



HOLY CROSS
LUTHERAN CHURCH

Policy Manual

Board of Trustees

Section 1: THE STRATEGIC PLAN

1.1 OUR BIBLICAL CORE VALUES

1.1.1 LIVING ON GOD'S WORD & SACRAMENTS:

We believe and proclaim the Bible as the truth of God and as the sole source and authority of our faith and life. We treasure Baptism and Holy Communion as means by which God extends His grace to us and through which He empowers us with His indwelling Spirit to live lives that glorify Him.

1.1.2 MAKING DISCIPLES OF CHRIST:

We passionately proclaim Jesus as Savior and Lord; pursue making disciples of Jesus in our homes, community, and across cultures; serve God in ways that benefit God's kingdom as a whole; and support a strong and vibrant school ministry that reaches out to the unsaved and helps make disciples of Christ.

1.1.3 FOSTERING RELATIONSHIPS BASED ON:

LOVE & CARE: We seek to love others as God loves us, being totally committed to the total well-being of other people. Our caring and loving attitude toward others is reflected in a welcoming attitude and approach toward people visiting or new to our partnership.

RELATIONAL TRUST: As forgiven sinners and Spirit-empowered saints, we put the best construction on another person's action, do not second guess another person's intent, and when necessary confront another person in a kind and loving manner, always speaking the truth in love. We believe that confession and forgiveness are keys to creating and maintaining healthy relationships based on trust.

OUR PARTNERSHIP IN THE GOSPEL: We celebrate being joined and held together in Christ Who is our Head, and accordingly we work together rather than separately on fulfilling God's mission for us. As partners in the Gospel, we learn to recognize, employ and celebrate each others' varied God-given abilities and spiritual gifts.

1.1.4 GLORIFYING GOD IN WORSHIP:

As we receive God's grace and learn His truth in worship, we glorify Him in passionate worship that expresses our love for Him.

1.1.5 DEPLOYING GOD’S RESOURCES IN GOD-HONORING WAYS:

Through the Spirit’s power we recognize God as the source of our blessings; willingly give our tithes as our regular, first fruit, proportionate, grateful gifts to the Lord for the work of the Gospel and to care for those in need; and seek to minimize the use of debt both individually and as a church.

1.1.6 CREATING & SUSTAINING PERSONAL WELLNESS:

As temples of the Holy Spirit and knowing God desires health and wholeness for us His children, we are committed to lifelong learning and growth and improving the wellness of individuals in all aspects of their lives: spiritual, mental, emotional, relational and physical.

1.1.7 CULTIVATING SPIRITUAL LEADERS:

We affirm the priesthood of all believers, and we seek and celebrate the ministry involvement and spiritual leadership development of our partners as we fulfill God’s mission in our homes, church and community.

1.2 MISSION STATEMENT

The mission of Holy Cross Lutheran Church is equipping and sending God’s people to make a Christ-like difference in the world.

1.3 CRITICAL TARGETS AND THEIR STRATEGIC GOALS

1.3.1 MISSION OUTREACH (Outward Focus of Ministry).

Strategic Goals:

1.3.1.1 Wherever God places us in life, we recognize we are uniquely-designed missionaries and are equipped and sent to share His love with those who do not yet believe in Jesus.

1.3.1.2 As partners in the Gospel and members of the body of Christ, we are equipped and sent to share His Gospel across cultures in our families, at Holy Cross, in Fort Wayne, and throughout the rest of the world.

1.3.1.3 We seek to significantly increase the number of disciples made through mission & ministry activities of our partners.

1.3.1.4 Our school ministry enables us to significantly grow the body of Christ in depth and breadth.

1.3.2 SPIRITUAL CARE, EQUIPPING & SENDING (Inward Focus for Outward Purpose).

Strategic Goals:

1.3.2.1 All of our partners in the Gospel are *increasingly* faithful and fruitful followers and friends of Christ as they are transformed by God's Spirit

1.3.2.1.a through regular and consistent participation in worship, Holy Communion, Bible study, and prayer;

1.3.2.1.b through performing works of service flowing from Baptismal faith; and

1.3.2.1.c as they experience and extend love and care in spiritually and emotionally healthy relationships.

1.3.2.2 All of our partners increasingly are using in God-pleasing and God-honoring ways their God-given abilities, Spirit-empowered gifts, and the financial resources God provides and entrusts to them as His disciples (Equipping ministry & Bible-based resource/financial management).

1.3.2.3 Our partner parents are more effectively teaching and modeling for their children how to lead God-pleasing lives, conforming neither to the pattern of this world nor to the sinful influences of our culture.

1.3.2.4 Young people (pre-school through high school):

1.3.2.4.a are growing intellectually and spiritually to discern, understand, and apply God's truth in their lives as well as in every academic discipline;

1.3.2.4.b are being trained with the best possible resources available to discern the differences between the Christian worldview and competing worldviews and to communicate these differences to others in a way that speaks the Truth about Christ in love;

1.3.2.4.c are learning to manage emotions in God-pleasing ways and are developing self-control, a fruit of the Spirit.

1.3.2.5 Young adults and young families (post-high school through early 30's) are addressing in a God-honoring manner the various issues they encounter such as career choice, dating, sexuality, marriage, and parenting young children.

1.3.2.6 Retirees and older adults share spiritual wisdom with those younger than they.

1.3.3 WORSHIP (Inward/Outward Focus of Ministry).

Strategic Goal:

Our worship is inviting to seekers of Christ; builds community and relationships; involves our partners extensively in worship leadership and participation; regularly celebrates God's work in the lives of our partners; regularly communicates stories of the mission being accomplished through our partners; uses a variety of worship forms and media; proclaims and explains the depth of the truth of God; is Scripturally-faithful; true to our confession of faith; creative, inspirational and dynamic; open to the best of the old and new; and marked by excellence, especially in preaching, teaching, and music.

1.3.4 LEADING & PLANNING.

Strategic Goals:

1.3.4.1 We will call a mission-driven Senior Pastor who has excellent relational, preaching & teaching gifts; who supports a strong and vibrant school ministry that reaches out to the unsaved and helps make disciples of Christ; who models relational trust; and who provides excellent spiritual and executive leadership within the context of a policy-based, accountable leadership model for accomplishing mission & ministry.

1.3.4.2 Our leadership model will provide broad boundaries for the Senior Pastor to lead the development & implementation of creative operational plans to reach strategic goals, clear delineation of authority and responsibility, and accountability for the Senior Pastor to lead the congregation in achieving mission and ministry strategic goals as outlined in this Strategic Plan.

1.3.4.3 We will develop a Board of Trustees policy manual incorporating policies regarding the strategic plan, board self-governance, Senior Pastor operational boundaries, and the delegation and monitoring of mission & ministry implementation.

1.3.4.4 We will cultivate spiritual leadership among our partners including professional staff in order to involve significant numbers of partners in mission and ministry and to make more disciples of Christ.

1.3.5 DEBT-FREE MISSION & MINISTRY OPERATIONS.

Strategic Goals:

1.3.5.1 As partners in the Gospel, we responsibly manage and deploy the resources God richly provides and entrusts to us through His people, seeking to fully fund His mission and ministry operations without debt.

1.3.5.2 We seek to pay down capital expenditure debt as soon as reasonably feasible and to minimize the use of such debt.

1.4 STEWARDS

The main responsibility of the Board of Trustees (Board) is to represent the Stewards of the congregation. Stewards are those who are the Body of Christ at Holy Cross Lutheran Church and who invest financial, time, and emotional resources in order to enhance and expand the spread of the Gospel through the congregation's mission and ministry. The Board recognizes that no individual or group is the owner of the congregation.

- 1.4.1 Listening to Stewards: The Board shall listen to the ideas, the concerns and values of the Stewards. It shall use a variety of appropriate methodology (such as mail and phone surveys, focus groups and Board dialog) to seek out the desires of the Stewards.
- 1.4.2 Reporting to the Stewards: The Board shall keep the Steward informed of its progress toward achieving the Strategic Plan. It shall use a variety of methods for this reporting (examples may include annual reports, videos, web page, magazine, newspaper articles, survey reports, TV spots, etc.).

1.5 SERVED

The served are those who use and benefit from the primary ministries offered by the congregation to fulfill its mission. The congregation shall provide the highest quality ministries with honesty, integrity and sensitivity to its Served.

1.6 STRATEGIC ALLIANCES

Strategic alliances are mutually beneficial relationships with other organizations or individuals built upon common vision, mission or goals, which allow all parties to honor their core values, enhance the pursuit of their mission, and maintain operational autonomy. The congregation shall pursue strategic alliances as appropriate.

Section 2: Board Self-Governance

2.1 BOARD RESPONSIBILITIES:

- 2.1.1** The overall responsibility of the Board is to provide a strong, powerful, and ethical pursuit of the congregation's mission. To that end, the Board shall:
 - 2.1.1.1 Ensure that the Strategic Plan (Core Values, Mission, Critical Targets and Strategic Goals) of the congregation is the driving force for all activities and related services.
 - 2.1.1.2 Periodically review and update the Strategic Plan
 - 2.1.1.3 Establish governing policies for the Board (See Section 2.3)
 - 2.1.1.4 Provide oversight of all organizational activities by establishing and monitoring appropriateness of and adherence to policies that guide the efforts of the Senior Pastor.
 - 2.1.1.5 Ensure that the operational and financial decisions are executed in accordance with the congregation's Constitution and Bylaws and the Board policies.
 - 2.1.1.6 Communicate regularly to the Stewards the pertinent activities of the Board and remain open to communication from the congregation.
 - 2.1.1.7 Exercise particular concern for the spiritual and physical welfare of the Senior Pastor and other called workers, supporting them with prayer and appropriate counsel.

2.2 ACCEPTING RESPONSIBILITIES:

- 2.2.1 Board members have a responsibility to each other, to the employees and to the stewards and served.
- 2.2.2 Board members shall:
 - 2.2.2.1 Regularly participate in the worship and educational life of our congregation.
 - 2.2.2.2 Undertake personal spiritual disciplines for the development of their own faith lives.
 - 2.2.2.3 Support the major ministry programs of the congregation.
 - 2.2.2.4 Be prepared for the Board meetings.
 - 2.2.2.5 Attend Board meetings regularly, not missing more than one meeting in any given quarter.
 - 2.2.2.5.1 Should it be necessary to miss a meeting, Board members shall make contact with the Board President for dialog both before and after said meeting.
 - 2.2.2.5.2 In the case of a conflict of interest (as delineated in the future Conflict of Interest policy), a Board member may recuse her/himself from the Board session or may be excused from the session by the Board with a simple majority vote of the Board members present, not including the Member in question.
 - 2.2.2.6 Work to expand their leadership abilities and increase their understanding of the mission and ministry of the congregation.
 - 2.2.2.7 Gain a working knowledge of the Board's policy manual.
 - 2.2.2.8 Actively participate in Board meetings, special briefings and meetings and policy decision-making.
 - 2.2.2.9 Make informed decisions by insisting on complete and accurate information.
 - 2.2.2.10 Support all decisions once they have been fully discussed and resolved by the Board.
 - 2.2.2.11 Invest personal energy and skills in the mission and ministries of the congregation, seeking opportunities where individual skills and abilities can be applied other than the role of member of the Board.
 - 2.2.2.12 Relate to other individuals with integrity, honesty and straightforwardness, speaking the truth in love.
 - 2.2.2.13 Actively discipline themselves and other members of the Board by identifying Board actions and conditions that run counter to Board policies.

BOARD POLICY MANUAL
Holy Cross Lutheran Congregation

- 2.2.2.14 Keep Board documents and discussions confidential, unless given permission by the Board acting as a whole. However, the Board Policy Manual, Board approved minutes (excepting those of executive sessions) and audited financial statements do not require permission as long as any Board discussion or information related to these documents remains confidential.
 - 2.2.2.15 Be familiar with and put into practice any specific policies developed to guide the behavior of members of the Board.
 - 2.2.2.16 Not hinder the Board process due to individual proclivities or disruptive behavior.
 - 2.2.2.17 Exercise their powers in the interests of the congregation and not in the Board member's own interests or in the interests of another person or organization.
- 2.2.3** A member of the Board who violates any policy shall be counseled by the President. Should violations continue, the member shall be counseled by the Executive Committee and then the Board as a whole. Decisions concerning continued service to the Board by any member who continues to violate policy after such counseling shall normally be made by the Board and shall require a 2/3 majority vote of the Board. If the individual Board member under discipline so desires, the decision may be made by the congregation.
- 2.2.3.1 Should the President of the Board violate policy, it shall be the responsibility of the President-Elect to initiate such counsel.

2.3 ENUNCIATING GOVERNING POLICIES AND VALUES

2.3.1 Board policies are to be active and dynamic. They are meant to be changed and refined regularly, based on the intent of each section, the values of the Board, and the changing context within which the congregation functions.

2.3.2 Resolutions and one-time decisions

The Board will pass resolutions and one-time decisions for specific actions only when those actions will affect only the Board or are required by these policies, law, the Constitution and Bylaws, or Articles of Association of the Endowment Fund. The purpose of section 2.3.2 is to ensure the Board addresses issues with policies and not with one-time decisions and resolutions.

2.3.3 Senior Pastor actions

All board decisions governing actions of the Senior Pastor shall be done through policy. Any actions taken or contemplated by the Senior Pastor or any which may be or have been approved through the Senior Pastor, will only be considered in light of the appropriate governing policies. The Board will only review the policies for their soundness as a test of ethical and prudent behavior. The Board will not dictate what actions are appropriate except for whether or not actions comply with policies. The Board shall re-write policies when appropriate.

2.3.4 Policy review

2.3.4.1 Any Board member, the Senior Pastor or the Voters Assembly may ask for a review of specific policies by the Board. However, never does the responsibility for developing and maintaining effective and appropriate policies rest with anyone other than the Board.

2.3.4.2 The Board shall establish an annual policy review calendar to coordinate the review of every policy at least once a year. The Board will make every effort to coordinate the calendar with the business cycles of the congregation, reviewing appropriate policies just prior to management actions for decisions.

2.3.5 The Board shall maintain written policies of four types:

2.3.5.1 Policies with respect to the Strategic Plan

Affirmative statements setting forth the purposes, effects and acceptable costs of operations

2.3.5.2 Policies with respect to Board Self-Governance

Statements setting forth the style and rules with respect to the Board's own tasks and processes

2.3.5.3 Policies with respect to Senior Pastor Boundaries

Limiting statements that bind and/or restrict activity of the Senior Pastor and staff

2.3.5.4 Policies with respect to Board and Senior Pastor Relationship.

Clarifying statements about delegation to and monitoring of mission and ministry implementation

2.4 ELECTION OF BOARD MEMBERS

2.4.1 Constitution & bylaws provisions describe the election process and terms of office.

2.4.2 Nominating Committee

2.4.2.1 Constitution & Bylaws provisions describe the nomination process.

2.4.3 Qualifications and Other Considerations

2.4.3.1 In preparing its recommended slate of candidates for Board membership, the Nominating Committee must seek candidates who:

- Meet the requirements of Board membership as stipulated in the Constitution and by-laws: Voting members noted for their Christian knowledge, zeal and experience in the spiritual work in the Kingdom.
- Regularly participate in the worship and educational life of our congregation.
- Undertake personal spiritual disciplines for the development of their own faith lives.
- Are good communicators
- Are visionary
- Can effectively represent the concerns of the Stewards of the congregation.
- Understand and support the basic concepts of Policy Based Governance.
- Are willing and able to support the Core Values of the congregation
- Are willing and able to accept the responsibilities of Board Membership as delineated in Policy Section 2.2.
- Are not on the payroll of the congregation currently or anytime within the immediate preceding three years.

2.4.3.2 In preparing the slate, the Nominating Committee also shall guarantee that:

- A spouse of the Senior Leadership Team will not serve on the Board.
- No more than one staff member's spouse will be on the Board. That person shall not be eligible to serve on the Executive Committee.

2.4.3.3 The Nominating Committee shall take into consideration the current composition of the Board in determining its recommended slate.

2.5 BOARD SELF-REVIEW

In order to discipline itself and its efforts, the Board will conduct an annual self-review. The Board will discuss the following and identify areas for improvement.

2.5.1 The annual self review of the Board of Trustees shall focus on:

2.5.1.1 The Board's openness and communication among its members.

2.5.1.2 The Board's openness and communication with the Senior Pastor.

2.5.1.3 The Board's ability and skill in developing and monitoring policy.

2.5.1.4 The Board's adherence to policy.

2.5.2 The Board shall create its own self-review process.

2.6 EXECUTIVE COMMITTEE OF THE BOARD

- 2.6.1 The President, President-Elect, Secretary, and Treasurer of the Board shall constitute the Executive Committee of the Board. The Senior Pastor shall be a non-voting ex officio member of the Executive Committee.
- 2.6.1.1 Members of the Executive Committee shall attend its meetings regularly, not missing any part of two consecutive meetings.
- 2.6.2 The Executive Committee may act on behalf of the Board in all matters delegated to it by specific action or by policy of the Board. Actions of the Executive Committee shall be reported to the Board at the next meeting of the Board for ratification.
- 2.6.2.1 Subject to the following limitations, the Executive Committee shall possess and exercise all powers of the Board during the intervals between meetings.
- The Executive Committee shall not:
- 2.6.2.1.1 Recommend to members any action requiring their approval.
- 2.6.2.1.2 Establish or modify governing policies.
- 2.6.2.1.3 Change the membership of any committee at any time or fill vacancies therein.
- 2.6.2.1.4 Discharge any committee either with or without cause at any time.
- 2.6.2.1.5 Discharge any Board fiscal responsibilities.
- 2.6.3 The responsibilities of the Executive Committee on an ongoing basis are as follows.
- 2.6.3.1 The Executive Committee shall consistently advise the Senior Pastor of his performance, shall conduct the Senior Pastor's annual performance appraisal and report to the Board when it has been completed seeking the Board's response and approval.
- 2.6.3.1.1 The Executive Committee shall meet with the Senior Pastor prior to the beginning of each budget year for counsel and affirmation of the Senior Pastor's intended outcomes for the coming year. These outcomes shall form the basis for the Senior Pastor's annual performance appraisal.
- 2.6.3.1.2 The Senior Pastor shall conduct an annual anonymous 360 degree feedback process and share the raw data as well as an interpretation of the data with the Executive Committee prior to the performance appraisal process. In addition to other information they may seek in conducting the performance appraisal, the Executive Committee shall, once or twice a year, interview individuals serving on the Senior Leadership Team concerning the performance of the Senior Pastor. These interviews will focus on adherence to policy only. The Executive Committee shall guarantee anonymity when reporting this information to the Senior Pastor or to the Board.
- 2.6.3.1.3 The Executive Committee also shall seek input from the Board individually and/or corporately regarding the Senior Pastor's performance. These interviews will focus on adherence to policy only. The Executive Committee shall guarantee anonymity when reporting this information to the Senior Pastor or to the Board.

- 2.6.3.1.4 The Executive Committee shall share the information gathered through these interviews (guaranteeing anonymity) with the Senior Pastor and allow him to respond as he feels the need.
 - 2.6.3.1.5 If the Senior Pastor's performance appraisal is less than acceptable, the Executive Committee shall counsel the Senior Pastor and assist him in establishing a plan to enhance his performance.
- 2.6.3.2 Planning the program and agenda for Board meetings.

2.7 COMMITTEES OF THE BOARD

The Board may from time to time use committees, but always consistent with the following principles.

- 2.7.1 Committee responsibilities shall flow directly from the Board's description of its job, shall be set forth in a formal written charge with an appropriate period for existence and shall not impinge upon responsibilities delegated to the Senior Pastor.
- 2.7.2 Committees shall not manage any part of the congregation or do staff work, except when working on a topic that is fully within the province of the Board and has not been delegated in any way to the Senior Pastor. This provision shall not apply to any Budget Committee used prior to the development of the 2011 budget.
- 2.7.3 Except when empowered by the Board, committees shall have no executive or deciding authority. At all other times they will strive to develop policy or develop findings and conclusions and make recommendations to the Board as a whole as regards these policies, findings and conclusions.

2.7.4 Financial Review Committee

2.7.4.1 Membership

The number of committee members shall be at least three. The Treasurer and at least two other members of the Board shall be appointed to the committee by the Board. The Treasurer shall lead the committee.

2.7.4.2 Qualifications

In selecting members of the Financial Review Committee, the Board must appoint members who are knowledgeable of financial management.

2.7.4.3 Terms of service

A term of service shall be for one year. A member may be reappointed to this committee as long as he/she is a member of the Board.

2.7.4.4 Responsibilities

2.7.4.4.1 The committee shall review the financial plan submitted to it by the Senior Pastor and present it to the Board with recommendations.

2.7.4.4.2 The committee shall review the:

- financial statements of all accounts of the congregation
- financial reports of the Endowment Fund(s)

2.7.4.4.3 The committee shall monitor policies covering financial management.

2.7.4.4.4 The committee shall report their findings to the Board.

2.7.4.4.5 The committee shall provide annual training to Board members on knowledge and skills related to understanding accounting and financial reports.

2.7.5 Governance Committee

2.7.5.1 Membership

The number of committee members shall be at least three. The President-Elect and at least two other members of the Board shall be appointed to the committee by the Board.

2.7.5.2 Qualifications

In selecting members of the Governance Committee, the Board must appoint members from the Board. The committee may seek the input of non-Board members.

2.7.5.3 Terms of service

A term of service shall be for one year. A member may be reappointed to this committee as long as he/she is a member of the Board.

2.7.5.4 Responsibilities

2.7.5.4.1 The committee shall review the Board's Policy Manual and report to the Board at least twice per year on compliance with policy.

2.7.5.4.2 The committee shall prepare proposed policy changes as directed by the Board or as shall become needed.

2.7.5.4.3 The committee shall review the Constitution & Bylaws as needed and recommend to the Board any changes prior to having the Board call a Voters' Assembly meeting to discuss and vote on changes to the Constitution and Bylaws.

2.8 BOARD AGENDA STRUCTURE

2.8.1 The Board shall establish a basic structure for its meetings to assist the Board and Senior Pastor in processing information in a way that allows them to maintain a policy-based orientation.

2.8.2 This Board agenda structure shall work in tandem with the policy review and Board calendar. Additional items may be added as needed.

2.8.2.1 The Board calendar is located in the Appendices.

2.8.2.2 The Board agenda shall consist of the following sections:

Preliminaries

Introductions
Faith exploration
Board comments
Agenda review and approval

Board education/information

Board business

Board monitoring

Committee reports
Management reports

Board actions

Board policy review and revision

Board self-evaluation

Adjournment

Closing prayer

2.8.3 Only members of the Board, the Senior Pastor, invited personnel and presenters shall be seated at the Board table.

2.8.4 Only those non-members of the Board recognized by the Chairperson of the Board meeting shall have speaking privileges.

Section 3: Senior Pastor Boundaries

These are the boundaries within which the Senior Pastor must achieve the Strategic Plan. The Primary-Limitation is further defined by the sections that follow it. Each section is further limited by all other sections. Unless restricted in the Senior Pastor Boundaries Policies (section 3 of this policy manual), all actions are acceptable.

3.1 PRIMARY LIMITATIONS

- 3.1.1 When representing the Congregation, the Senior Pastor and staff shall not act in a manner that is unethical, imprudent, illegal or violates the Constitution, By-Laws or Policies of the congregation.
- 3.1.2 The Senior Pastor shall not fail to hire and retain an administrator (by whatever title called) who, under the direction and through the delegation of the Senior Pastor, will address the administrative issues in these policies.

3.2 COMMUNICATION AND SUPPORT TO THE BOARD

- 3.2.1 The Senior Pastor shall not permit the Board to be uninformed or unsupported in its work.
- 3.2.2 The Senior Pastor shall not fail to provide the Board with any information the Board desires in order to make informed decisions.
- 3.2.3 The Senior Pastor shall not fail to inform the Board in a timely manner of:
 - 3.2.3.1 Issues as delineated in Policy 4.6.
 - 3.2.3.2 Anticipated adverse media coverage, including but not limited to:
 - 3.2.3.2.1 Allegations against any staff person serving in a ministry capacity.
 - 3.2.3.2.2 Any report of abuse or sexual, financial or professional misconduct alleged against any member of the staff that is about to become public.
 - 3.2.3.3 Hiring or promotion.
 - 3.2.3.4 Death or serious injury or illness of staff or their immediate family members.
 - 3.2.3.5 Demotion or termination of non-Called staff.
 - 3.2.3.6 Crises affecting the work, health or safety of staff.
 - 3.2.3.7 Potential and actual lawsuits against the congregation.
 - 3.2.3.8 Changes in the assumptions on which any Board policy has been established.
 - 3.2.3.9 Conditions that could have a negative impact on any major ministry program of the congregation (e.g. school).
 - 3.2.3.10 Synodical or District directions and recommendations.
- 3.2.4 When the Senior Pastor or his designee notifies or communicates with the President, or in his absence, the President-Elect, such notification is deemed to be notification of the Board.

3.3 OPERATIONAL PLANNING & PROGRAMMING

- 3.3.1 The Senior Pastor shall not allow the creation and/or implementation of any mission and ministry operational plans and procedures that do not contribute to the achievement of the congregation's Strategic Plan and/or the Board's Policies.
- 3.3.2 The Senior Pastor shall not allow programs and other services that do not contribute to the achievement of the congregation's Strategic Plan and/or the Board's Policies.
- 3.3.3 The Senior Pastor shall not allow the staff to begin a new fiscal year without previewing and updating its mission and ministry operational plan.

3.4 FINANCIAL PLANNING

- 3.4.1 The Senior Pastor shall not cause or allow the preparation or presentation of a financial plan which:
- 3.4.1.1 Fails to be available for review by the Board of Trustees' Financial Review Committee by October 15 and finalized for approval by the Board at its November meeting.
 - 3.4.1.2 Is based on anything other than an operational plan which moves the congregation forward with regard to its Strategic Plan.
 - 3.4.1.3 Is based on unsound assumptions about financial conditions. Financial conditions are defined as projected earnings/contributions, operating costs, other income/expense, and transfers from investment income.
 - 3.4.1.4 Continues without adjustments whenever the actual year-to-date net income is less than or net loss is more than the projected year-to-date net income or net loss by 10% or more of the total financial plan.
- 3.4.2 The Senior Pastor shall not fail to develop the financial plan without conforming to the following specific criteria:
- 3.4.2.1 Resources/revenue criteria:
 - 3.4.2.1.1 Envelope/plate giving: These estimates shall not be derived from assumptions not based on current membership, historical trending, and feasible projections consistent with current economic conditions. At no time shall these estimates exceed 110% of the prior three-year average increase, unless approved by the Board upon a recommendation from the Financial Review Committee (FRC). (ie. If the average increase for the prior three years is 5%, the projected increase for the next year is $5\% \times 110\% = 5.5\%$). Ignore current year-end estimate.
$$fy\% = (((cy1-cy2)/cy2) + ((cy2-cy3)/cy3) + ((cy3-cy4)/cy4)) / 3 \times 110\%$$
 - fy Next year (ie Financial plan year being developed)
 - cy1 Current year minus one year (ie last year)
 - cy2 Current year minus two years
 - cy3 Current year minus three years
 - cy4 Current year minus four years
 - 3.4.2.1.2 Tuition/preschool/extended care revenue: These estimates shall not fail to be based upon current student population and actual tuition and fees. At no time shall this assumption change unless approved by the Board upon a recommendation from the FRC.
 - 3.4.2.1.3 Matching funds revenue: These estimates shall not fail to be based on current membership, historical trending and feasible projections with current economic conditions factored into the calculations. At no time shall these estimates exceed 110% of the prior three-year average increase, unless approved by the Board upon a recommendation from the FRC. The same methodology that is used for developing envelope giving estimates shall be used for developing matching funds estimates.

- 3.4.2.1.4 Tuition assistance revenue: These estimates shall not fail to be based upon factual information and documented evidence of receipts to be received during the year for which the financial plan is being developed unless approved by the Board upon a recommendation from the FRC.
- 3.4.2.1.5 Grant revenue: These estimates shall not fail to be based upon factual information and documented evidence of receipts to be received during the year for which the financial plan is being developed unless approved by the Board upon a recommendation from the FRC.
- 3.4.2.1.6 Other sources of revenue: -These estimates shall not fail to be based upon factual information and documented evidence of receipts to be received during the year for which the financial plan is being developed unless approved by the Board upon a recommendation from the FRC.
- 3.4.2.2 Criteria for expenses to achieve the mission, strategic plan and operational plan:
 - 3.4.2.2.1 Total financial plan operating costs shall not be allowed to exceed projected revenue.
 - 3.4.2.2.2 If at the time the financial plan is being developed, the actual current year operating expenses require line of credit or debt financing and the projections by the current year-end indicates the use of the line of credit or debt financing, then the financial plan being prepared for next year shall not fail to incorporate a reduction of at least ~~50%~~ 75% of the estimated current year-end line of credit.
 - 3.4.2.2.3 Compensation shall conform to section 3.8.
 - 3.4.2.2.4 Employee benefits shall not be allowed to be inconsistent within working group classifications.
 - 3.4.2.2.5 In aggregate, the financial plan shall not allow for total school, pre-school and day care to exceed 60% of operating costs of the total financial plan. This percentage is to be determined annually by the Board based on recommendations from the FRC.
 - 3.4.2.2.6 Other than salaries, benefits, and utilities, an individual expense line item allocation shall not fail to be based on current membership, historical trending and feasible projections with current economic conditions factored into the calculations. At no time shall such an individual expense line item exceed the greater of \$5,000 or 105% of the prior three-year average, unless approved by the Board upon a recommendation from the FRC.
 - 3.4.2.2.7 The financial plan shall not fail to include adequate line items for the Board to use for its own prerogatives, including for board training, education and ministry.

- 3.4.3 The Senior Pastor shall not borrow funds for operations exceeding 65% of the Board-established line of credit.
 - 3.4.3.1 The Senior Pastor shall not fail to notify the Treasurer if such short term borrowing will be insufficient to meet operational needs. Any such notification must occur as soon as the potential shortfall is identified or perceived to be possible, but no later than one month prior to the actual need arising. The Treasurer will then notify the Board who will call for a Voters' Assembly meeting as soon as practicable to decide whether to approve additional borrowing.
- 3.4.4 The Senior Pastor shall not fail to establish and implement a plan to eliminate any year-end line of credit balance.
- 3.4.5 The Senior Pastor shall not allow the solicitation of any planned giving receipts that deviates from the written Planned Giving Gifts Policy.
- 3.4.6 The Senior Pastor, in reporting financial activities and position, shall not allow deviation from generally accepted accounting principles.
- 3.4.7 The Senior Pastor shall not fail to ensure annually that the financial statements and records fairly and accurately represent the financial condition of the congregation after having such financial statements and records reviewed by a Certified Public Accountant.
- 3.4.8 The Senior Pastor or his designee shall not fail to seek the advice as necessary of the Treasurer and FRC on matters involved in this policy section. The Treasurer shall keep the Board informed of relevant information.

3.5 ASSET PROTECTION

- 3.5.1 The Senior Pastor shall not fail to insure property against physical loss or damage to at least 80% replacement cost value.
- 3.5.2 The Senior Pastor shall not fail to insure against liability losses, including but not necessarily limited to general liability, employee benefits liability, sexual molestation/abuse liability, professional liability, educators' legal liability, directors' & officers' liability, and automobile liability (by whatever names known), arising out of the acts, errors or omissions of any Board member, Called and non-called ministry or staff person, or volunteer acting within the scope of his/her duties for Holy Cross in an amount greater than the average for comparable congregations in the area.
- 3.5.3 The Senior Pastor shall not unnecessarily expose the congregation, its Board or staff to claims of liability.
- 3.5.4 The Senior Pastor shall not allow the facilities, grounds and equipment to be subjected to improper wear and tear or not to be maintained in proper working order.
- 3.5.5 The Senior Pastor shall not fail to protect intellectual property, information, and files from loss or damage.
- 3.5.6 The Senior Pastor shall not purchase any office property over \$1,000 without obtaining comparative prices and quality assessment.
- 3.5.7 The Senior Pastor shall not fail to establish and implement proper internal controls to protect all physical and monetary resources of the congregation. These controls should not fail to meet the synodical standards as contained in the Synod Treasurer's Manual.
- 3.5.8 The Senior Pastor shall not allow the handling of cash within the congregation (including those of auxiliary groups or departments) that does not comply with written guidelines detailing such activity.
- 3.5.9 The Senior Pastor shall not allow investment or holding of non-endowment operating funds in insecure instruments, including uninsured checking accounts or any bonds at any time, or in non-interest bearing accounts except where necessary to facilitate ease in operational transactions.
- 3.5.10 The Senior Pastor shall not endanger the congregation's public image or credibility, particularly in ways that would hinder its accomplishment of its mission.
- 3.5.11 The Senior Pastor or his designee shall not fail to seek the advice as necessary of the Treasurer and FRC on matters involved in this policy section. The Treasurer shall keep the Board informed of relevant information.

3.6 OPERATIONAL STRUCTURE

- 3.6.1 The Senior Pastor shall not allow an organization structure that does not have a positive effect on achieving the Strategic Plan of the congregation.
- 3.6.1.1 The Senior Pastor shall not operate without a written plan for interim succession.
- 3.6.2 The Senior Pastor shall not allow Senior Leadership Team members and the Facilities Manager to conduct ministry without the benefit of Advisory Councils made up of lay congregation members other than members of the Board of Trustees.
- 3.6.2.1 Advisory Councils do not have policy-making or decision-making authority.
- 3.6.2.2 Advisory Councils serve solely as sources of advice *unless otherwise prescribed by the Constitution & Bylaws and noted below in 3.6.2.4.1, 3.6.2.5.1 and 3.6.2.5.2.*
- 3.6.2.3 The Board of Buildings & Maintenance shall serve as the Advisory Council for the Facilities Manager.
- 3.6.2.3.1 Board chairperson and members are selected per the Bylaws.
- 3.6.2.3.2 Per Bylaws 6.2.4, the Executive Director (by whatever title known) and congregation President shall serve as advisors to the Board of Buildings & Maintenance. As an advisor, the Executive Director (by whatever title known) shall keep the Board of Buildings & Maintenance abreast of mission and ministry issues that impact the facilities as regards the achievement of the Strategic Plan.
- 3.6.2.3.3 Any voting by the Board of Buildings & Maintenance shall not bind the Facilities Manager, but shall provide the Facilities Manager with an indication of the level of support for a given issue.
- 3.6.2.4 The Board of Parish School Education shall serve as the Advisory Council for the Principal (by whatever title known).
- 3.6.2.4.1 The Board of Parish School Education also shall perform the duties assigned to it per the Constitution & Bylaws including serving as the Call Committee for the Principal and teachers, serving as the calling body for teachers (though granting of tenure is reserved for the Voters' Assembly) and investigating allegations of incapacity or incompetence on the part of the Principal or a called teacher.
- 3.6.2.4.2 Board chairperson and members are selected per the Bylaws.
- 3.6.2.4.3 Per Bylaws 6.2.4 and 6.2.5, the Principal and congregation President shall serve as advisors to the Board of Parish School Education per the Bylaws. As an advisor, the Principal (by whatever title known) shall regularly keep the Board of Parish School Education abreast of mission and ministry issues that impact the achievement of the Strategic Plan within the context of the school ministry and shall seek advice regarding such issues.
- 3.6.2.4.4 Other than with respect to any duty explicitly mandated by the Constitution & Bylaws, any voting by the Board of Parish School Education shall not bind the Principal (by whatever title known), but shall provide the Principal (by whatever title known) with an indication of the level of support for a given issue.

- 3.6.2.5 The Board of Elders shall serve as the Advisory Council for the Senior Pastor.
- 3.6.2.5.1 The Board of Elders also shall perform the duties assigned to it per the Constitution & Bylaws including dealing with matters of membership and spiritual discipline and authority, serving as a Call Committee for a Pastor or Minister, and investigating allegations of incapacity or incompetence on the part of a Pastor or Minister.
- ~~3.6.2.5.2~~ The Board of Elders shall share the Board of Trustees' responsibility, as noted in section 2.1.1.7, to exercise particular concern for the spiritual and physical welfare of the Senior Pastor and other called workers, supporting them with prayer and appropriate counsel.
- 3.6.2.5.3 Board chairman and members are selected per the Bylaws.
- 3.6.2.5.4 Per Bylaws 6.2.4, the Senior Pastor and congregation President shall serve as advisors to the Board of Elders. As an advisor, the Senior Pastor shall regularly keep the Board of Elders abreast of mission and ministry issues and opportunities that impact the spiritual life of the congregation and shall seek advice regarding such issues.
- 3.6.2.5.5 Other than with respect to any duty explicitly mandated by the Constitution & Bylaws, any voting by the Board of Elders shall not bind the Senior Pastor, but shall provide the Senior Pastor with an indication of the level of support for a given issue.
- 3.6.2.6 Advisory Councils for Senior Leadership Team members, other than the Senior Pastor and Principal (by whatever title known), shall consist of five individuals. Two shall be selected by the Senior Leadership Team member, two shall be appointed by the Board and one shall be appointed by the Senior Pastor.
- 3.6.2.7 Senior Leadership Team members may require Advisory Councils for their direct reports. These councils shall consist of at least three members, of which the majority will be selected by the respective Senior Leadership Team member.
- 3.6.2.8 The Senior Pastor shall not fail to require members of the Senior Leadership Team and the Facilities Manager meet at least quarterly with their Advisory Councils.
- 3.6.3 The Senior Pastor shall not allow Senior Leadership Team members, the Facilities Manager and School Faculty members to conduct mission and ministry without the benefit of Mission & Ministry Teams.
- 3.6.3.1 Mission & Ministry Teams assist staff members with the implementation of mission & ministry to accomplish operational plans that seek to achieve the Strategic Plan.
- 3.6.3.2 Mission & Ministry Teams do not have policy-making or decision-making authority.
- 3.6.3.3 Mission & Ministry Teams do not serve in the capacity of Advisory Councils.
- 3.6.4 The Senior Pastor shall not allow full time staff to conduct ministries without a commitment to the "priesthood of all believers" and thus the training and equipping of lay partners in the Gospel in their respective areas of mission and ministry.

3.7 PERSONNEL

- 3.7.1 The Senior Pastor shall not allow the congregation to operate without effective, established Personnel Policies which shall be included in the Staff Policy/Operations Manual.
- 3.7.1.1 Personnel Policies shall not:
- 3.7.1.1.1 Deviate from local, state or federal law or regulations in the ethical treatment of employees.
 - 3.7.1.1.2 Conflict with the effective day-to-day operation of the congregation.
 - 3.7.1.1.3 Fail to establish an effective, written Conflict of Interest Policy for the staff.
 - 3.7.1.1.4 Impair the dignity, safety, and right to ethical job-related dissent of employees. Grievances by employees shall receive fair, internal hearing through procedural safeguards. Such hearings and procedural safeguards shall be guided by the principles of Matthew 18:15-20 and shall provide for the effective escalation of notification, especially in instances where the Senior Pastor is a party to the dispute.
 - 3.7.1.1.5 Fail to provide for effective evaluation procedures.
 - 3.7.1.1.6 Fail to provide against wrongful employment conditions, such as discrimination, harassment and grossly preferential treatment for personal reasons.
- 3.7.1.2 The Senior Pastor must retain in each staff member's personnel file a signed acknowledgement of the Staff Policy/Operations Manual.
- 3.7.2 The Senior Pastor shall not allow positions (or ministries) to be undefined or position descriptions that inaccurately reflect the responsibility and tasks assigned to the position.
- 3.7.3 The Senior Pastor shall not allow positions to exist where adequate resources are not available for a qualified person assigned the position to succeed.
- 3.7.4 The Senior Pastor shall not allow the Senior Pastor's position description to assume authority that is clearly delegated to some other entity or person.
- 3.7.5 The Senior Pastor shall not fail to ensure staff evaluations are conducted at least annually and the results shared with the evaluated staff member.
- 3.7.6 The Senior Pastor shall not fail to inform the staff of the process being used to make decisions except to maintain the personal privacy of those being served or as required by law or these Policies.
- 3.7.7 The Senior Pastor shall not fail to provide the Board an opportunity to dialogue with each member of the Senior Leadership Team at least once a year.

3.8 COMPENSATION

- 3.8.1 The Senior Pastor shall not allow compensation that does not fall within the ranges as identified in the Staff Policy/Operations Manual.
 - 3.8.1.1 The Senior Pastor shall not allow individual salaries for called or non-called pastors, ministers, principals or school administrators, teachers, directors of Christian education or deaconesses by whatever names called to exceed the salary guidelines established for any such related positions by the LCMS, unless approved by the Board's Executive Committee.
 - 3.8.1.2 The Senior Pastor shall not allow compensation that deviates materially from the geographic or professional market skills for the staff members whose positions are not subject to LCMS salary guidelines per 3.8.1.1, unless approved by the Board's Executive Committee.
 - 3.8.1.3 The Senior Pastor shall not establish compensation and benefits that are inconsistent among staff members who are not subject to LCMS salary guidelines per 3.8.1.1.
- 3.8.2 The Senior Pastor shall not allow salary increases to exceed available resources.
- 3.8.3 The Senior Pastor shall not change his own compensation and benefits. (See section 2.6.3)

3.9 STRATEGIC ALLIANCES

- 3.9.1 The Senior Pastor shall not fail to explore and, as appropriate, establish strategic alliances which assist the congregation to achieve its Strategic Plan.

3.10 LONG-RANGE OUTLOOK

- 3.10.1 The Senior Pastor shall not fail to conduct and present to the Board an annual long range outlook study.
- 3.10.2 The Senior Pastor shall not develop a long range outlook study that fails to consider the Strategic Plan.
- 3.10.3 The Senior Pastor shall not develop a long range outlook study that fails to consider and identify the changes and trends in the spiritual, economic, sociological, and demographic conditions that affect the congregation.

3.11 CRISIS MANAGEMENT PLAN

- 3.11.1 The Senior Pastor shall not allow the congregation to operate without a detailed written operational Crisis Management Plan.

3.12 GIFTS AND BEQUESTS

- 3.12.1 The Senior Pastor shall not fail to develop and implement a plan to solicit gifts and bequests according to Appendix B (Planned Giving Gifts Policy).

Section 4: BOARD & SENIOR PASTOR AUTHORITY, ROLES & RELATIONSHIP

4.1 SUMMARY OF BOARD AUTHORITY

- 4.1.1 This Board Policy Manual is the means by which the Board will exercise its powers per the church's Bylaws Article 3.1 and fulfill its duties per the church's Bylaws Article 4.1.
- 4.1.2 The function of the Board is to develop, communicate, monitor and enforce policies, not to implement them.

4.2 SPECIFIC ACTIONS REQUIRING BOARD APPROVAL

Other than developing, communicating, monitoring and enforcing policies, these are specific decisions or actions that are left to specific Board approval due to 1) their unique nature or 2) a requirement of the Board per its policies or 3) the Constitution and Bylaws.

- 4.2.1 Actions required per this Board Policy Manual;
- 4.2.2 Per Bylaws Article 7.2.3, the Board *may* appoint interim Pastors, Ministers, Principals and Teachers.
 - 4.2.2.1 Board policy is that the Board may appoint only an interim Senior Pastor until a Pastor accepts a Divine Call from the congregation to serve as Senior Pastor;
 - 4.2.2.2 Board Policy Manual section 4.4.3 addresses the remaining issues;
- 4.2.3 Approval of Board President-appointments of chairpersons of all boards and committees per Bylaws Article 5.1.1.D;
 - 4.2.3.1 Per Bylaws Article 6.2.2, the chairpersons of the Board of Elders, Board for Parish School Education and Board of Buildings & Maintenance shall be appointed by the Board President for the duration of the President's term;
- 4.2.4 Approval of Board President-appointments of Congregation representatives to outside agencies per Bylaws Article 5.1.1.D;
- 4.2.5 Approval of appointments to the Board of Elders, Board of Parish School Education and Board of Buildings & Maintenance made by the chairpersons of those boards per Bylaws Article 6.2.6;
- 4.2.6 Determination of duties of the Board of Elders, Board of Parish School Education and Board of Buildings and Maintenance per Bylaws Article 6.2.7;
 - 4.2.6.1 Board Policy Manual section 3.6.2 delineates these duties;
- 4.2.7 Approval of annual non-budget expenses up to 5% of the annual financial plan per Bylaws Article 3.2.1.
- 4.2.8 Establishment of a special Voters Assembly meeting regarding removing a Divinely Called servant from office per Bylaws Article 7.3.2;
- 4.2.8 Selection of the person(s) or firm to complete the financial audit, review or compilation (whether internal or external);
- 4.2.9 Receipt and review of financial audits, reviews or compilations;
- 4.2.10 Appointment of the church's legal counsel.

4.3 ACTIONS RESERVED FOR CONGREGATION OR SPECIFIC BOARDS

While the Board has wide ranging responsibility and authority per Bylaws Articles 3.1 and 4.1 to give direction to the ministry of the congregation, it *shall not*:

- 4.3.1 Serve as a call committee for a Pastor, Minister, Principal or Teacher per Bylaws Article 7.1;
 - 4.3.1.1 Board of Elders serves as the call committee for a Pastor or Minister;
 - 4.3.1.2 Board of Parish School Education serves as the call committee for a Principal or Teacher;
- 4.3.2 Call a Pastor, Minister, Principal or Teacher per Constitution Article 7.2.C and Bylaws Articles 3.2.1 and 7.2.1;
 - 4.3.2.1 Congregation calls a Pastor, Minister or Principal;
 - 4.3.2.2 Board for Parish School Education calls a Teacher;
- 4.3.3 Grant tenure to Called Teachers per Constitution Article 7.2.C;
 - 4.3.3.1 Voters Assembly reserves this right;
- 4.3.4 Investigate allegations of incapacity or incompetence against a Pastor, Minister, Principal or Called Teacher per Constitution Article 6.2 and per Bylaws Article 7.3;
 - 4.3.4.1 Board of Elders investigates allegations of incapacity or incompetence of a Pastor or Minister and such Board reports findings to the Board of Trustees;
 - 4.3.4.2 Board of Parish School Education investigates allegations of incapacity or incompetence of a Principal or Called Teacher and such Board reports findings to the Board of Trustees;
 - 4.3.4.3 A summary of the results of any investigation shall be reported to the Voters' Assembly per Constitution Article 6.2.5;
- 4.3.5 Request resignations of or remove any Pastor, Minister, Principal or Called Teacher (Called Teacher with tenure per Constitution Article 6.2.1) for persistent adherence to false doctrine, scandalous life, willful neglect or inability to perform the duties of office per Constitution Article 6.2 and Bylaws Article 7.3;
 - 4.3.5.1 Voters Assembly reserves this right subject to two-thirds majority vote;
- 4.3.6 Terminate any person's congregational membership per Constitution Article 5.4;
- 4.3.7 Sell or acquire real estate per Bylaws Article 3.2.1;
 - 4.3.7.1 Board policy is to not dispose of real property in any way;
- 4.3.8 Operate without an annual financial plan approved by the Voters' Assembly per Bylaws Article 3.2.1;
- 4.3.9 Incur annual non-budget expenses exceeding 5% of the annual financial plan per Bylaws Article 3.2.1;

- 4.3.10 Elect members to the Board per Bylaws Article 2.1.1;
 - 4.3.10.1 Except to fill a vacancy on the Board per Bylaws Article 2.4;
- 4.3.11 Dissolve the congregation per Bylaws 3.2.1;
- 4.3.12 Amend the church's Constitution or Bylaws per Constitution Article 12 and Bylaws Article 9;
- 4.3.13 Incur indebtedness secured by real or personal property or indebtedness with a term of more than one year;
- 4.3.14 Enter into capital campaigns for new construction or renovations;
- 4.3.15 Execute a merger or dissolution of the church's school ministry;
- 4.3.16 Enter into contracts with fundraising consultants.

4.4 MANNER OF DELEGATING

- 4.4.1 Except for assignments of its own work to committees, consultants or officers *the Board shall delegate authority only to the Senior Pastor. Any other subordinate employee or entity operating with the authority of the congregation shall receive specific responsibilities and authority from the Senior Pastor or a person assigned such authority by the Senior Pastor.*
- 4.4.1.1 The Board shall relate to all staff officially only through the Senior Pastor.
- 4.4.1.2 Bylaws Article 2.1.1 states the School Principal and the Senior Pastor shall serve as advisors to the Board of Trustees.
- 4.4.1.2.1 Bylaws Article 2.1.1 shall not be construed in any way to conflict with 4.4.1 above.
- 4.4.1.2.2 The Senior Pastor will attend every Board meeting unless otherwise communicated.
- 4.4.1.2.3 The School Principal (by whatever title called) will attend Board meetings only at the specific request of the Board or Senior Pastor.
- 4.4.1.2 Board members' interactions with the Senior Pastor or other staff must recognize the lack of authority vested in individual board members except when explicitly authorized by the Board.
- 4.4.1.3 Board members shall be prudent in their contact with staff and shall keep the Senior Pastor informed about significant contacts they have with any staff member.
- 4.4.2 The Board shall address only broad levels of issues in policies of purpose or governance policies leaving lesser levels (e.g. operational policies) to the discretion of the Senior Pastor. The Senior Pastor may develop operational guidelines, rules or procedures and may make decisions in anyway the Senior Pastor deems appropriate as long as he observes the Board policies and the Constitution and Bylaws.
- 4.4.3 The authority of the Senior Pastor shall begin where the explicit pronouncements of the Board end. Except as required by the Board governing policies, law, or the Constitution and Bylaws, the decisions of the Senior Pastor do not need approval from the Board.

4.5 SENIOR PASTOR FUNCTION

The Senior Pastor shall:

- 4.5.1 Be empowered to take all actions and make all administrative decisions that are deemed necessary to achieve the congregation's Strategic Plan except actions (a) which are not in accordance with the congregation's Strategic Plan, or (b) that are unethical, imprudent, illegal, or (c) that violate the Board policies and/or the Constitution and the Bylaws.
- 4.5.2 Develop operational guidelines, rules or procedures the Senior Pastor deems appropriate except guidelines, rules, or procedures (a) which are not in accordance with the congregation's Strategic Plan, or (b) that are unethical, imprudent, illegal, or (c) that violate the Board policies and/or the Constitution and the Bylaws.

4.6 SENIOR PASTOR ACCOUNTABILITY

The Senior Pastor shall be accountable to the Board for:

- 4.6.1 Achievement of the congregation's Strategic Plan through personal involvement and spiritual leadership and care as well as staff and congregational member action.
- 4.6.2 Compliance of personal and staff actions to limits established in the Senior Pastor Boundaries Policy.
- 4.6.3 Compliance with the Board & Senior Pastor Authority, Roles & Relationship Policy.
- 4.6.4 Provision of adequate counsel to the Board through personal and staff action, including counsel regarding social, legal, theological, spiritual, synodical and other changes relevant to the Board's decision areas.
- 4.6.5 Defining and refining the Senior Pastor's position description within the personnel constraints.
- 4.6.6 Relating with integrity, honesty and straightforwardness to the Board.

4.7 EXCEEDING SENIOR PASTOR BOUNDARIES

From time to time, Senior Pastor Boundaries Policies may be exceeded. When this happens, the Board will take appropriate action. The Senior Pastor is to take initiative and responsibility to monitor, inform, and correct, as well as develop preventative systems for, exceeding boundaries.

- 4.7.1 The Senior Pastor shall give an immediate notice to the Board President once a Senior Pastor boundary has been recognized to have been exceeded.
 - 4.7.1.1 If the Senior Pastor boundary has been exceeded for an excessive period of time and has gone unnoticed, the Senior Pastor will develop a better monitoring system.
- 4.7.2 If the exceeded Senior Pastor boundary is immediately correctable, the Senior Pastor shall take the necessary action within policies and report the results to the Board.
 - 4.7.2.1 If the exceeded Senior Pastor boundary is not immediately correctable, the Senior Pastor shall establish and implement corrective actions, reporting them and gaining approval of a deadline for complete correction from the Board.
 - 4.7.2.1.1 The Senior Pastor shall continue to report in a timely fashion on the actions taken and their results until the exceeded Senior Pastor boundary is corrected.
 - 4.7.2.1.2 The Senior Pastor shall give immediate notice when it is recognized that a deadline will be missed, and submit a new plan for action if the delay is excessive.
 - 4.7.2.2 The Senior Pastor may use internal or external resources to correct the exceeded Senior Pastor boundary without violating the Senior Pastor Boundaries Policies.
 - 4.7.2.3 The Board shall review any Senior Pastor Boundary Policy that has been exceeded for its soundness as a test of ethical and prudent behavior.
- 4.7.3 The Board shall not allow one time exceptions to policies. If an action is acceptable under certain conditions, then those conditions shall be stated in the policy.
- 4.7.4 The Senior Pastor shall develop or improve processes to avoid recurrence of any exceeded Senior Pastor boundaries.
- 4.7.5 After repeated recurrences of exceeding Senior Pastor boundaries, the Board President will conduct: (1) a performance evaluation of the Senior Pastor and (2) a discussion with the full Board about the Senior Pastor's performance.
- 4.7.6 Allegations of incompetence by the Senior Pastor shall be investigated and reported per the process noted in Constitution Article 6.2 and Bylaws Article 7.3.2.

4.8 MEANS OF MONITORING

The Board shall employ these avenues of monitoring.

4.8.1 Management Reports

These are periodic statements and overviews which provide information and counsel to the Board on programs, trends and developments that may affect the Board's work and which report on the Senior Pastor's compliance with Board policies.

4.8.1.1 The Senior Pastor shall report yearly on the spiritual, economic, sociological, synodical, legal and political conditions and trends in the congregation's community that affect the congregation's Strategic Plan, operational plans and/or financial plans.

4.8.1.2 The Senior Pastor shall report at least quarterly on the activities, operational plans, and strategic goals of the congregation.

4.8.2 Direct Monitoring

These are the actions used to confirm compliance with the Board's policies in all four policy areas.

The Senior Pastor shall:

4.8.2.1 Provide to the Board at least annually a report on the *progress achieved* towards the Strategic Plan of the congregation.

4.8.2.2 Provide to the Board annually the long-range outlook study.

4.8.2.3 Annually review the plan for crisis management and provide the Board with a copy of such plan.

4.8.2.4 Annually review the plan for interim succession and provide the Board with a copy of such plan.

4.8.2.5 Present to the Board semi-annually his personal ministry plan.

4.8.2.6 Provide to the Board semi-annual reports concerning the roster of Advisory Councils and Mission & Ministry Teams being used in fulfillment of Policy 3.6.2 and 3.6.3 as well as describing the regular use of such Advisory Councils and Mission & Ministry Teams.

4.8.2.7 Provide to the Board semi-annual reports listing the names of all other individuals engaged in the church's programmatic ministries.

4.8.2.8 Provide to the Board semi-annual reports of all monies received as gifts or bequests.

4.8.2.9 Provide to the Board semi-annual reports of any money received and disbursed from discretionary funds, although confidentiality of donors and recipients shall be respected.

4.8.2.10 Provide to the Board quarterly reports concerning the performance of all investments of the congregation.

4.8.2.11 Provide to the Board at least quarterly reports on the school ministry.

4.8.2.12 Provide to the Board at least quarterly financial statements organized and presented around the financial plan. (See Policy 3.4.1)

- 4.8.2.13 Provide to the Board the current criteria established for the financial plan. (See Policy 3.4.1)
- 4.8.2.14 Provide to the Board current financial plans as they are developed or modified. (See Policy 3.4.1)
- 4.8.2.15 Provide to the Board the Staff Policy/Operations Manual and any revisions as they occur.
- 4.8.2.16 Provide to the Board new operational/organizational structures as they are developed with an explanation of the responsibilities assigned and an explanation of how such operational/organizational structure helps achieve the congregation's Strategic Plan and/or Board Policies.
- 4.8.2.17 Provide to the Board summaries of each new program and service as they are developed with an explanation regarding how such program(s) and service(s) help achieve the congregation's Strategic Plan and/or comply with Board Policies.

Appendix B: Planned Giving Gifts Policy

Holy Cross Lutheran Church, a not for profit organization organized under the laws of the State of Indiana, encourages the solicitation and acceptance of gifts to the Holy Cross Lutheran Church Endowment Funds (hereinafter referred to as the “Endowment”) for purposes that will help Holy Cross Lutheran Church to further and fulfill its mission. The Re-Statement of Articles of Association for the Endowment Funds of Holy Cross Evangelical Lutheran Church of Fort Wayne, Indiana, Inc. governs the Endowment Funds. The following policy governs the solicitation and acceptance of gifts made to the Endowment and any estate and special one-time gifts made to the church.

The mission of Holy Cross Lutheran Church is equipping and sending God’s people to make a Christ-like difference in the world.

1. PURPOSE OF THIS POLICY

The Planned Giving Mission & Ministry Team (MMT) of Holy Cross Lutheran Church solicits current and deferred gifts from individuals, corporations, and foundations to secure the future growth and missions of Holy Cross Lutheran Church. This MMT reports to the Senior Pastor.

One responsibility of the Permanent Endowment Committee (PEC) is to accept gifts made to the Endowment Funds.

This policy is intended to

- provide guidance to the Planned Giving MMT when soliciting gifts for the Endowment, and
 - provide guidance to prospective donors and their advisors when making gifts to the Endowment, and
 - govern the acceptance of gifts by the Permanent Endowment Committee (PEC). The provisions of these policies shall apply
- 1) to all gifts received by the PEC for the Endowment Funds, and
 - 2) to all estate gifts, memorial gifts, and special gifts made to the church and not designated by the donor for the Endowment Funds.

2. ESTATE, MEMORIAL AND SPECIAL GIFTS NOT DESIGNATED BY DONOR FOR THE ENDOWMENT FUNDS

The following policy delineates the process of accepting estate gifts, memorial gifts, or special gifts made to the church without the donor having designated that the gifts shall be deposited into the Endowment Funds.

The PEC shall accept such gifts subject to the provisions of this Planned Giving Gifts Policy.

Until further direction from the Board of Trustees, the PEC shall manage these funds and account for them in the Congregation Unrestricted Gift Fund.

3. USE OF LEGAL COUNSEL

Holy Cross Lutheran Church shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- 1) Closely held stock transfers that are subject to restrictions or buy-sell agreements.
- 2) Documents naming Holy Cross Lutheran Church as Trustee.
- 3) Gifts involving contracts, such as bargain sales or other documents requiring Holy Cross Lutheran Church to assume an obligation.
- 4) Transactions with potential conflict of interest that may invoke IRS sanctions.
- 5) Gifts of real estate.
- 6) Other instances in which use of counsel is deemed appropriate by the PEC.

Holy Cross Lutheran Church will advise prospective donors to consult their attorney in all matters related to deferred gift agreements such as wills, trust, annuities, or other contractual agreements.

4. CONFLICT OF INTEREST

Holy Cross Lutheran Church will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. The PEC will comply with the Board of Trustees Conflict of Interest policy.

5. RESTRICTIONS ON GIFTS

The PEC may accept unrestricted gifts to the Endowment and gifts for specific programs and purposes, provided that such gifts are not inconsistent with this policy and are not inconsistent with the church's stated mission, purposes, and priorities. The PEC will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter (or trust document if Holy Cross Lutheran Church is established under trust), gifts that are too difficult to administer or cost over \$1,000 to establish, or gifts that are for purposes outside the mission of the church. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the PEC according to any applicable policies.

6. TYPES OF GIFTS

The following gifts are acceptable:

- Cash
- Tangible Personal Property
- Securities
- Real Estate
- Remainder Interests in Property
- Oil, Gas, and Mineral Interests
- Bargain Sales
- Life Insurance
- Charitable Gift Annuities
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Retirement Plan Beneficiary Designations
- Bequests
- Life Insurance Beneficiary Designations

The following criteria govern the acceptance of each gift form:

- 6.1. **Cash.** Cash is acceptable in any form. Checks shall be made payable to Holy Cross Lutheran Church with the memo line designating into which Endowment Fund the money is to be deposited. The check shall be delivered to the Executive Director, by whatever name called, in the church administrative offices.
- 6.2. **Tangible Personal Property.** All other gifts of tangible personal property shall be examined in light of the following criteria:
 - Does the property fulfill the mission of the Endowment?
 - Is the property marketable?
 - Are there any undue restrictions on the use, display, or sale of the property?
 - Are there any carrying costs for the property?

The PEC shall make the final determination on the acceptance of tangible property gifts.

- 6.3. **Securities.** The PEC may accept both publicly traded securities and closely held securities.
 - 6.3.1. **Publicly Traded Securities.** Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the PEC. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the PEC. The donor should either transfer the stock to a Holy Cross Lutheran Church stock account or mail the stock power assignment separately from the certificate which authorizes the transfer of stock to Holy Cross Lutheran Church.
 - 6.3.2. **Closely Held Securities.** Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted subject to the approval of the PEC. However, gifts must be reviewed prior to acceptance to determine:
 - no restrictions on the security exist that would prevent the PEC from ultimately converting those assets to cash;
 - the security is marketable; and
 - the security will not generate any undesirable tax consequences for the Endowment. If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The PEC shall make the final determination on the acceptance of closely held securities when necessary, and will do so after consulting with legal counsel. Every effort will be made to sell non-marketable securities as quickly as possible.

- 6.4. **Real Estate.** Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the PEC shall require an initial environmental review of the property to ensure that the property has no environmental damage, if the church's legal counsel recommends such action. In the event that the initial inspection reveals a potential problem, the PEC shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor. When appropriate, a title binder shall be obtained by the PEC prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor. Prior to acceptance of the real property, the gift shall be approved by the PEC after it seeks legal counsel. Criteria for acceptance of the property shall include:
- Is the property useful for the purposes of the Endowment?
 - Is the property marketable?
 - Are there any restrictions, reservations, easements, or other limitations associated with the property?
 - Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?
 - Does the environmental audit reflect that the property is not damaged?
- 6.5. **Remainder Interests in Property.** The PEC may accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph 4 above. The donor or other occupants may continue to occupy the real property for the duration of the stated life. Prior to the death of the donor, such donor will receive any income the property produces. Expenses for maintenance, insurance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary. At the death of the donor, the PEC may use the property or reduce it to cash.
- 6.6. **Oil, Gas, and Mineral Interests.** The PEC may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the gift acceptance committee, after it seeks legal counsel. Criteria for acceptance of the property shall include:
- Gifts of surface rights should have a value of \$20,000 or greater.
 - Gifts of oil, gas, and mineral interests should generate at least \$3,000 per year in royalties or other income (as determined by the average of the three years prior to the gift).
 - The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate
 - A working interest is rarely accepted. A working interest may only be accepted where when there is a plan to minimize potential liability and tax consequences.
 - The property should undergo an environmental review to ensure that the Endowment has no current or potential exposure to environmental liability.
- 6.7. **Bargain Sales.** The PEC may enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of Holy Cross Lutheran Church. All bargain sales must be reviewed and recommended by the PEC and approved by the Board of Trustees. Factors used in determining the appropriateness of the transaction include:
- An independent appraisal substantiating the value of the property.
 - If the Endowment assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.
 - The PEC must determine that the church will use the property, or that there is a market for sale of the property, allowing sale within 12 months of receipt.
 - The PEC must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

- 6.8. **Life Insurance.** The Endowment must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, the Endowment will include the entire amount of the additional premium payment as a gift in the year that it is made. If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the PEC may:
- continue to pay the premiums;
 - convert the policy to paid up insurance; or
 - surrender the policy for its current cash value.
- 6.9. **Charitable Gift Annuities.** The Planned Giving Mission & Ministry Team may offer charitable gift annuities if approved by the PEC. The minimum gift for funding is \$5,000. The PEC may vote to make exceptions to this minimum. The minimum age for life income beneficiaries of a gift annuity shall be 55. Where a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 45. No more than two life income beneficiaries will be permitted for any gift annuity. Annuity payments may be made on a quarterly, semi-annual, or annual schedule. The PEC may vote to approve exceptions to this payment schedule. The PEC will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. The PEC may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities if at least a 5-year period exists before the commencement of the annuity payment date, the value of the property is reasonably certain, and only if the Board of Trustees approves the arrangement. Funds contributed in exchange for a gift annuity shall be set aside and invested during the term of the annuity payments. Once those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity shall be transferred to the appropriate Endowment Fund as designated by the donor.
- 6.10. **Charitable Remainder Trusts.** The PEC may accept designation as remainder beneficiary of a charitable remainder trust. The PEC will not accept appointment as trustee of a charitable remainder trust.
- 6.11. **Charitable Lead Trusts.** The PEC may accept a designation as income beneficiary of a charitable lead trust. The PEC will not accept an appointment as trustee of a charitable lead trust.
- 6.12. **Retirement Plan Beneficiary Designations.** Donors and supporters of Holy Cross Lutheran Church Endowment will be encouraged to name the Endowment as beneficiary of their retirement plans. Such designations will not be recorded as gifts to the Endowment until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.
- 6.13. **Bequests.** Donors and supporters of the Endowment will be encouraged to make bequests to the Endowment under their wills and trusts. Such bequests will not be recorded as gifts to the Endowment until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable. The wording of such bequests should be as follows, if possible, "I give, devise, and bequeath to the Holy Cross Lutheran Church for _____ (Name of Fund) the sum of \$ _____ for the benefit of Holy Cross Lutheran Church of Fort Wayne, Indiana."
- 6.14. **Life Insurance Beneficiary Designations.** Donors and supporters of the Endowment will be encouraged to name the Endowment as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to the Endowment until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

MISCELLANEOUS PROVISIONS

Securing appraisals and legal fees for gifts to the Endowment. It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to the Endowment.

Valuation of gifts for development purposes. The PEC will record a gift received by the PEC at its valuation for gift purposes on the date of gift.

Responsibility for IRS Filings upon sale of gift items.

The Executive Director, by whatever name called, upon notice given by the chairperson of the PEC, is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the PEC when the charitable deduction value of the item is more than \$5,000. The PEC must file this form within 125 days of the date of sale or disposition of the asset.

Acknowledgement of all gifts made to the Endowment and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Planned Giving Mission & Ministry Team.

Appropriate legal and tax counsel shall be sought regarding any questions regarding IRS Form 8282, IRS Publication 561 Determining the Value of Donated Property and IRS Publication 526 Charitable Contributions.

Changes to Gift Acceptance Policies

These policies and guidelines have been reviewed and accepted by the Board of Trustees. Any changes to, or deviations from, these policies must be approved by the Permanent Endowment Committee and the Board of Trustees.

Appendix C: Endowment Funds Investment Goals & Strategy

Holy Cross Lutheran Church, a not for profit organization organized under the laws of the State of Indiana, encourages the solicitation and acceptance of gifts to the Holy Cross Lutheran Church Endowment Funds (hereinafter referred to as the “Endowment”) for purposes that will help Holy Cross Lutheran Church to further and fulfill its mission. The Re-Statement of Articles of Association for the Endowment Funds of Holy Cross Evangelical Lutheran Church of Fort Wayne, Indiana, Inc. governs the Endowment Funds. The following policy governs the investment of funds managed by the Permanent Endowment Committee (PEC).

1. ENDOWMENT FUND INVESTMENT GOALS

The Re-Statement of Articles of Association describes the establishment and purposes of the funds managed by the PEC.

Implicit in these purposes is the requirement that the purchasing power of the funds be maintained over time. The accomplishment of these purposes depends, in part, on earning the highest possible rate of return without taking undue risks.

2. ASSET ALLOCATION GUIDELINES:

In consideration of the above investment objective the PEC has established the following asset allocation guidelines:

	<i>Minimum</i>	<i>Maximum</i>	<i>Target</i>
Equity	50%	70%	60%
Fixed Income	30%	50%	40%
Cash Equivalents	0%	10%	0%

The investment manager for the Endowment may alter the asset allocation mix at its discretion, at all times adhering to the stated limits noted in this policy.

3. INVESTMENT POLICY—GENERAL GUIDELINES:

The Endowment’s consolidated equity portfolio shall be limited to investments in individual common stocks, mutual funds, and exchange-traded funds listed on the New York Stock Exchange, the American Stock Exchange, or NASDAQ. Similarly, fixed income investments may include individual securities, or fixed income mutual funds or exchange-traded funds.

Individual securities, and, as closely as practicable, mutual funds and exchange-traded funds will be subject to the following investment policy restrictions:

4. INVESTMENT RESTRICTIONS--EQUITY SEGMENT:

- 4.1. Individual core stock investments will be limited to public companies with market capitalizations of no less than \$1 billion at the time of purchase. Large cap to mid cap mutual funds and exchange-traded funds should generally adhere to this target.
- 4.2. All individual securities must be marketable and shall be payable in U.S. dollars.
- 4.3. No more than 7% of the equity portfolio, measured at market, may be invested in the stock of any one corporation.

- 4.4. Measured at market value, not more than 25% of the Endowment's core equity portfolio may be invested in any one sector as defined by the Standard & Poor's 500. However, should the S & P contain a sector that exceeds 25%; the Endowment's core stock portfolio will not exceed 120% of that sector's actual weighting.
- 4.5. Direct investments will not include options, futures, or derivatives employed in a speculative fashion. Neither arbitrage nor leverage will be incorporated in the management of the total portfolio, but may be utilized in individual alternative strategies. The use of any such instruments or strategies will require prior approval of the PEC.
- 4.6. Equity mutual funds and exchange-traded funds may be used to add exposure to equity sub-classes such as small cap, mid cap, and international equities. Aggregate exposure of the Endowment to equity sub-classes shall not exceed 45% of the equity portfolio.

5. INVESTMENT RESTRICTIONS--FIXED INCOME SEGMENT:

- 5.1. Investments of one year or less may be in federally insured CD's, repurchase agreements, savings accounts, money market funds or U.S. Government and agency securities.
- 5.2. Direct investments may be in securities of the U.S. Government or its agencies, or in U.S. corporations, or foreign corporations doing business in the U.S. through a domestic affiliate.
- 5.3. All individual securities must be marketable and must be payable in U.S. dollars.
- 5.4. All individual securities, at the time of purchase, shall be rated "A" or better by Standard and Poor's and/or Moody's.
- 5.5. The fixed income portfolio will have an average maturity not exceeding ten years.
- 5.6. Investments should reflect the tax-exempt status of the Endowment.
- 5.7. Fixed income mutual funds and exchange-traded funds should generally adhere to the investment restrictions outlined.

6. INVESTMENT PERFORMANCE REVIEW:

Investment performance will be evaluated relative to a broad market benchmark consistent with the overall strategic asset allocation objective. This broad market benchmark will be comprised of a 60% weighting of the Standard & Poor's 500 Index, and a 40% weighting of the Barclays Intermediate Government/Credit Index. In addition to current period performance, annualized time-weighted returns will be reviewed for the most recent one-year, three-year, and five-year time periods.

7. REVIEW PROCESS

The PEC shall meet with the trustee/investment manager at least annually, preferably in February and August, and such other times as the PEC deems necessary, to review the progress and status of the Endowment's portfolio as well as to review adherence to this policy.

Appendix D: Endowment Funds Distribution Policy

Holy Cross Lutheran Church, a not for profit organization organized under the laws of the State of Indiana, encourages the solicitation and acceptance of gifts to the Holy Cross Lutheran Church Endowment Funds (hereinafter referred to as the “Endowment”) for purposes that will help Holy Cross Lutheran Church to further and fulfill its mission. The Re-Statement of Articles of Association for the Endowment Funds of Holy Cross Evangelical Lutheran Church of Fort Wayne, Indiana, Inc. governs the Endowment Funds. The following policy governs the distribution of funds from the funds managed by the Permanent Endowment Committee (PEC).

1. THE CHURCH FUND

The Re-Statement of Articles of Association describes the establishment and purposes of this fund.

Historical background: Please see the footnote at the end of this policy for the rationale for the use of a spending policy and the use of a trailing quarterly fair market value.

The annual distribution from the Church Fund shall be the average of 5% of the trailing quarterly fair market value of the funds commencing annually on December 31st for the prior three years. However, it shall not be more than 5.75% of the prior year December 31st value.

The PEC shall report this available annual distribution amount to the Board of Trustees no later than the Board of Trustees’ February meeting.

Any allowable distribution not used in a given year may not be carried forward.

The following process shall govern distributions from this fund:

- The Senior Pastor (or his designee) shall recommend to the Board of Trustees the use of such distributions.
- The Board of Trustees must approve the use and distribution to accomplish the purposes of the Church Fund.
- Any distribution exceeding \$20,000 must be approved by the congregation at a Voters Assembly.

2. THE SCHOOL FUND

The Re-Statement of Articles of Association describes the establishment and purposes of this fund.

Historical background: The policy governing the School Fund was originally adopted by the Board of Trustees on March 30, 2004. This appendix revised the original policy by changing the authority limits for distribution and by reducing the formula percentages to be consistent with those of the Church Fund. Please see the footnote at the end of this policy for the rationale for the use of a spending policy and the use of a trailing quarterly fair market value.

The annual distribution from this fund shall be the average of 5% of the trailing quarterly fair market value of the funds commencing annually on December 31st for the prior three years. However, it shall not be more than 5.75% of the prior year December 31st value.

The PEC shall report this available annual distribution amount to the Board of Trustees no later than the Board of Trustees' February meeting.

Any allowable distribution not used in a given year may not be carried forward.

The following process shall govern distributions from this fund:

- The Principal, by whatever name called, shall recommend to the Senior Pastor the use of such distributions.
- The Senior Pastor may authorize the use of such funds equal to or less than \$5,000 to accomplish the purposes of the School Fund, subject to reporting that use to the PEC.
- If the amount of distribution requested is more than \$5,000, the Senior Pastor shall recommend to the Board of Trustees the use of such distributions.
- The Board of Trustees must approve the use and distribution to accomplish the purposes of the fund.
- Any distribution exceeding \$20,000 must be approved by the congregation at a Voters Assembly.

3. THE SCHOLARSHIP FUND

The Re-Statement of Articles of Association describes the establishment and purposes of this fund.

The annual distribution from this fund covering from August of the current year through July of the next year shall not exceed 50% of the balance of the fair market value of the fund as of June 30th of the current year.

The PEC shall report this available annual distribution amount to the Senior Pastor no later than August 1st and to the Board of Trustees no later than the Board of Trustees' August meeting.

Any allowable distribution not used in a given school year may not be carried forward.

The following process shall govern distributions from this fund:

- The Principal, by whatever name called, shall distribute the funds to accomplish the purposes of the fund, subject to approval of the Senior Pastor.
- Distributions shall not exceed 80% of the current tuition costs to any one qualifying student during any one school year.

4. THE LUPKE FUND

The Re-Statement of Articles of Association describes the establishment and purposes of this fund.

As the Re-Statement of the Articles of Association mandate, the PEC shall maintain the principal balance in this fund (\$10,000) in perpetuity.

The following process shall govern distributions from this fund:

- The Senior Pastor (or his designee) may request from the Board of Trustees that distributions be made from this fund.
- The Board of Trustees may approve distributions from this fund to accomplish the purposes of the fund.

5. THE AULICK FUND

The Re-Statement of Articles of Association describes the establishment and purposes of this fund.

The annual distribution from this fund covering from August of the current year through July of the next year shall not exceed 50% of the balance of the fair market value of the fund as of June 30th of the current year.

The PEC shall report this available annual distribution amount to the Senior Pastor no later than August 1st and to the Board of Trustees no later than the Board of Trustees' August meeting.

The following process shall govern distributions from this fund:

- The Senior Pastor shall establish the Aulick Fund Mission & Ministry Team (MMT) to evaluate student candidates and recommend to the Senior Pastor a list of students qualifying for this distribution and the annual amounts to be distributed to each student.
- The Senior Pastor may designate another Holy Cross pastor to serve as chairperson of this MMT.
- The MMT shall use a variety of means to notify potential qualifying students of this fund.
- Distributions generally should not exceed \$1,000 to any one qualifying student during any one calendar year.
- The Senior Pastor authorizes the disbursements to students from this fund.
- Distributions shall be made by September 30th of each year.

6. CONGREGATION UNRESTRICTED GIFT FUND

The Re-Statement of Articles of Association describes the establishment and purposes of this fund.

The PEC shall report the fair market value to the Board of Trustees at least semi-annually.

The following process shall govern distributions from this fund:

- The Senior Pastor (or his designee) may recommend to the Board of Trustees the use of such distributions.
- The Board of Trustees must approve the use and distribution from this fund.
- Any distribution exceeding \$20,000 must be approved by the congregation at a Voters Assembly.

Footnotes for the Church Fund and the School Fund regarding the historical background regarding the spending policies:

The formula for calculating how much could be spent from the Church Fund annually was originally adopted by the PEC on October 18, 2000.

In September 2000, the Permanent Endowment Committee spent considerable time designing an appropriate spending policy for the Holy Cross Endowment Funds. The PEC sought guidance from several professional foundations.

The Concordia Education Foundation spending policy was deemed to be an ideal model for the Holy Cross Endowment Fund.

Similarly, Foellinger Foundation was using a trailing 5-year average of the foundation value when determining the spending percentage. That foundation was not spending more than 5% of this 5-year average, and it will revert to a lower spending level if they are being more conservative.

Additionally, literature in the Philanthropy Digest, the spending policy of the Lutheran Foundation, and the recommendation of then National City Bank suggested that foundations consider developing a “Total Rate of Return Spending” policy. This rationale for such a policy is the following:

- Asset allocation strategy can be rendered unsuccessful by inappropriate spending policy.
- Reliance on “income only” spending can lead to inflation erosion of assets, if income needs are emphasized at expense of asset growth.
- A “total rate of return” policy fosters balance between current spending needs and long term capital growth. It allows for spending from all sources of earnings – income and capital gains, and it also fosters consistent annual spending as a percentage of funds.

The spending policy was modified slightly at the May 26, 2010 PEC meeting.

The annual distribution from this fund shall be the average of 5% of the trailing quarterly fair market value of the funds commencing annually on December 31st for the prior three years. However, it shall not be more than 5.75% of the prior year December 31st value. The PEC revised the formula to use the trailing quarterly values versus strictly looking at the year end balances to take into account a highly volatile market. This approach was recommended by PNC based upon its observation that not-for-profit organizations were applying this approach of using trailing quarterly values.