



Board Briefs

Board Adopts 2011–2012 Budgets

“Tense moments and difficult decisions” was President Matthew Harrison’s description of the 2011–2012 budgeting process, as International Center leaders worked together to overcome a projected revenue reduction of nearly \$5 million. He stated that “reduced income is a financial reality that must be faced by the Synod moving into the future,” a reality to which the special May edition of *The Lutheran Witness* called particular attention.

Hand-in-hand with efforts to identify suitable reductions in the mission and ministry work program to accommodate the revenue reduction were the restructuring efforts underway in the International Center, mandated by the 2010 Synod convention. A Restructuring Work Group, comprised of key staff members from multiple departments in the building, joined the effort to reduce costs. Restructuring efforts have resulted in a workforce reduction of more than 50 employees in the Synod’s International Center.

In introducing a proposed budget, Chief Financial Officer Jerald Wulf reported that despite these best efforts, the President’s goal of offering a balanced budget proposal for the board’s consideration at its May 18-19 meeting could not be realized, leaving difficult choices yet to be made by the board. He called on Executive Director of Accounting Charles Rhodes to provide the full report.

Rhodes noted that the budget’s income figures included the \$1.15 million Thrivent block grant acted upon by the board during its February meeting, as well as anticipated Schwan Foundation grants totaling \$1.54 million. Even with these additions, the Synod faced an anticipated reduction in unrestricted revenue of \$3.592 million, due in part to a decrease of \$1.75 million in district contributions to the national Synod.

District contribution intentions for the coming fiscal year total \$16,035,615, compared with the previous year’s \$17,794,515, a reduction of \$1,758,900 (10 percent). Increases by eight districts totaling \$42,314 were more than negated by decreases from 22 other districts totaling \$1,801,214. This reduction in revenue from districts, coupled with anticipated reductions in other income areas, will result in the projected reduction in unrestricted revenue of \$3.592 million for the coming year.

The preliminary budget proposal presented to the board included a 1.5 percent increase for employee bonuses (decided by the board during its February 2011 meeting). It contained no allowance for contingency or surplus dollars. It did reflect the decrease of 57 International Center employees as a result of a hiring freeze, early retirement offers and the elimination of some positions. A key component of the budget remained the General and Administrative expense allocations, necessarily increased per employee due to the significant reduction in employee head count.

After a detailed presentation of the preliminary budget proposal, the board was faced with a budget plan that included an estimated \$17,467,000 in unrestricted revenues and \$17,844,569 in expenditures, leaving a deficit of \$377,569—with no provision for surplus or contingency funding.

The board, intent upon adopting a balanced budget with provision for surplus or contingency, discussed at length a list of possible areas for further reductions in expenditures. After a series of proposed actions and discussions, the board took formal action to “approve total expenditures for fiscal year 2011–2012 of no more than \$76,748,812,” asking staff to go back and adjust the budget to accomplish this goal. This was followed by a second action approving the 2011–2012 Mission and Ministry Budget as follows:

Total Spending Plan	\$76,748,812
Total Revenue (Source of Funding)	<u>77,460,812</u>
Surplus (Deficit)	\$ 712,000

The board also clarified that the president, chief administrative officer, and secretary were being asked to work on final details of the budget under the general responsibility of the chief financial officer, making such adjustments in their specific areas of responsibility as would accomplish

the goal established by the resolution. The final 2011–2012 Mission and Ministry Operating Budget with adjustments in place appears elsewhere in this issue of *Board Briefs*.

The board also considered the 2011–2012 capital equipment requests submitted by various departments of the Synod. Board of Directors policy requires all departments to submit requests for capital items annually, these requests constituting a separate budget requiring the board’s approval. The following capital budget requests were approved:

• Missions	\$2,950,000	(properties in Hanoi, Hong Kong/Macau and Cambodia)
• KFYO Radio	62,500	(upgrade of broadcasting equipment to digital)
• Concordia Tech.	346,505	(network infrastructure, hardware, software upgrade)
• General Services	<u>285,000</u>	(International Center improvements)
Total	\$3,644,005	



Changes to 2013 Convention

In his report to the Board of Directors at its May 2011 meeting, Synod Secretary Raymond Hartwig called the board’s attention to preparations already underway for the July 20-25, 2013, LCMS convention in St. Louis. He also alerted the board to several convention-mandated changes that will impact district conventions and the next national convention:

- Congregations, circuits and districts will be provided opportunity to influence the agenda of the Synod by participating in a process to determine triennial mission and ministry emphases intended to provide a common focus throughout the Synod.
- Districts now have the opportunity to realign their circuits without stipulations for required numbers of congregations and communicant members, potentially affecting electoral circuit formation for the national convention.
- Circuit counselor elections will be conducted differently, involving district presidents to a greater extent, requiring a meeting of each circuit’s forum to make its selection

to be ratified by the district convention.

- The election of the President of the Synod will take place in the weeks immediately before the Synod convention, the votes for each congregation or parish to be cast by their delegates attending the prior year’s district convention.
- The election of the first vice-president of the Synod will be the first election by the convention assembly from a slate of candidates obtained from a synodwide nominations process narrowed to five candidates by the already elected President of the Synod.
- Some offices and positions will be filled according to geographical regions decided by the Board of Directors and Council of Presidents, nominations to be made by congregation of the regions. Five vice-presidents and several Board of Directors members will be elected by the 2013 convention.

Appropriate information regarding each of these election processes will be provided by the Secretary of the Synod in coming months. ■

2011–2012 Mission and Ministry Operating Budget (Corporate Synod)

Departments/Operations/Offices	Total Expense Budget		Undesignated Revenue	
	2011/2012	2010/2011	2011/2012	2010/2011
<i>Program:</i>				
Missions	27,817,181	30,539,874	2,150,287	3,537,157
<i>Fan into Flame</i> Fundraising	684,959	1,547,901	(1,100,000)	(1,650,000)
Pastoral Education	3,977,431	3,416,696	966,524	1,141,801
University Education	4,826,444	5,442,494	4,750,444	5,344,274
District and Congregational Services	2,559,678	3,058,698	474,170	808,724
*Youth Gathering		6,880,205		
Communications	2,328,392	2,145,879	1,655,587	1,574,040
Human Care	7,949,456	7,743,053		
National Housing Program	6,302,717	1,586,341		
Black Ministry	433,403	675,163	353,242	519,188
Total Program	56,879,661	63,036,304	9,250,254	11,275,184
Total KFUD	1,377,435	2,093,319	44,335	478,194
Total Suppl. Retirement to Vets of the Cross	507,182	520,019		27,157
<i>Ecclesiastical Services and Commissions:</i>				
Comm. on Theology and Church Relations	964,451	788,685	664,951	729,185
Worship	221,636	434,804	102,056	269,189
Ministerial Growth and Support	204,460	610,923	55,460	367,611
Roster Maintenance	435,602	409,513	368,272	342,183
Recruitment/Retention				
Conflict Resolution	30,400	50,400	30,400	50,400
Church Relations, COH, CCM, Concord	870,641	616,899	470,641	576,899
Total Ecclesiastical Services and Commissions	2,727,190	2,911,224	1,691,780	2,335,467
<i>Synod Officers and Administration:</i>				
President and Vice-Presidents	2,396,853	2,547,638	1,840,353	2,254,638
Chief Financial Officer	338,362	406,610	338,362	406,610
Board of Directors	434,726	379,055	434,726	379,055
Secretary	375,063	332,106	375,063	332,106
Council of Presidents	154,350	153,750	154,350	153,750
Concordia Historical Institute	430,000	500,000	430,000	500,000
*Synod Convention		2,512,368		
Circuit Counselors Conference		4,500		4,500
Total Synod Officers and Administration	4,129,354	6,836,027	3,572,854	4,030,659
<i>General and Administrative:</i>				
Accounting	2,276,028	2,128,569	1,950,613	1,803,468
External Audit	90,000	100,000	90,000	100,000
Internal Audit	1,001,951	976,293	613,951	578,293
Legal	490,000	450,000	490,000	450,000
State and Federal Tax Reporting	145,041	142,164	131,041	124,564
Property and Insurance	4,787,987	4,916,409	475,722	673,450
Foreign Exchange	(5,000)	10,000	(5,000)	10,000
Human Resources	938,705	1,244,622	554,585	769,951
General Services	4,196,883	4,764,131	2,642,185	3,223,045
Concordia Technologies	3,422,488	3,290,653	2,858,543	2,639,153
CrossConnect Project	1,040,475	784,017	914,741	15,552
Total General and Administrative	18,384,557	18,806,858	10,716,381	10,387,476
Total Interest	145,800	120,600	(876,000)	(816,500)
Contra-Expense Adjustment	(7,450,455)	(7,392,501)	(7,450,455)	(7,392,501)
Unallocated G and A Expense	68	71	68	71
Net Contra-Expense Adjustment	(7,450,387)	(7,392,430)	(7,450,387)	(7,392,430)
TOTALS	76,700,792	86,931,920	16,949,217	20,325,206
			<u>17,667,000</u>	20,575,000
			<u>717,783</u>	249,794

* Youth Gathering and Synod Convention occur every three years.

Wittenberg Project Update

Dr. Samuel Nafzger and Thomas Kuchta appeared before the Board of Directors during its May 2011 meeting to present the International Lutheran Society of Wittenberg's latest report of the "Wittenberg Project," an effort to reestablish a confessional Lutheran presence in the historic city.

Key to moving the project forward has been the provision of a long-requested but still unavailable business plan, hinging to a large extent on financial assistance from German government sources. Also awaited is information regarding the feasibility of a major fundraising campaign to raise the balance of funding that will be needed in addition to government grants.

The continuing dream of the Wittenberg Society is to build and equip an impressive "Martin Luther Experience" museum that will make Wittenberg even more of a destination as the 2017 anniversary of the Reformation approaches. Political realities, however, including a March 20 election in the state in which Wittenberg is located, have caused delays in decisions to be made regarding government subsidies for the project.

Rev. David Mahsman, spokesman for the project in Germany, continues to meet with local and regional supporters and civic leaders, including Wittenberg city officials, to continue investigating all potential funding sources in Germany.

Dr. Nafzger, in concluding the report to the Board of Directors, made several summary points:

- The Wittenberg Society board continues to be encouraged by the support that the project continues to receive from the Lord Mayor of Wittenberg, as well as other positive feedback in Germany and in the United States. The board continues to believe that the project is still on track.
- The Wittenberg Society board anticipated a recommendation in early June, with a proposal then to be presented to the Board of Directors at its next meeting in August.
- Final plans for the project will hinge upon the extent of German government support, but something will be done to make use of the Latin school that has already been purchased.
- As an early benefit from this project, a confessional Lutheran preaching presence has again been established in the City of Wittenberg. ■



Concordia, Selma, Receives Additional Grant

With its accreditation on the line, Concordia College, Selma, Ala., was in immediate need of an additional \$650,000 when the Board of Directors met in May. The board was informed that an effort to raise the necessary funding in recent weeks had raised \$160,000 of the required \$650,000, leaving a balance to be raised of \$490,000.

The school's board of regents, under the leadership of its president, Rev. Dr. Tilahun Menedo, has been working to resolve significant issues that have been threatening the success of the school. Maintaining the school's accreditation, after 44 critical findings by the accrediting agency, has been one of their greatest challenges.

After discussion of the progress made by the school in recent years and of its promising future, the Board of Directors gave consideration to a formal action to provide the assistance needed to retain accreditation.

The board's resolution specifi-

cally mentioned the "new leadership" provided by Dr. Menedo, the near-completion of the school's "20/20 Master Plan," the acquisition of the adjoining 39-acre property and buildings, and the successful satisfaction of most critical accreditation concerns. It also noted the school's success in building a strong annual funding campaign and expanding its donor base.

The resolution also notes that the Concordia University System/LCMS Risk Endowment Fund, which requires the retention of a balance of \$5 million, currently has a balance of \$7 million. In adopting the resolution, the board allocated up to \$500,000 from the fund, to be released to Concordia College Selma in time to appear on its books by the June 2, 2011, deadline.

The action of the board also included an expression of its gratitude to God for His blessings and an expression of its thanks to Dr. Menedo for his leadership. ■

Special LCMS Report

The Board of Directors spent a portion of its May 2011 meeting discussing the special May edition of *The Lutheran Witness: A Special LCMS Report: Blessings, Gifts, Challenges* mentioned by the President in his report.

He stated that as the financial picture of the LCMS became more clear in recent months, he recognized the need to "tell it like it is," using an expanded distribution list and some leftover monies from the past year's Thrivent block grant to increase distribution by an additional 100,000 copies.

The special issue remains available on the Internet by going to the Synod's Web page at www.lcms.org, clicking on "President's Office" on the drop-down menu, and then clicking on the box "Visit TLW Online." It contains a broad overview of the Synod's ministry opportunities and also its financial challenges. The board, believing that the districts, congregations, people, and ministries of the Synod will benefit from and respond to these opportunities and challenges, adopted the following resolution:

Resolved, That the Board of Directors request and encourage the districts, congregations, people, and ministries of The Lutheran Church—Missouri Synod to commit to review the special report and prayerfully consider an appropriate response to that report, as together we continue to endeavor "vigorously to make known the love of Christ by word and deed within our church, communities, and world." ■

New National Office Structure

President Matthew Harrison called on one of his assistants, Barbara Below, to present to the Board of Directors a report on progress that has been made in the convention-mandated restructuring of the mission and ministry activities in the International Center.

Using a slide presentation, she called attention to the background theme not only of the restructuring effort but of the entire work of the church: "Witness, Mercy, Life Together—In Christ, for the Church and the World." The theme will color the entire program structure being developed in the International Center, to be carried out by the two mission offices in particular, the Office of National Mission and the Office of International Mission.

Using a diagram, she noted the relationships between the national convention, the President, the Chief Mission Officer, the mission boards, the Board of Directors, the Council of Presidents, and the mission offices. Her diagram also included new communications, fund development, and pastoral education units, the three appointed officers, and the various International Center service functions as part of the "working together" that will take place under the new structure.

She emphasized that restructuring continues to be a work in progress, as the transition team endeavors to honor the 2010 convention's decisions while also creating a structure that truly will provide the desired effectiveness and efficiencies intended by the Blue Ribbon Task Force on Synod Structure and Governance.

The July 1 deadline for the first design phase of the restructuring effort, now nearly complete, will be succeeded by a second phase, the implementation phase, which will constitute another and perhaps even more significant challenge for the transition team as the various departmental efforts at communications and fundraising will be brought together and combined into a more coordinated and efficient operation.

In the meanwhile, the work of the two mission boards has begun, and board members are becoming more familiar with their responsibilities as members of these primarily policy boards. It is the boards' responsibility to establish boundaries, parameters, and principles for their respective mission offices, guide these offices in determining present and future program activity, retain oversight and monitor the implementation of the policies they develop, and assist the President in setting mission and ministry goals.

She also spoke of the work of the two mission offices and the kinds of ministries that will fall under their areas of responsibility. The anticipated benefits of the new structure will be the removal of roadblocks, the

improvement of processes, the retention of a biblical focus, an increased understanding and appreciation of the value of every vocation of those employed in the International Center, and an encouragement to work together throughout the programmatic and service functions in the building.

Below concluded her presentation by calling attention to challenges that are being faced by the restructuring effort, summarized as the four C's: coordination, consultation, collaboration, and cooperation. Entirely new processes for working together are required, along with changes in budgeting and accounting and ultimately a reconfiguration of floor space in the International Center, making this a restructuring effort that will continue for months and perhaps even years to come. ■

CPS/LCEF Appointments

Among the many appointments made by the Board of Directors, the board is responsible for the appointment of 13 voting members to the Board of Directors of Concordia Plan Services and such number of members of the Lutheran Church Extension Fund—Missouri Synod as are determined by LCEF bylaws.

At its May 2011 meeting, the board appointed three lay members and one commissioned minister member to the Concordia Plan Services board. From a list of 10 eligible candidates, the following were elected to serve:

- Randall Boushek, Elk River, Minn. (lay member)
- Tom McCain, Cohasset, Mass. (lay member)
- Ron Wolf, St. Louis, Mo. (lay member)
- Kenneth Boerger, Parma, Ohio (commissioned minister member)

After discussion and again from a list of credible candidates, the board also appointed the following five individuals as members of the Lutheran Church Extension Fund—Missouri Synod:

- Arleigh Lutz, Wausau, Wis.
- Ronald Miller, Edwards, Ill.
- Gunther Herzog, Fort Wayne, Ind.
- Howard Crumb, Ridgewood, N.J.
- James Rettig, Fort Wayne, Ind. ■



Other Business

During the course of the May 2011 Board of Directors meeting, a number of specific issues were brought to the board's attention and addressed as appropriate:

■ **Chief Mission Officer:**

In his report, President Matthew Harrison announced that Chaplain Gregory Williamson has accepted the Synod's call to serve as chief mission officer, pending approval of Chaplain Williamson's retirement by the U.S. Army. He is expected to begin his service in the International Center in January of 2012.

■ **Office of National Mission:**

In his report, President Harrison announced Rev. Bart Day's acceptance of the Synod's call to be in charge of the Office of National Mission. Rev. Day, who assumed his duties on July 1, most recently served as headmaster and associate pastor at Memorial Lutheran Church in Houston.

■ **LCMS Foundation President:**

In his report, President Harrison announced that LCMS Foundation President Tom Ries has accepted the call to serve as president of Concordia University, St. Paul, Minnesota. President Harrison expressed interest in discussions with Foundation and LCEF leadership to investigate the possibility of consolidation of at least some of the services provided by these agencies.

■ **Excess Convention Assessment Monies:**

Chief Financial Officer Jerald Wulf reported to the board that a significant amount of excess dollars remain after all expenses associated with the 2010 convention were paid. After discussion, the board resolved to return to each district its rightful share of these excess dollars without comment from the Synod regarding how it might be used.

■ **Excess 2010 Thrivent Block Grant Funds:**

Chief Administrative Officer Ron Schultz reported that approximately \$165,000 remained from

the 2010 Thrivent block grant as the end of the fiscal year approached. With the approval of the Administrative Team, \$100,000 was used to increase the distribution of the May Special Edition of *The Lutheran Witness*, resulting in a total distribution of 313,000 copies.

■ **Seminaries Lines of Credit:**

In his report, Chief Financial Officer Jerald Wulf noted that the board has been delegating authority to the former Board for Pastoral Education to approve annual requests from seminary boards of regents for lines-of-credit in an amount up to but not exceeding 10 percent of each seminary's previous year's unrestricted expenses. In a formal resolution, since the Board for Pastoral Education is no longer in existence, the Board authorized the Chief Financial Officer to provide such line-of-credit approvals so long as such requests do not exceed the 10 percent limit. Requests for lines-of-credit in excess of the authorized limit will continue to require approval by the Board of Directors.

■ **Funding the Mission:**

2010 Resolution 4-02 resolved that each recommendation in the 2007 Funding the Mission Task Force report be placed on the agenda of the Board "for disposition by the next LCMS convention." Chief Financial Officer Wulf was asked to lead the board in consideration of two or more of the recommendations during each future board meeting.

■ **Recognition of Project Team:**

Upon report by Chief Administrative Officer Ron Schultz of the CrossConnect Project to implement new Blackbaud and Ultipro computer software and of the diligent leadership provided by the project team, the Board by resolution thanked all persons involved in the project and recognized in particular the efforts Mrs. Aileen Sandoval, director of special projects/CrossConnect project manager. ■

LCEF/LCMS Foundation Dialogue

In his May 2011 report to the Board of Directors, President Matthew Harrison, prompted by the newly announced vacancy in the Foundation's executive director position, expressed interest in discussions with the leadership of the Foundation and of Lutheran Church Extension Fund to explore the possibility of consolidation of some of the services provided by the two organizations. He suggested that such discussions take place prior to the filling of the vacancy in the Foundation's executive director position.

The board pursued his suggestion, noting that both LCEF and the Foundation have a long history of cooperatively serving the church. The Foundation was established in 1958 with the mission of helping individuals make gifts to ministries of the church. LCEF was established in 1978 with the mission of helping congregations and other church-related organizations fund capital expansion projects.

It was noted that the possibility of consolidation is not a new topic of discussion, as previous generations of leadership have had such

Constitutional Amendment Ballot Results

Secretary Raymond Hartwig included in his report to the Board of Directors a final report of the balloting for ratification of the amendments to the Synod's Constitution adopted by the 2010 convention. The amendments were presented in two categories, both requiring a 2/3 vote of participating congregations. A total of 2,081 ballots were returned to the Office of the Secretary.

The first of the two categories, labeled Amendment A, received 1,592 votes in favor of ratification, with 477 congregations voting against the change. As a result of this successful ratification, mention of the Chief Financial Officer has been removed from the list of elected officers provided in Article X of the Constitution. A paragraph describing the duties of the Treasurer of the Synod has also been removed from Article XI and mention of the Treasurer as a nonvoting member of the Board of Directors has been removed from Article XI E.

The second category of amendments, labeled Amendment B, received 1,564 votes in favor, with 495 negative votes. The resulting ratification of Amendment B inserted a new Article XIV into the Constitution that makes clear that the Constitution is the primary document in the *Handbook* of the Synod and that it controls and supersedes the Bylaws.

Paragraph 4 of Article XV of the Constitution requires the outcome of the voting to be reported according to districts. That final report has been published in the required official periodicals of the Synod. It also follows:

District	Total Ballots	Amendment A			Amendment B		
		FOR	AGAINST	No Vote	FOR	AGAINST	No Vote
Atlantic	24	22	2	0	21	3	0
California/Nevada/Hawaii	62	57	5	0	53	9	0
Pacific Southwest	68	56	12	0	60	8	0
Eastern	35	28	7	0	23	11	1
English	47	38	9	0	40	7	0
Florida-Georgia	42	39	2	1	34	7	1
Central Illinois	64	21	43	0	23	39	2
Northern Illinois	83	73	9	1	70	12	1
Southern Illinois	45	28	17	0	31	14	0
Indiana	77	67	10	0	61	16	0
Iowa East	62	45	17	0	46	16	0
Iowa West	75	44	30	1	49	26	0
Kansas	56	45	11	0	46	10	0
Michigan	130	109	20	1	106	23	1
Mid-South	50	43	7	0	43	7	0
Minnesota North	85	62	23	0	59	24	2
Minnesota South	102	80	22	0	80	21	1
Missouri	136	100	34	2	99	34	3
Montana	23	11	11	1	14	8	1
Nebraska	93	70	22	1	67	24	2
New England	17	11	6	0	11	6	0
New Jersey	15	11	4	0	10	5	0
North Dakota	31	24	7	0	22	9	0
Northwest	93	83	10	0	81	12	0
Ohio	39	34	5	0	31	8	0
Oklahoma	31	25	6	0	24	7	0
Rocky Mountain	53	38	15	0	39	13	1
South Dakota	39	21	18	0	21	17	1
Southeastern	52	44	7	1	43	8	1
Southern	45	40	4	1	39	5	1
Texas	106	79	26	1	77	28	1
North Wisconsin	74	57	16	1	50	22	2
South Wisconsin	77	53	24	0	56	21	0
Wyoming	38	22	16	0	24	14	0
SELC	12	12	0	0	11	1	0
LCMS Totals	2081	1592	477	12	1564	495	22

conversations, given the "significant synergies" that exist between the two organizations. Both share a core value of Christ-centered financial stewardship as an expression of faith in Jesus Christ; both work directly with individuals—the Foundation primarily in gift planning and LCEF in fixed income investment opportunities; both provide custodial endowment management and consulting services to congregations and other organizations; and both have a significant investment component.

It was also noted that even the organizations' unique features have significant areas of overlap. LCEF is unique among the two in providing mortgage-backed loans, while the Foundation is unique in providing gift-planning services, and yet mortgage loans with accompanying

capital campaigns usually present opportunities for gift planning. What's more, in recent years both organizations have collaborated in stewardship education, gift planning, and investment opportunities, and each has provided custodial endowment management services to congregations and LCMS-related organizations.

Given all of these considerations, and since consolidation may provide for significant efficiencies by eliminating redundant management components (CEOs, CFOs, marketing, technology, etc.), the Board of Directors adopted a resolution encouraging the Foundation and LCEF boards "to engage in substantive conversation regarding opportunities for consolidation or efficiencies of operations," also directing that the board receive a joint report prior to the filling of the Foundation's executive position. ■