

## MINUTES

### BOARD OF DIRECTORS February 16–17, 2018

#### **145. Call to Order, Opening Devotions, and Introduction**

Chairman Michael Kumm called the board's February meeting to order, with all board members, Chief Administrative Officer Frank Simek, Chief Financial Officer Jerald Wulf, Chief Mission Officer Kevin Robson, and General Counsel Sherri Strand present. He called upon the Rev. Craig Muehler, CAPT, CHC, USN (Ret), who serves as Director, LCMS Ministry to the Armed Forces, to offer an opening devotion: on Friday, from 1 Thess 1:2–10, and on Saturday, from Acts 20:17–36.

Chairman Kumm introduced Dr. Albert Collver, LCMS Director of Church Relations, and Dr. Wilhelm Weber, former bishop of the Lutheran Church in Southern Africa and former rector of Lutheran Theological Seminary, Tshwane, Pretoria, South Africa. Dr. Weber has recently been appointed director of the International Lutheran Society of Wittenberg's Old Latin School. It is hoped that the 22 seminaries of the International Lutheran Council will increasingly utilize the center, now enhanced with Dr. Weber's seminary experience, as a locus for Luther studies. A native speaker of German, he will also be active in outreach to the local German population. Dr. Weber spoke enthusiastically and appreciatively of the opportunity to work in the birthplace of the Reformation—where, sadly, it is generally known only as an historical artifact—to bring the fullness of the Gospel to bear.

#### **146. Adoption of Agenda**

The meeting agenda (slightly amended from pp. 5–6/565 of the printed board docket, attached to the protocol copy of the minutes) was adopted as distributed.

#### **147. Consent Agenda**

The meeting's consent agenda (pp. 8–9/565) was moved and adopted as follows:

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 Reports
  - Report of the 1<sup>st</sup> Vice President
  - Report of the LCMS President
  - Report of the LCMS Secretary

- Report of the Chief Administrative Officer
- Report of the Chief Financial Officer
- Report of the Chief Mission Officer
- Administrative Services Reports
  - Information Technology
  - Building Operations – Facilities
  - Human Resources (Confidential)
- Financial Services Reports
  - Accounting
  - Risk Management
- Internal Audit
- Board of Directors Committee Reports
  - Governance Committee
  - Personnel Committee
- Action Items
  - Approval of November 16–17, 2017, Minutes
  - Approval of December 12, 2017, Telephonic Minutes
  - Approval of December 18, 2017, Telephonic Minutes
  - Approval of January 1, 2018, Executive Committee Minutes

and be it further

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

#### **148. President Harrison’s Report**

Chairman Kumm called upon President Harrison to extend upon his written report (pp. 11–14/565). Harrison reported that district conventions in North Dakota and Southern Illinois Districts, already concluded, were “great events, with great preaching and floor debate, a warm reception [of Synod’s representatives], and a good spirit.” Southern District and Northern Illinois District meet in March. The President will personally attend 25 of the 35 districts this year, the maximum physically possible. “Time with district leadership, lay people and pastors,” he noted, “is very helpful and invigorating.”

Synod is generally calm. No dispute resolution panels are active, and the one suspension panel is concluding. The Res. 7-02B Task Force, working on bylaws related to Concordia University System, is moving forward (2016 Res. 7-02B is titled, “To Preserve Concordia Colleges and Universities as Institutions of the Church and Strengthen Their Structural Bonds with Synod,” *Proceedings*, pp. 173–5). The perennial challenge is to balance the need to keep schools operating as institutions of the church while protecting the System and the Synod from the significant liabilities associated with operating large, complex educational institutions.

Internationally, LCMS Director of Church Relations Albert Collver and the International Lutheran Council have been working to increase support capacity to accommodate the many Lutheran church bodies presently interested in fellowship with the Synod. Recently, Tanzanian Lutherans have contracted with CPH to translate *The Lutheran Study Bible’s* notes into Swahili, opening it to tens of millions of new readers and hearers.

The president is “cautiously optimistic” that Corporate Synod’s finances are somewhat improved, as the report of the Chief Financial Officer will indicate. Of over \$9 million donated for hurricane (and other disaster) relief, over \$8 million is already “out the door” or planned for allocation [for use within the next three years] to meet needs identified, in large measure, in close partnership with the Texas District. \$1.3 million has been devoted to hurricane recovery in Puerto Rico, where a mercy center has been purchased adjacent to one of our congregations to support needed long-term work. While an abundance of hurricane-related giving may have depressed giving to Synod’s international mission operations, “the good news is that...the Synod remains enormously supportive. It’s a humbling trust.”

The President is responsible for triennial appointment of the Chief Mission Officer (Bylaw 3.4.3.2). In the President’s consultation with the Boards of National and International Mission, he found the members “unanimously, vigorously and happily” supported Chief Mission Officer Kevin Robson’s reappointment. In the President’s own impression, he has done a “fantastic job” in general and “yeoman’s work,” in particular, working to strengthen their Lutheran identity, Lutheran staffing, and Lutheran teaching of Synod’s International Schools (in Hong Kong, Shanghai, and Hanoi).

*Everyone His Witness*, Synod's new, ground-up *Lutheran* approach to outreach, is going well and was featured at February's Council of Presidents meeting. Its core, indicated by the acronym, "Listen–Ask–Seek–Share–Invite–Encourage (LASSIE)," is augmented with a variety of modules for witnessing to specific friends, family, and neighbors. Synod's revitalization program, *ReVitality*, is also in full swing, offering, among other insights, a "360-degree" demographic evaluation of congregation's neighborhood—an opportunity to "really plan for the future."

LCMS Rosters, Statistics, and Research Services continues to perform interesting work: A survey of 2,046 young adults, including of some 400 who had left the LCMS, lends insight into the problem that in three generations we as a Synod, on average, have retained only 30% of our baptized to adulthood. Relationships to family, congregation, and pastor are demonstrated to be important. Longer pastorates are better for retention. It is important to young people to be offered leadership positions. The young people who do belong to our churches believe what the church teaches, and it does not appear that people leave, in bulk, because of one particular doctrine or another. One area calls for a concerted effort: our congregational recordkeeping is poor, with inquiries finding many congregations to lack adequate baptism and confirmation records. Another study of Synod's largest congregations indicates that the largest and growing churches grew much more rapidly twenty to ten years ago and much less rapidly in the past decade. Large churches are not above the challenges (or opportunities) now set before Synod's congregations as a whole.

Commenting on recent appointments, Harrison noted that CAO Frank Simek is "a joy to work with," and his work is "beginning to have a very salutary effect on the administrative operations of the building." Harrison was also just in Washington, D.C., with the Rev. Dr. Gregory Seltz, to open the Lutheran Center for Religious Liberty (LCRL), and to visit Senators and Representatives on Capitol Hill as well as other organizations defending religious liberty in the Capital. Seltz is the founding Executive Director of the newly created LCRL, presenting to the board later in its meeting.

President Harrison offered brief remarks on two recent issues that have received some attention in the Synod: With regard to the Queer Straight Alliance student group at Concordia University Portland, "A club advocating homosexuality is not possible, under the Constitution and Bylaws of the Synod, on a Concordia campus." The club was deauthorized by the regents. When media became involved, the campus president, concerned with potential impact on students taking practicums in public schools, reauthorized it. President Harrison, in dialogue with local authorities, reported a significant step toward positive resolution was "in the offing."

Regarding Concordia Seminary (St. Louis)'s *Concordia Journal* article, "The Age of the Earth and Confessional Lutheranism," which "opened the door on 'old earth creationism,'" President Harrison noted that—while the issue will require ongoing evaluation and diligent attention—the participants "handled themselves, in the end, in quite an excellent way." The Nebraska District President worked with the author, who apologized for the article's content. Continuing, patient attention is being given to interest in the "old earth" position among some of the Concordia Seminary faculty.

President Harrison concluded with a few personal comments, noting Kathy's continuing care for her mother, who is in the extremities of life, and the joys of family. He also noted that after four months of intentional, regular exercise, he feels "better than he has in years."

#### **149. Financial Report**

Chief Financial Officer (CFO) Jerry Wulf, expanding on his printed report (pp. 31–37), noted that corporate Synod enjoys a far better financial condition than a year ago. As of December 31, 2017, Synod's...

- **cash on hand** amounted to 34.3 days' worth at current spending levels, compared to 5.4 days at this time last year. (If spending were increased to budgeted levels, the figures would be 26.75 and 4.26 days, respectively.)
- **quick ratio** [(cash + cash equivalents + accounts receivables) / current liabilities] is at just over 1.64, compared to 0.81 at this time last year.

- **program spending ratio** (program expense / total expenses) is 72.2%, slightly down from 74.1% last year.
- **fund-raising ratio** [Mission Advancement Costs / (gifts and grants + bequests)] for the prior 6 months is 9.9¢, down from 15.9¢ the previous quarter and 17.1¢ this time last year.

Responding to a question of how temporarily restricted cash impacts “days of cash operating,” Wulf noted that the cash portion of temporarily restricted funds [these also include district pledges and irrevocable gifts not yet realized] is reflected as *cash* for the purposes of this number. Not all temporarily restricted funds can be *immediately* expended for the purpose given, and therefore do increase corporate Synod’s liquidity until expended. Responsible recovery expenditure in response the 2017 Atlantic hurricane season, for which significant gifts have been received, will extend over a number of years. It was noted in this connection that, thanks to work by Mission Advancement, with the CFO and others, the LCMS has newly been named an “accredited charity” by the Better Business Bureau.

CFO Wulf noted that, though preparations for the FY19 budget are already underway, there is much activity in the financial area to improve analysis and reporting. Wulf will be consulting with the Audit Committee on implementing a new, clearer reporting model for Synod’s financial information in FY19. A detailed review of documentation of all Synod’s permanently restricted funds is complete. The impact on future audit requirements of changes to non-profit accounting standards and to the incorporation instruments of Concordia International School Shanghai is being assessed. An external review of the accounting area is scheduled for early FY19, followed by a re-evaluation of Synod’s choice of accounting software.

Wulf identified challenges including developing procedures for local audit of the operations and resources of regional mission offices, as well as the systematic reporting of such audits, and continuing to encourage Concordia University System, Concordia Historical Institute, and the Lutheran National Housing Support Corporation to develop funding models other than direct support from Synod funds.

Turning to the mid-year financial statements (pp. 66–83/565), for the six months ended Dec. 31, 2017, total assets increased by \$0.75 million to \$88.1 million and total liabilities decreased by \$3.7 million to \$16.6 million. The accumulated net unrestricted, undesignated fund *deficit* (reflecting cash “internally borrowed” over time to meet underfunded program and operating expenses) decreased \$1.6 million, from \$13.6 million to \$12.0 million, a significant favorable deficit reduction.

President Harrison noted the need for a clear financial report on the state of the Synod, so that everyone can understand the situation. When he took office in 2010, this accumulated deficit stood at about \$17 million (\$19.45 million in 2018 dollars); at the end of Fiscal Year 1982, it stood at \$11.8 million (\$32 million in 2018 dollars). “This is a historical, long-term issue, but we need all together to get our heads wrapped around this.” CFO Wulf noted the additional impact on Synod’s fiscal flexibility of the “historic Concordia University System debt,” serviced by corporate Synod at a cost of \$1.5 million a year.

Turning to revenue and expenditure, total revenues for the six months were \$36.1 million, of which \$1.5 million is permanently restricted and \$2.3 million remains as temporarily restricted. The resulting \$32.3 million in unrestricted (or released) revenue is under budget by \$6.7 million. Expenses in the same period are \$31.7 million, under budget by slightly more, \$7.0 million. This results in a favorable (unrestricted / released) budget variance, at mid-year, of \$309,241, and a favorable total revenue-expense variance (surplus) of \$4.4 million. By way of comparison, last year at this point corporate Synod faced a significant (unrestricted / released) revenue-expense deficit, with revenue of \$33.0 million falling short of \$41.7 million in expenses, for a deficit of \$8.7 million.

CFO Wulf noted that three units have spent unrestricted funds beyond those budgeted. In two cases, this means that anticipated, designated gifts have not arrived in time for unavoidable expenditure (for example, to keep missionary personnel in the field), meaning that corporate Synod’s very limited unrestricted funds have had to be applied:

- The Office of International Mission (OIM), despite underspending by \$5.7 million its total half-year budget of \$18.1 million, has overspent by \$1.2 million its year-to-date-budgeted *unrestricted* funds (\$366,283). Gifts arriving in January, however, are expected to mitigate this deficit. CMO Kevin Robson noted that this is a revenue issue, not one of over-expenditure. OIM has already trimmed \$650,000 and has asked regional directors to cut another \$500,000 in operating expenses for the remainder of the year.
- KFUE Radio, despite underspending its total half-year budget of \$776,597 by \$131,686, has overspent its year-to-date-budgeted *unrestricted* funds (\$40,634) by \$179,880. The station's April Share-a-Thon is expected largely to address this shortfall.
- Finally, Conflict Resolution, completely funded by undesignated funds has, due to a volume of business now all concluded, already expended \$847 more than its \$8,200 budget for the year.

The question was raised, who is goal-setting the budget? Other than spending incrementally less on everything we are already doing, there seems to be little guidance. Is the board just "maintaining," or are we directing expenditure to the present and projected needs of the Synod, and providing the Operations Team with advance guidance on what budget to prepare? Discussion noted the strategic program planning role of the mission boards, but also that the Board of Directors needs to improve in setting forward-looking budget parameters. With an idea of the demographic changes ahead for Synod congregations, the Board of Directors needs to find the way to advance their objectives with the likely sparser resources of the future.

### **150. Concordia University System Report**

Chairman Kumm welcomed Concordia University System (CUS) President Dean Wenthe and Paul Philp, Director of Institutional Research and Integrity, to join the board for a report on the financial viability of the Concordia schools (pp. 274–388/565) and the work of the Res. 7-02B Task Force (2016 *Proceedings*, pp. 173–5). First, Wenthe reported on a "marvelous trip," just completed, to Concordia College, New York (Bronxville). There, a significant operating deficit has been reversed. Lutheran identity and the campus' connection to the Synod are markedly strengthening. There is a clear witness to the Gospel everywhere on the campus. The incoming student census, not more than 200 in recent memory, exceeds 300. A sign of the times: among others, even Orthodox Jews and Muslims are attending in numbers on a *Lutheran* campus, drawn to a place that "believes in God and understands male and female."

Wenthe noted that small, less-endowed, enrollment-dependent institutions are vulnerable at present, facing both financial pressure from well-endowed and taxpayer-supported institutions and an ideological shift away from highly valuing post-secondary education. Artificial intelligence threatens to replace, in certain spheres, traditional models of education. The CUS college and university presidents are working on a five-year strategic plan for how the System will face the future together, rather than suffering successive attrition of challenged schools. Obvious ideas include consolidation of business operations and avoidance of program duplication. The convention, Wenthe noted, can hardly be expected to address all these complexities from scratch by itself. The schools, CUS and the Board of Directors need to come together to offer the convention "an excellent plan."

In discussion, board members noted shortages in the trades (welders, electricians, mechanics, plumbers, etc.) and a perceived shift among colleges in their areas to serve this booming market with vocational programs. Wenthe noted that Concordia University Nebraska has begun an agricultural degree, and that other campuses may be exploring opportunities suited to their locales. In an evolving market, nimble addition of programs may be important to the schools; at the same time, the "moneymaking" programs may be emphasized to the diminution of Christian witness in general and church worker programs in particular—which are already severely diminished. System-wide, while enrollment in CUS schools has increased, the number of church workers has continued to decline.

A board member noted that whole non-profit world is "seeing the strong get stronger while the weak get weaker." For smaller institutions, "consolidation is key, but there is no built-in incentive for making the hard decisions." The question was posed: "How do we all together urge, over the natural impulse to "circle

the local wagons,” the kinds of consolidation that will improve efficiency and enhance the Concordia brand? Perhaps by an excellent, unified approach in the online space? Wenthe noted that some presidents are interested in this approach and that if a few lead well, the others may have to follow.

Another board member noted the BOD and CUS’ responsibility, on behalf of Synod’s congregations, to oversee the financial viability standards for the colleges and universities, and appreciated the inclusion of related material in the board docket. Viability standards having to do with Lutheran identity were also noted, along with the observation that the board might report to the convention whether the various campuses are *viable* also as *churchly* institutions, capably fulfilling the objectives the congregations have laid out for them. Wenthe noted that CUS visits campuses and supports viability studies, with help from experts at the various institutions. “The temptation is that the church’s witness can be only a marginal part of the campus. The cross and its theology need to be central.”

Board member Christian Preus offered a few comments from the perspective of the Res. 7-02B Task Force. Bylaws dealing with consolidation, divestiture, etc., [e.g., Bylaw 3.6.6.5(h)] need to change. A local board of regents and the Council of Presidents, gathering occasionally, cannot be expected to understand and make the hardest choices. An improved environment for progress together (as opposed to circling local campus wagons) is needed, but how does one arrange governance and administrative features to make “working together” happen? It is felt that if the Board of Directors could strongly encourage a positive direction, this would be helpful.

Another board member noted a new administrative model for supervision is needed. “CUS needs teeth, not to be neutered by the bylaws.” We need to look beyond the low-hanging fruit of sharing back-office resources to new strategic models, possibly involving consolidation of campus administrations to regional models, etc. Some out of the box models need to be presented. CUS or the Synod needs to be able to exercise “normal reserve powers of founding institutions,” to address mission purity, debt, malfunctioning directors and administrations. We need to operate with financial clarity. It was noted that colleges like Hillsdale have a strong, counter-cultural identity and do well. Our schools need a similar focus on their mission and strength of purpose.

It was moved and adopted to move into executive session, with Drs. Wenthe and Philp, Attorney Strand, the Chief Administrative, Financial and Mission Officers present and board member Gloria Edwards recusing herself, to discuss matters related to Concordia College Alabama and Concordia University Portland.

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**150X. Executive Session I(A): Concordia College Alabama**

**150XX. Executive Session I(B): Concordia University Portland**

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**151. Human Resources Report: Salary Review and Recommendation**

The board, continuing in executive session with Gloria Edwards returning and the Chief Mission and Financial Officers excused, welcomed Val Rhoden-Kimbrough, Executive Director of LCMS Human Resources, and Ross Stroh, Executive Director of LCMS Financial and Accounting Services, to offer a report on salaries and benefits.

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**151X. Executive Session I(C): Human Resources Report: Salary Review and Recommendation**

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## **152. Legal Report**

The board continued in executive session, with its guests dismissed, to hear the legal report from General Counsel Sherri Strand. Board member Christian Preus excused himself for discussion of one case.

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## **152X. Executive Session I(D): Legal Report**

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## **153. Fiscal Year 2018–2019 (FY19) Financial & Budget Outlook**

Chief Financial Officer Jerry Wulf presented a report looking forward to FY19 budget preparations, beginning with a chart indicating the amount of the undesignated /unrestricted net asset deficit over time. This number reflects the “financial flexibility” of corporate Synod, the amount of available assets that are not designated for some particular purpose. A deficit in this category indicates the accumulation over time of internal borrowing to pay present expenses, whether programmatic or administrative—the accumulated effect of deficit spending.

The last time corporate Synod’s undesignated/unrestricted net asset category was positive at year-end, reflecting financial flexibility, was 1999. The trend was generally negative, apart from partial recovery in 2004–2005, from 1999 to 2009, reaching a year-end deficit of almost \$15 million in 2009 (\$17 million in today’s dollars). The years between 2010 and 2014 saw recovery to a minimum year-end deficit of around \$6 million. Since 2014, the deficit has increased at a rate of about \$2 million a year, comparable to the rate from 1999–2002 and 2005–2009. The increased deficit since 2013 has been largely related to the expansion of international mission mandated by the convention. (The average age of donors over time was requested, but not immediately available.) As of the end of December, the deficit amounted to \$12 million.

Turning to a discussion of budget preparation, Wulf noted that certain offices and activities are mandated by the Constitution, Bylaws, and resolutions of the Synod: The President and Praesidium, Secretary, Operations Team, Board of Directors and Mission Boards, Council of Presidents, Synod Commissions, Rosters & Statistics, Dispute Resolution, Colloquy, etc. (One major resolution-mandated activity is the assumption of the CUS Historical Debt by corporate Synod, the servicing of which costs approximately \$1.5 million annually, with 11.5 years of payments remaining). These offices and activities, in the FY18 budget, amounted to \$9.5 million in budgeted expenditure (including related general and administrative expenses), resulting in the use of \$8.1 million in unrestricted funds. (A few of these cost centers performed another \$1.7 million in work, funded with suitably designated gifts.) \$8.1 million is the minimum level of undesignated funds required to carry out these mandated functions.

Ross Stroh, Executive Director of LCMS Financial and Accounting Services, reported an estimate of expected undesignated/unrestricted support, beginning with pledges from the districts for FY2019 (noting that district pledge years, ending Jan. 31, differ from Synod’s financial year, which ends June 30), totaling a district revenue estimate of \$13,747,000, a decrease of 3% from \$14,175,000 in FY2018 (which was a decrease of 2.3% from the year before). Six districts increased by a total of \$57,907, and sixteen districts decreased by a total of \$486,476. Districts pledge between 3% and 38.2% of their unrestricted revenues; five increased their pledge percentages and fourteen decreased.

Accounting for other sources of undesignated revenue, including \$2.4 million from the sale of KFUFM-FM (FY 19 and 20 will contain similar payments, with a final \$3.5 million payment in FY21), brings the total anticipated unrestricted / undesignated revenue estimate to \$19,917,000. Allowing \$2 million for deficit reduction leaves \$17,917,000 to be applied to the FY19 budget. Discussion noted that on a total FY18 corporate Synod budget of approximately \$77 million, only \$20 million of revenue is unrestricted. The remainder, \$57 million, must be spent for the purposes for which it was donated. This, combined with the existing, accumulated unrestricted / undesignated asset deficit, severely hampers Synod’s flexibility.

#### **154. Audit Committee**

Audit Committee Chairman Keith Frndak reported for his committee, which approved a one-year audit bid of \$74,500 from Brown Smith Wallace. This may be reduced to \$68,000 if audit rule changes exclude LCMS Holdings from the corporate Synod consolidated audit.

The committee discussed the effect of consolidation on corporate Synod financials. Consolidating the \$68 million net worth of LCMS Holdings, the net worth of the Synod is \$74 million. Exclusion of Holdings will result in vastly changed numbers, which will require careful explanation. CUS President Dean Wenthe also joined the committee and discussed means of obtaining fuller and more regular financial reporting from the colleges and universities. LCMS Internal Audit Executive Director Joann Spotasnki presented her department's plans to the committee, and they received approval. CFO Jerry Wulf, finally, presented his significant study of the documentation for Synod's permanently restricted endowments.

#### **155. Governance Committee**

Committee Chairman Christian Preus reported for the Governance Committee (pp. 91–92/565). This board meeting's docket reflects the first use of the report templates developed by the committee, and the committee seeks feedback, to ensure that the board gets the most helpful information possible. Preus noted his committee's work has been impacted by this past August's study of the board's policy manual and the resulting determination that a thoroughgoing revision is called for. Two policy action items will be presented during the action item portion of the agenda. The committee is generally seeking to remove double negatives from the policy manual and to increase, generally, its clarity. Noted was a need for evaluation, not only of the existing policies, but of whether existing policies are being followed or enforced.

The committee intends to use the same survey instrument as last year for the board members to assess the board's work. There is a possibility of extending this survey to include those who report to, or otherwise interact with, the board.

#### **156. Accounting Review**

With Vice-Chairman Ed Everts assuming the chair, Chairman Kumm presented a proposal for evaluation of Synod's accounting services and processes (pp. 551–558/565). He noted ongoing assessments of other service areas in the Synod, and recalled the board's direction to explore having an assessment done of our accounting area.

Smith Schafer & Associates, Ltd., a Minnesota firm, has extensive experience with non-profits. John Edson, a member of an LCMS congregation, is a principal. One principal and one accountant will, after an initial meeting, spend 3–5 days on-site looking at accounting practices, procedures, and technology. Smith Schafer will present a written report and then present to the board. Smith Schafer has offered the board a very fair rate of \$32,000, plus travel and lodging and additional expenses, estimated at \$3,900. The evaluation would take place in July or August, early in our FY2019. The chairman feels that a fresh external evaluation will be a good and helpful "eye-opener" for the board and for staff.

It was moved and seconded to accept the proposal. It was noted that Internal Audit and international field operations will be part of the evaluation, as well as interaction with the Audit Committee or at least its chairman. Discussion distinguished between the spheres of expertise of accounting firms relative to those in operations, noting that recommendations must be understood in that light. The motion carried.

#### **157. Lutheran Center for Religious Liberty**

Resuming the chair, Chairman Kumm welcomed the Rev. Dr. Gregory Seltz, the center's founding executive director, to present on the Lutheran Center for Religious Liberty, newly opened in Washington, D.C. Seltz noted that much of his 30 years of ministry, before his time as the Lutheran Hour speaker, was in urban settings where one had to work with the political leaders to get things done, and now he is doing that on a new scale. Extending on his written report (pp. 549–50/565), Seltz noted the *what, where, why, and how* of the Center.



The Center is *Lutheran*, bringing our proper understanding of the two kingdoms—with its ultimate aim always in the kingdom of the right, of the Gospel. It's a *Center*, both in Washington, D.C., where we are already engaging with others working for religious liberties under tremendous social and governmental pressures—getting out in front of issues that are yet arising—and a *Center* among our people. We're pushing back against the weaponization of opinions, against the idea that one cannot be a Christian and be qualified for public office, against challenges to life, liberty, marriage, and education—pushing back to preserve for the church a place to work. And it is *for Religious Liberty*. The goal of the center is to help Lutherans put their temporal liberties to work, to create a space for the proclamation of the eternal liberties of Christ. We have gifts of citizenship, like St. Paul had—and parlayed his citizenship to proclaim the Gospel even before the Emperor. We want to develop citizens who know how to put these liberties to work.

Seltz noted the struggle of Dr. Walter A. Maier in 1941 to keep the Lutheran Hour on the air in the midst of protests that “Jesus alone is the way of salvation” made it a “sectarian” broadcast. He argued Jeffersonian liberty principles before the FCC and prevailed, keeping the air free for religious discourse. The National Association of Religious Broadcasters, on the board of which Seltz serves, came out of that struggle.

The Center aims to encourage—looking toward the Hill—the staff, aides, and elected officials with a two-kingdoms, Gospel voice. Looking toward our people, the Center aims to educate—churches, schools, universities, etc.—in the two-kingdoms understanding, to put our temporal liberties to work for the sake of the eternal. A website will have a wide range and depth of resources, and a Monday / Friday bulletin “Word from the Center” will connect the faith with the exercise of our freedoms. Finally, the Center aims to *advocate* for life, liberty, marriage, education. These are matters of religious freedom, where “weaponization of opinions” is a huge First Amendment issue.

The Center has built a stable, growing, energetic base of support, but seeks to diversify from gifts to education programs, internships, subscriptions, registrations at major events. Reception around the Synod has been very positive. The center is staying out of policy issues, where reasonable Christians can disagree, and finding allies among those who are working on the fundamental values. The interim office has been opened with relative ease at 314 3<sup>rd</sup> St. NE, a block from the Kirby Center and the Heritage Foundation—and two blocks from the Supreme Court, a great locale for this work. Staffing is not expected to be large—ever. The hope is to offer significant resources, interaction, and opportunities with the office as the “tip” of a much larger Synod, with its significant capacities in higher education.

Board members expressed their encouragement at and for the work of the Center, with encouragement to “go deep,” especially on behalf of education. Language, it was noted, is key—and focusing on fundamental values and relating with people “as people.” The “weaponization of ideas” is not an advance of freedom, but freedom being taken away—the government telling people what to think and how to live. “Anything that has to do with the fundamental issues of life and liberty, we’re going to be out there as the voice”—a winsome voice out in the kingdom of the left, honestly understanding and challenging opposing worldviews.

### **158. Board of Directors Annual Compliance Documents**

The board reconvened on Saturday morning, again with all members present. The board completed its annual compliance documents, reviewing Synod’s conflict-of-interest policy, policies on suspected financial and organizational misconduct and information technology best practices. The board members indicated compliance with the policies and reported potential conflicts to the chairman, as required by Bylaw 1.5.2.

### **159. Action Items**

After Chaplain Muehler’s opening devotions, Chairman Kumm brought a variety of action items from the prepared board docket:

(A) Appointment of LCMS National Housing Support Corporation Board of Directors

The usual nomination process having concluded, Kathy Schulz introduced the recommendation of the Personnel Committee for appointments to three regular and one vacancy positions to the board of the LCMS National Housing Support Corporation. The board adopted its committee's recommendation, as follows:

WHEREAS, The LCMS Board of Directors Policy Manual 5.7.2.1 directs that appointments for the LCMS National Housing Support Corporation be made annually, at the first meeting of the LCMS Board of Directors; and

WHEREAS, The LCMS National Housing Support Corporation has informed the LCMS Office of the Secretary that it will be necessary for the LCMS Board of Directors to make appointments for three (3) regular positions (term March 2018–2021) and one (1) vacancy position (term March 2018–2020, more than one half term) on its Board of Directors, and has provided a description of the responsibilities and desired qualifications of board members, included with this nomination information; and

WHEREAS, The LCMS Office of the Secretary and LCMS Department of Human Resources compiled information on all nominees, indicating that some have declined nomination; and

WHEREAS, The Personnel Committee of the Board of Directors, having evaluated all submitted nominations, biographical sketches, and confidential evaluations, in its meeting of January 16, 2018 made the following recommendation:

For appointment to a full, regular, 2018–2021, term:

\*Chappell, Robert L. — Southfield, Mich. (MI) Riley, Antonio R. — Milwaukee, Wis. (SW)

\*Dasari, David — Port Matilda, Pa. (EA) \* incumbent

For appointment to the vacancy, 2018–2020, term:

St. Onge, Charles — Wildwood, Mo. (MO)

therefore be it

*Resolved*, That the LCMS Board of Directors accept the recommendation of the Personnel Committee, making appointments as indicated above to fill one vacancy and three regular positions on the LCMS National Housing Support Corporation Board of Directors; and be it finally

*Resolved*, That the Secretary notify those appointed and thank the other nominees, on behalf of the board, who allowed their names to be considered.

(B) Adoption of Annual Budget Guidelines

Chief Financial Officer (CFO) Jerry Wulf presented an item inviting the board to give more specific guidance to address the unrestricted, undesignated deficit in FY19 and later budgets. Board policy, which presently calls only for balanced budgets, does not address this issue (pp. 481–2/565).

Background

The budgeting process for the past 6 years has shown favorable reductions in the accumulated negative unrestricted, undesignated net assets account balance for 4 of those years; however, the last two years (FY16 and FY17) have seen a reversal. Deficit reductions observed in FY2011–14 resulted from a combination of factors: Synod reorganization, conservative estimation of unrestricted revenues, long(er) term mission and ministry planning, realistic budgeting for only those special projects likely to be funded in the near-term, a shift of emphasis from “fundraising” to “relationship building,” and better estimation of restricted revenue.

Deficit increases evidenced in FY15–17 result from several factors, as well: The 2013 Convention (Res. 1-11) established a mission priority: double the number of career missionaries “engaged in church planting, mercy work, and theological education.” The 2016 Convention (Res. 1-02) directed investment in domestic mission work, “preparing and sending national missionaries into the margins of the USA.” These expansions have resulted in great blessings to the Church at large and have been supported by a great number of congregations, individuals, districts, etc. (2016 Res. 2-02 and 9-03A), but have also strained the ability of the Network Supported Missionary model to grow to sustain the resulting increased number of missionaries, both international and domestic. Expenses incurred that were not matched with applicable restricted gifts have been paid from unrestricted, undesignated financial resources. The extensive use of unrestricted, undesignated funds to cover restricted revenue shortfalls in the mission areas—in order to keep missionaries and their families in the field—has in turn reduced Synod’s ability to pay for the activities normally funded with restricted resources. Trying to do “more with less” has been tried and is being pushed further—but it has its limits.

Thus, while the increasing deficit in unrestricted, undesignated net assets has resulted from a significant investment in convention-initiated mission activities, the deficit’s growing size must be addressed to preserve other essential functions of national Synod. With that in mind, the following policy change was proposed.

The proposal was moved and seconded. Discussion questioned whether the board has enough information to make a decision that might have significant impacts on mission efforts, going forward. It was noted that the board is already aware of the CFO’s use of the \$2 million figure for deficit reduction in budget preparation.

It was moved and carried to **table** the resolution, as follows. Christian Preus noted for the Governance Committee that it would place the item on its agenda for consideration.

WHEREAS, The accumulated negative unrestricted, undesignated net assets account balance has increased each of the past two years, after declining for the four years preceding them; and

WHEREAS, This accumulated deficit is not the result of spending in excess of the approved budget, but, rather, is a product of lower than anticipated receipt of donor-restricted gifts to finance convention-initiated mission and ministry program activities; and,

WHEREAS, Unrestricted revenues/resources must be used to finance any actual spending that was planned to be funded with restricted gifts from donors, but for which such restricted gifts were not received; and,

WHEREAS, The Board of Directors has the responsibility of approving the annual mission and ministry operating budget that provides funding for all the objectives of the Synod; and

WHEREAS, Input from the Board of Directors, when preparing the proposed annual operating budget, is desirable; therefore be it

*Resolved*, That a new section or sections be added to Board of Directors’ Policy 5.2 (or other appropriate policy) as follows:

The CFO shall present to the BOD an annual proposed operating budget that provides for the reduction of the accumulated deficit in the unrestricted, undesignated net assets account balance *at a rate of up to \$2 million per year until the deficit is eliminated (alternatively: over a stated reasonable period of time)*. If an accumulated surplus in the unrestricted, undesignated net assets account exists, the BOD shall consider the needs of the capital budget and any additional board designations for future use of the accumulated surplus, prior to applying any amount of such accumulated surplus to fund all or a portion of annual operating mission and ministry budget.

**(above resolution tabled)**

(C) Release of Designated Funds for the LCMS National Housing Support Corporation (NHSC)

CFO Jerry Wulf presented an item (pp. 485–6/565) on behalf of the LCMS National Housing Support Corporation. The request is to release a restriction on funds already donated to the NHSC. The following resolution was moved and, after brief discussion of NHSC’s business model, carried:

WHEREAS, In May 2005, LCMS Vice President–Finance—Treasurer Kuchta noted to the Synod Board that the intended purpose of the LCMS National Housing Support Corporation (NHSC) was to be a provider of loan and capital resources for LCMS housing projects. He explained NHSC’s need for seed money that could be placed into a board-designated endowment to begin the corporation’s operations by providing critical resources to leverage existing loan funds. To that end, the Synod Board resolved the following: “That the Board of Directors approves the release of the board-designated endowment and its earnings to the LCMS National Housing Support Corporation for the purposes of providing housing loan funds in the sum of \$594,000.” And in May 2015, Synod’s Board of Director’s approved a partial release of the designated restriction for an amount up to \$250,000; and

WHEREAS, NHSC has access to capital to be used for lending in the amount of approximately \$1.8 million to support LCMS lending activities through the existing Low-Income Housing Loan Fund (LIHLF) held at LCEF and the lending activity carried out by the Corporation to provide access to capital to advance housing ministry would not be interrupted; and

WHEREAS, NHSC has expended much of its human and financial resources over the last six years, spearheading the successful neighborhood revitalization efforts in the College Hill neighborhood in North Saint Louis. This effort has been capital intensive, including more than \$1.8 million of investment and over \$1 million of additional partners’ resources. These investments combined with slowed general operating fundraising activity has caused some financial hardship for the Corporation; therefore be it

*Resolved*, That The Lutheran Church—Missouri Synod Board of Directors herewith releases the remaining \$344,000 in board-designated funding; and

*Resolved*, That the funds are to be used to provide general operations relief and improve the Corporation’s net asset position as the Corporation continues to refine its business plan.

(D) Authorization of Capital Expenditure By LCMS—Belize

Chief Mission Officer Kevin Robson noted successful mission work in Belize, beginning with short-term mission work and now with Rev. Duane and Elizabeth Meissner in place. The proposal (p. 486–7/565) is to build a small structure with living and meeting space, at a modest price relative to initial estimates. Robson noted that arrangements for property upkeep have been made in the Office of the International Mission budget, the mission is sustainable, and restricted funds are available to spend. It was moved and carried:

WHEREAS, All purchases of property are to be approved by the Board of Directors; and

WHEREAS, Church planting efforts under the planning and supervision of the LCMS Office of International Mission (“OIM”) in Belize have resulted in sufficient interest to provide a place of worship; and

WHEREAS, A FORO (Spanish for “forum”) partnership between OIM, the Belize Mission Society, the Rocky Mountain District of the LCMS, and three LCMS congregations has resulted in the availability of sufficient total funds to proceed with a capital expenditure to purchase land and construct an appropriate building; and

WHEREAS, The purchase of land and construction of a building will serve many needs that otherwise would require rental arrangements; and

WHEREAS, The Board of Directors has previously approved a capital budget in the current fiscal year 2018 of \$150,000 for this project; and

WHEREAS, The updated current project request totals \$80,000 as follows:

Property	\$35,000
Land preparation & Building construction	40,000
<u>Taxes and contingency</u>	<u>5,000</u>
TOTAL	\$80,000

Now, therefore, be it

*Resolved*, That the Board of Directors authorize the officers of LCMS—Belize, a not-for profit company limited by guarantee with LCMS—Dominican Republic as founding and sole member (by action of the Board of Directors at its May 2017 regular meeting), the LCMS—Dominican Republic itself being a not-for-profit company limited by guarantee with LCMS as founding and sole member, to purchase land and construct a building in Seine Bight, Belize, whenever it is determined that total donation revenue from the FORO sources mentioned above, net of the required LCMS Mission Advancement assessment per BOD policy, has been deposited into the bank account of LCMS—Belize in an amount sufficient to cover the total anticipated capital expense for the above-described project; and be it further

*Resolved*, That project capital expense shall not exceed \$80,000 in total (land purchase, building construction and all other related expenses); and be it finally

*Resolved*, That the deed for such property be in the name of LCMS—Belize and that all documents related to the purchase be reviewed and approved by LCMS legal counsel prior to execution.

(E) Board Policy 2.10: Committees of the Board of Directors

Christian Preus introduced the proposal of the Governance Committee (pp. 490–492/565) to incorporate into board policies detailed procedures for the board’s appointment of additional members. It was moved and carried:

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 The Lutheran Church—Missouri Synod Board of Directors’ Policy Manual, Section 2, BOD Self-Governance Policies, indicated in pp. 490–491/565 of the printed board docket; and be it further

*Resolved*, That the board also direct the table of contents, index and other references to be updated, as necessary.

(F) Board Policy 4.9: Executive Limitation on International Center Facilities and Services

Christian Preus introduced the proposal of the Governance Committee (pp. 494–496/565) for incorporation of minor wording changes to, and removal of a redundancy from, a section of the board policies, dealing with the International Center Facilities Committee. It was moved and carried:

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 The Lutheran Church—Missouri Synod Board of Directors' Policy Manual, Section 4 BOD Executive Limitation Policies, indicated in pp. 494–495/565 of the printed board docket; and be it further

*Resolved*, That the board also direct the table of contents, index and other references to be updated, as necessary.

(G) Designation of 2018 Salary Range and “Below Minimum” Adjustment

The Department of Human Resources conducts an annual review of local and national salary trends and compares them with the current LCMS salary ranges and actual salaries. The objective of this analysis is to measure the ability of International Center employers to remain competitive with the local not-for-profit market. This high-level objective directly correlates with the LCMS compensation philosophy which was originally adopted by the Board in 2006 and re-affirmed by the Personnel Committee in 2014:

- In striving to be good stewards of the dollars entrusted to us, we shall pay fair salaries in a fashion which rewards performance to be able to attract, motivate, and retain employees.
- The term “fair” shall be interpreted as fair pay based upon the role within Corporate Synod; striving to pay at or within 10 percent of the market value for the job held (using not-for-profit standards to define the market value), and the incumbent's performance in the position.
- The top paid 150 parish pastors and the top paid 150 institutional executives will be used as a guideline for the placement of the class 6 Executive Directors of the program boards and commissions with some being higher and some being lower.

Personnel Committee Chair Kathy Schulz introduced the recommendation of the LCMS Department of Human Resources and the Personnel Committee for salary range adjustments (pp. 497/565), as adjusted at the board's request to indicate clearly that the approval granted is for planning purposes only and does not finally establish any increase. It was moved and carried:

WHEREAS, The salary range adjustment methodology has been validated via the annual compensation analysis; and

WHEREAS, The results of the analysis indicate an adjustment is required to remain compliant with the system; therefore be it

*Resolved*, That the board approve, for budget planning purposes only, the projection that effective March 1, 2018, the salary ranges will be adjusted by approximately 2.8% to reflect compliance with the 2006 BOD philosophy of using the average of the top paid 150 parish pastors and the top paid 150 institutional executives as the basis for the Class 6 mid-point, the remainder of the salary scale being adjusted accordingly; and be it further

*Resolved*, That the board approve, for budget planning purposes only, the projection that, as of July 1, 2018, employees whose base salary falls below the minimum for their pay grade will have their salary adjusted to reflect the new minimum for their grade to remain compliant with the system; and be it finally

*Resolved*, That the board reserve its right to adjust the foregoing as budget development proceeds.

(H) Designation of 2018 Salary Increase and Bonus Pool

Personnel Committee Chair Kathy Schulz next introduced the recommendation of the LCMS Department of Human Resources and the Personnel Committee for salary increase and bonus pool allotments (pp. 495–500/565), conducted according to the guiding philosophy indicated in (G) above, as adjusted at the board’s request to indicate clearly that the approval granted is for planning purposes only and does not finally establish any increase. It was moved and carried:

WHEREAS, The annual salary review has been completed; and

WHEREAS, The local and national salary trends indicate non-profit organizations are awarding salary increases averaging 2.9%; therefore be it

*Resolved*, That the board approve, for budget planning purposes only, the projection that the salary increase budget for 2018/2019 (FY19) will be set at 3.0%, applied across the board; and be it further

*Resolved*, That the bonus budget for FY19 be set at 0% of the FY19 salary budget; and be it finally

*Resolved*, That the board reserve its right to adjust the foregoing as budget development proceeds.

(I) Designation of Interim Chief Administrative Officer, Chief Financial Officer, and Secretary

In accordance with the Bylaws, Board Policy and Human Resources Policy, Appointment of Interim Persons, each board, commission and department is to identify a person to provide interim direction and leadership to the board, commission, or department in the event there is an unexpected resignation, disability, disposition, or death of the staff executive currently serving. Kathy Schulz introduced the recommendation of the Personnel Committee for interim appointments (pp. 502/565). It was moved and carried:

*Resolved*, That the Board of Directors name the following individuals to serve during a board authorized interim vacancy until action by the Board can be taken to reappoint someone to fill the vacancy.

Chief Administrative Officer	Val Rhoden-Kimbrough
Chief Financial Officer	Ross Stroh
Secretary of the Synod	Rev. Herb Mueller

This list is to be forwarded to the Department of Human Resources, who shall maintain it as required should the need for appointment of an interim be necessary.

(J) Revision of Approval, Concordia International School Hanoi (CISH) Loan

Chief Mission Officer Kevin Robson presented the Operations Team’s proposal to adjust certain details of a loan for Concordia International School Hanoi, already approved by the Board of Directors. The loan was previously to be collateralized against other Synod properties; now it is proposed to collateralize the loan against the property of CISH itself, contingent on Vietnamese legal guidance. It was moved and, after discussion of the net-present-value cost of the proposal, carried:

WHEREAS, The LCMS Board of Directors, at its November 2017 meeting, had previously authorized LCMS Holdings Vietnam (“Holdings VN”) to enter into a loan agreement for an amount not to exceed US\$9,150,000 for the proposed Phase 2 addition of educational space to the Concordia International School Hanoi (“CISH”) campus facilities; and

WHEREAS, The Board's authorization to Holdings VN to enter into this loan agreement was made contingent upon the LCMS Operations Team (CAO, CFO and CMO) first granting prior approval to a satisfactory Synod-owned property collateralization plan among the parties involved in the financing; and

WHEREAS, After studying a number of possible collateralization scenarios, the Operations Team has concluded that using the CISH campus property and buildings presents the best option for a satisfactory Synod-owned property collateralization plan, and is currently working with LCMS US legal counsel and has engaged VN legal counsel in order to render a final favorable opinion confirming the feasibility of this option; and

WHEREAS, If this option were to be confirmed and implemented, and CISH campus property and buildings were to be used as loan collateral, Vietnamese law would require CISH land use fees to be paid in advance for the entire term of the current CISH land lease; and

WHEREAS, Advance land use fees for the entire term of the current CISH land lease (47 years remaining on current agreement) amount to US\$1,300,000; and

WHEREAS, CISH and the Holdings VN Board of Directors has determined that a US\$1,000,000 increase in the total authorized loan amount, from US\$9,150,000 to US\$10,150,000 will be sufficient to cover the above-described US\$1,300,000 land use fee payment and still provide a US\$200,000 contingency for Phase II construction costs; and

WHEREAS, CISH has updated its business plan to include an increase in the Phase 2 loan amount from US\$9,150,000 to \$10,150,000 and has provided accompanying rationale (attached) to reflect the same; and

WHEREAS, The Holdings VN Board of Directors, the LCMS Holdings Hong Kong ("Holdings HK") Board of Directors and the Operations Team have reviewed and approved the updated business plan and accompanying rationale, finding them to demonstrate that CISH could effectively manage the debt payment for the increased Phase 2 loan amount; and

WHEREAS, The Holdings VN Board of Directors, at its February 10, 2018 meeting, requested endorsement from the Holdings HK Board of Directors and authorization from the LCMS Board of Directors for the above-described increase in the Phase 2 loan amount; and

WHEREAS, The Holdings HK Board of Directors, at its February 13, 2018 meeting and with the concurrence of the Operations Team, endorsed the Holdings VN Board of Directors request for the above-described increase in the Phase 2 loan amount and is hereby forwarding this request to the LCMS Board of Directors; therefore be it

*Resolved*, That the Board hereby modifies its prior November 2017 resolution and authorizes Holdings VN to enter into a loan agreement for an amount not to exceed US\$10,150,000 for the proposed Phase 2 addition of educational space to the CISH campus facilities; and be it further

*Resolved*, That the Board's authorization for this increased loan amount be contingent upon the rendering of a final favorable opinion from LCMS US and VN legal counsel, confirming the feasibility of using the CISH campus property and buildings as loan collateral; and be it further

*Resolved*, That, assuming the above-described contingency is met, the Board hereby authorizes CISH to prepay up to US\$1,300,000 in land use fees to cover the entire term of the current CISH land lease (47 years remaining); and be it further

*Resolved*, That, assuming the above-described contingency is met, CISH draw only up to US\$9,950,000 of the increased loan amount; and be it finally

*Resolved* That, assuming the above-described contingency is met, should CISH need to draw on the loan above the US\$9,950,000 amount, CISH shall first provide the Board with an updated



business plan and rationale for the need for additional funds, and seek approval from the Board to draw up to the additional US\$200,000 of the loan amount, prior to any additional funds being disbursed.

(K) Concordia University Nebraska Dunklau Center for Science, Math, and Business: Project and Financing

Chairman Kumm introduced a request from Concordia University Nebraska (CUNE) for authorization to finance and construct the Dunklau Center for Science, Math, and Business (pp. 536–537/565). Kumm noted that CUNE has reported a substantial gift for this project that puts it well on its way. Discussion noted that there was very little information provided to the board to evaluate this proposal in light of the adopted master plan and the institution’s financial situation. The motion carried.

WHEREAS, The Concordia University System Board of Directors approved the following resolution at its February 8, 2018 meeting at Concordia College New York:

WHEREAS, The Finance Committee of the Board of Regents of Concordia University Nebraska has granted approval to the President of the University to seek approval of the Board of Regents on January 20, 2018 for the Dunklau Center for Science, Math, and Business project subject to provisions outlined in the attached letter requesting CUS and LCMS approval; and

WHEREAS, The Board of Regents of Concordia University Nebraska approved the project at its January 30, 2018 meeting as recommended by its Finance Committee; and

WHEREAS, The project is consistent with the Campus Master Plan of Concordia University Nebraska; and

WHEREAS, Significant gifts and pledges for this project have already been received (87% of the projected cost) with additional gifts anticipated that will allow for the project to be completed without adding long-term debt to the institution; and

WHEREAS, Favorable terms have been negotiated with the Lutheran Church Extension Fund to finance any unfunded portion of the project in the short-term; and

WHEREAS, The project will enhance the facilities of Concordia University Nebraska in a manner beneficial to its students and faculty in the areas of Science, Math, and Business; and

WHEREAS, The space created by the Dunklau Center will allow for the addition of new programs at Concordia University Nebraska; therefore be it

*Resolved*, That the Concordia University System Board of Directors meeting in a regularly scheduled meeting February 8, 2018 at Concordia College New York approves the request of Concordia University Nebraska to initiate construction of the Dunklau Center for Science, Math, and Business Project and the associated funding proposal; and be it further

*Resolved*, That the guaranteed maximum price (GMP) of the project will not exceed \$24.5 million; and be it further

*Resolved*, That gifts and identified gift commitments for the Dunklau Center be at a minimum of 87 percent of the GMP will be received by or before April 1, 2018; and be it further

*Resolved,* That interim funding may be secured from the Lutheran Church Extension Fund in an amount not to exceed \$18 million at a rate of 3.875% for a five-year term with a rate reset after five (5) years; and be it further

*Resolved,* That all construction documents receive final approval by the Executive Vice President and the President of Concordia University Nebraska; and be it finally

*Resolved,* That the Concordia University System Board of Directors encourages the Board of Directors of The Lutheran Church—Missouri Synod to approve the Dunklau Center for Science, Math, and Business construction and financing plans presented by Concordia University Nebraska;

therefore be it

*Resolved,* That the Board of Directors of The Lutheran Church—Missouri Synod approves the request of Concordia University Nebraska to initiate construction of the Dunklau Center for Science, Math, and Business Project and the associated funding proposal; and be it further

*Resolved,* That the guaranteed maximum price (GMP) of the project will not exceed \$24.5 million; and be it further

*Resolved,* That gifts and identified gift commitments for the Dunklau Center at a minimum of 87 percent of the GMP be received by or before April 1, 2018; and be it further

*Resolved,* That interim funding may be secured from the Lutheran Church Extension Fund in an amount not to exceed \$18 million at a rate of 3.875% for a five-year term with a rate reset after five (5) years; and be it finally

*Resolved,* That all construction documents receive final approval by the Executive Vice President and the President of Concordia University Nebraska.

(L) Concordia University St. Paul: Campus Master Plan Revision

Chairman Kumm introduced a proposed campus master plan revision (p. 540/565) from Concordia University, St. Paul (CUSP). The proposal was moved and seconded. Discussion noted that the master plan map does not show the property in question, and that the potential use of the property is vague. It was suggested that inquiries need to be made with the colleges and universities requesting approval of property transactions, and that responsible officials of the institutions should be available for consultation when the board considers these items. Chairman Kumm and Chief Administrative Officer Simek indicated they would develop a checklist of background items required to accompany these presentations. It was moved and carried to **table** the resolution until further supporting information is received from CUSP. The resolution reads as follows:

WHEREAS, The Concordia University System Board of Directors approved the following at its February 8, 2018, meeting:

WHEREAS, Concordia University St. Paul has been leasing space in the Central Midway Building on the north side of Interstate 94 opposite from the existing Concordia University St. Paul Campus; and

WHEREAS, The existing Campus Master Plan of Concordia University St. Paul calls for the continued leasing of this facility, as needed; and

WHEREAS, The lease grants the right of first refusal on a sale of the property if the owners elect to sell; and

WHEREAS, The owners have presented Concordia University St. Paul with the possibility of a purchase of the Central Midway Building; and

WHEREAS, The Concordia University St. Paul Board of Regents has amended the Campus Master Plan Site Map and Summary page for item U to read, “Lease Central Midway Building as needed, or purchase the property if conditions are favorable to the university; and

WHEREAS, These revisions require the approval of the Concordia University System Board of Directors and the Board of Directors of The Lutheran Church—Missouri Synod; therefore be it

*Resolved*, That the Concordia University System Board of Directors acting in a regular meeting at Concordia College New York on February 8, 2018, approves the revisions to the Campus Master Plan of Concordia University St. Paul to include the potential purchase of the Central Midway Building; and be it finally

*Resolved*, That the Concordia University System Board of Directors encourages the Board of the Directors of The Lutheran Church—Missouri Synod to approve the revisions to the Concordia University St. Paul Campus Master Plan relative to the potential purchase of the Central Midway Building;

therefore be it

*Resolved*, That the Board of Directors of The Lutheran Church—Missouri Synod approves the revisions to the Concordia University St. Paul Campus Master Plan relative to the potential purchase of the Central Midway Building.

**(above resolution tabled)**

(M) Concordia University Wisconsin: Thunder Sports Complex (Ann Arbor) and Academic Building (Mequon): Project Authorization

Chairman Kumm introduced a request from Concordia University Wisconsin (pp. 545–8) for authorization to build an academic building at CUW and a sports complex at CUAA. The motion was made and seconded. The motion carried as follows:

Background:

WHEREAS, The Concordia University System Board of Directors approved the following resolution at their February 8, 2018 meeting at Concordia College—New York:

WHEREAS, Concordia University Wisconsin has realized positive growth in the area of Business at its Concordia University Wisconsin campus and continued growth at its Concordia University Ann Arbor campus; and

WHEREAS, The continued growth has necessitated additional academic space in Wisconsin and additional athletic facilities in Ann Arbor; and

WHEREAS, The academic building is able to be funded through a variety of pledges received, pledges anticipated, and approved use of the quasi endowment with any additional shortfall being funded borrowing from the Lutheran Church Extension Fund, approval for which would be sought at a later date, if needed; and

WHEREAS, The Thunder Athletic project is able to be funded through existing funds, anticipated gifts, and existing contingency funds; and

WHEREAS, Both projects are components of the existing and approved Campus Master Plans for each campus; and

WHEREAS, Both projects have been approved by the Board of Regents of Concordia University Wisconsin; therefore be it

*Resolved*, That the Concordia University System Board of Directors acting in a regularly scheduled meeting on February 8, 2018 at Concordia College—New York approves the proposed Thunder Sports Complex at Concordia University Ann Arbor; and be it further

*Resolved*, That the Concordia University System Board of Directors approves the proposed Academic Building for the School of Business at Concordia University Wisconsin; and be it further

*Resolved*, That the funding plans presented for these projects presented by Concordia University Wisconsin are approved; and be it further

*Resolved*, That if additional funding is sought by Concordia University Wisconsin from LCEF to cover any potential shortfall in the future for either project, Concordia University Wisconsin shall seek approval from the Concordia University System Board of Directors and the Board of Directors of The Lutheran Church—Missouri Synod prior to borrowing any funds; and be it finally

*Resolved*, That the Concordia University System Board of Directors encourages the Board of Directors of The Lutheran Church—Missouri Synod to grant approval to these projects and their associated funding models as presented by Concordia University Wisconsin;

therefore be it

Proposed Action:

*Resolved*, That the Board of Directors of The Lutheran Church—Missouri Synod approves the proposed Academic Building for the School of Business and Concordia University Wisconsin; and be it further

*Resolved*, That the Board of Directors of The Lutheran Church—Missouri Synod approves the proposed Thunder Sports Complex at Concordia University Ann Arbor; and it further

*Resolved*, That the funding plans presented for these projects by Concordia University Wisconsin are approved; and be it finally

*Resolved*, That if additional funding is sought by Concordia University Wisconsin from LCEF to cover any potential shortfall in the future for either project, Concordia University Wisconsin shall seek approval from the Concordia University System Board of Directors and the Board of Directors of The Lutheran Church—Missouri Synod prior to borrowing any funds.

Discussion noted, again, a lack of information. While expressing confidence in this particular proposal, board members expressed a desire for a policy requiring more information so that due diligence, regarding financial and mission / Lutheran identity viability of the institutions, can be performed. This project was assigned to the Audit Committee.

(N) Advancement of International Lutheran Society of Wittenberg (Old Latin School)

Chairman Kumm introduced an item on behalf of the International Lutheran Society of Wittenberg's Old Latin School, transitioning from the care of a Network-Supported Missionary to its own executive director, the Rev. Dr. Wilhelm Weber, introduced previously. It was moved and carried:

WHEREAS, The Old Latin School (OLS) is managed by the International Lutheran Society of Wittenberg gGmbH (ILSW), a German non-profit organization that is a partnership of The Lutheran Church—Missouri Synod (LCMS), the Independent Evangelical Lutheran Church of Germany (SELK), and Concordia Publishing House (CPH), and is also a Recognized Service Organization of the LCMS; and

WHEREAS, It was necessary for the LCMS to provide initial start-up support for the ILSW; and

WHEREAS, The ILSW is now able and desirous to continue its building of its capacity to become a self-sustaining, self-sufficient organization; and

WHEREAS, The directorship of ILSW is currently in transition; now, therefore, be it

*Resolved*, That LCMS Mission Advancement be authorized and directed to provide the ILSW with its list of current and past OLS donors, provided that the opportunity first be given to such donors to “opt out” of their inclusion on said shared list, per the LCMS’ published “Code of Ethical Fund-Raising and Donor Care Principles and Practices” and “Donor Bill of Rights”; and be it further

*Resolved*, That LCMS Mission Advancement be authorized and directed to continue to provide opportunity and encouragement to all of the current OLS Director’s Network Supported Missionary (NSM) donors to consider redirection and continuation of their donations in support of ILSW operations and the incoming ILSW Director.

(O) Concurrence in President’s Appointment of Chief Mission Officer Kevin Robson

Rev. Kevin Robson began his term as Chief Mission Officer on April 6, 2015. Bylaw 3.4.3 states: “the Chief Mission Officer shall be responsible to the President of the Synod for the mission, ministry, and any programmatic and coordinative functions which are implemented according to the policies adopted by the Board for National Mission and the Board for International Mission.” Section 3.4.3.2 states: “The Chief Mission Officer shall be an officer of the Synod and shall be appointed and subsequently reappointed by the President of the Synod following consultation with the Board for National Mission and the Board for International Mission and with the mutual concurrence of the Board of Directors.”

To fulfill the reappointment requirements, the Office of the President worked with the Department of Human Resources and the Office of the Secretary to develop a bylaw-satisfying protocol for the process. Rev. Robson provided a triennial summary which included notable accomplishments, unmet objectives/challenges and key visions & strategies for the next triennium. President Harrison met with the Boards for International and National Mission during their February 2018 meetings and fulfilled the consultation requirement.

Noting his earlier, very favorable comments, President Harrison introduced, for the board’s concurrence, his re-appointment of Rev. Robson. The board moved into a brief executive session for discussion.

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**159X. Executive Session II: Concurrence in the President’s Appointment of the CMO**

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The board returned from executive session, and the board’s concurrence in the reappointment carried as follows:

WHEREAS, President Harrison has assessed the performance of Kevin Robson, Chief Mission Officer and has determined he is successfully accomplishing the objectives of the position; and

WHEREAS, President Harrison has consulted with the Boards for International and National Mission; and

WHEREAS, President Harrison has shared his recommendation to reappoint Rev. Kevin Robson to another three-year (3) term of office and has received the concurrence of the Synod Board of Directors; therefore be it

*Resolved*, That the board concur with the President's determination to reappoint Rev. Kevin Robson effective April 6, 2018 to a three-year (3) term as Chief Mission Officer.

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**160. Synod Overseas Property and Legal Matter**

It was moved and carried to enter executive session, with Assistant Director of Church Relations Darrin Storkson, the Operations Team, and Synod's legal counsel present, to discuss matters related to Synod's overseas properties and an overseas legal matter.

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**160X. Executive Session III(A): Synod Overseas Property**

**160XX. Executive Session III(B): Synod Overseas Legal Matter**

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**161. China Wholly Foreign-Owned Entity (WFOE)**

The board continued in executive session to discuss formation of a legal entity in China, an item of business presented by Chief Mission Officer Kevin Robson on behalf of Concordia International School Shanghai.

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**161X. Executive Session III(C): China Wholly Foreign-Owned Entity (WFOE)**

**161XX. Executive Session III(D): Approval of Executive Session Minutes**

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**162. Concordia College Alabama**

The board, remaining in executive session, welcomed the Rev. Dr. Dean Wenthe, President, and Dr. Gerhard Munding, Chairman, of Concordia University System, both joining by teleconference, to discuss recent developments at Concordia College Alabama. For this discussion, Board member Gloria Edwards was excused.

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**162X. Executive Session III(E): Concordia College Alabama**

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**163. Meeting Review**

It was noted that the board's May 18–19, 2018, meeting, also in St. Louis, will be focused on budget. Concerns with the process or requests for information are to be forwarded to Chief Administrative Officer Simek for communication to Chief Financial Officer Wulf, to see that staff is prepared to satisfy all board inquiries. The board continued in executive session, with staff excused, to review the meeting according to its policies.

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**163X. Executive Session III(F): Meeting Review**

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**164. Adjournment**

Upon return from executive session, with the board's business concluded, Chairman Kumm adjourned the meeting.

John W. Sias, *Secretary*