Resident Agent of THE LUTHERAN CHURCH-MISSOURI SYNOD in view of her retirement, and thanks her as its former Resident Agent.

RESOLVED FURTHER that LCMS hereby appoints as its new Resident Agent in the Philippines, Atty. Krisanto Karlo E. Nicolas, with address at 16th Floor Unit 1607 AIC Burgundy Empire Tower, ADB Avenue corner Sapphire and Garnet Road, Ortigas Center, San Antonio, Pasig City.

RESOLVED FURTHER that as the new Resident Agent, Atty. Nicolas is given full authority to do the following:

- a. execute, sign, and submit documents and papers that will be required of LCMS by the Securities and Exchange Commission (SEC); and
- b. receive and accept summons and other legal processes that may be served in all actions or other legal proceedings against LCMS such that service upon such resident agent shall be admitted and held as valid as if served upon the duly authorized officers of the foreign corporation at its home office; Provided that that if at any time LCMS shall cease to transact business in the Philippines, or shall be without any resident agent in the Philippines on whom any summons or other legal processes may be served, then in any action or proceeding arising out of any business or transaction which occurred in the Philippines, service of any summons or other legal process may be made upon the Securities and Exchange Commission and that such service shall have the same force and effect as if made upon the duly-authorized officers of the corporation at its home office.

RESOLVED FURTHER that Atty. Nicolas is granted full authority to act as Resident Agent of LCMS in the Philippines, as he may be required to do so under Philippine Law, including signing, subscribing, verifying and delivering any and all forms, instrument, papers and other required documents, proper and necessary for the processing of the Change of Resident Agent on record with the SEC, including the filing of a Petition for Change of Resident Agent, and such other processes as may be required by the SEC.

RESOLVED FURTHER that all transactions, warranties, representations, covenants, dealing and agreements by LCMS through the different government agencies in the Philippines prior to the approval of this Resolution are all hereby approved, confirmed, and ratified to be valid

and binding acts, representation, warranties and covenants of LCMS as that it lawfully did or caused to be done by virtue of authorities given to them.

RESOLVED FURTHER that the powers given to Atty. Nicolas shall be valid until notice to the contrary is given by LCMS.

RESOLVED FURTHER that this Resolution shall also serve as the Special Power of Attorney in favor of Atty. Nicolas mentioned above to carry out the stated tasks.

RESOLVED FURTHER that any action subsequently or already taken by the Director of LCMS, or the persons authorized in this Resolution, including the acts of the Resident Agent, within the authority of these above-stated foregoing resolutions, is hereby authorized, approved, ratified, and confirmed.

RESOLVED, FINALLY, that the foregoing Resolutions shall remain valid and subsisting unless otherwise revoked or amended in writing by the LCMS.

(F) Approval of August Minutes

The board's August 28 minutes (pp. 13–26/304), previously removed from the consent agenda, were adopted with one modification in agenda item 179, read by the Secretary.

210. Meeting Review

The board entered executive session to review the meeting according to its policies.

209X. Executive Session III: Meeting Review

211. Adjournment

The board returned from executive session and, having concluded its agenda, adjourned.

John W. Sias, *Secretary*