Exhibit 5
B&F

Appendices



History, Purpose, and Selected Details for Separate Synod Ministry Funds

Ten (soon to be eleven) separate, primarily self-supporting fund categories are maintained for specified purposes. Beginning with the 2016-17 fiscal year, these categories were renamed as "ministries" rather than "funds." The history and special policies associated with these individual ministries are:

Operating Fund. Known as the Unrestricted Fund until February 2016, monies in the Operating Fund are available to pay normal Synod operating expenses, other expenditures approved in the annual ministry funding plan, and capital items where the associated depreciation expenses are part of the funding plan. The primary source of income is congregational mission support. The 2009 Synod Assembly approved a Synod Council recommendation encouraging all synod congregations "to contribute at least 10% of their offerings to the Southeastern Synod as undesignated mission support." The percentage of the synod's budget that is designated for the support of ELCA churchwide ministries was originally 55 percent; it decreased to 53 percent with the 2004-05 budget, to 51.5 percent for 2005-06, and to 50 percent for 2006-07 and subsequent years. The synod currently uses 46.5 percent of undesignated giving for its own ministries. Of the balance, 3 percent is placed into a restricted synod account entitled "Planting New Congregations" (SC03.05.25BF, page SC03-36-37). Additional rules for the "Planting New Congregations" fund are provided in the "Grants and Loans" section of this document. The remaining half of 1 percent is sent to Region 9 each month to help support regional ministries.

In reaction to some actions taken by the 2009 churchwide assembly, some congregations sent contributions to the synod office with the request that the monies be used for synod operating expenses and that no amount be shared with the churchwide organization. At its January 2010 meeting, the Synod Council discussed this situation, approved acceptance of such contributions, and directed synod staff to allocate such contributions to the designated account "Synod Staff Development" (SC10.01.13SC, page SC10-9).

Designated Funds. The synod functions as a "pass-through" entity for numerous gifts that are designated by the donors for other organizations. An example would be congregations making contributions designated for a social ministry organization, but sending those contributions to the synod. Monies in the synod's pass-through accounts generally are paid out within a month of receipt. The synod also maintains many net asset accounts which are restricted for a variety of purposes. Expenditures are not included in the annual synod budget, and monies do not expire at the end of each year. Designated accounts are grouped into two separate funds – those that are designated by the Synod Council and those that are designated by donors.

Interest earnings within the Designated accounts are used annually to pay operating expenses of the two funds and to credit interest to those accounts where authorized (Planting New Congregations Fund and the AFFIRM Founders Scholarship Fund). Remaining interest earnings are then transferred to the Operating Fund at year-end (SC92.1.31PY, page SC92-12).

**Linn Fund.** The Dr. Charles A. Linn Memorial Fund for Church Extension in the ELCA-Southeastern Synod was established by the 1951 convention of the Georgia-Alabama Synod of the United Lutheran Church in America to honor the memory of a former synod president, the Rev. Dr. Charles A. Linn. From its inception through June 2011, the fund was used to supply loans for second mortgages to emerging congregations for first unit construction. With the approval of the 2011 Synod Assembly, the Linn Fund was converted from a loan fund to an endowment fund from which grants may be made "solely for the purpose of aiding and establishing mission congregations in the Southeastern Synod." Allocation of grants to specific mission congregations is determined by the synod's Mission Outreach and Renewal Committee, with periodic reports provided to the Synod Council. (2011 Assembly action SA11.04.04 and SC11.06.19LF, pages SC11-29 to SC11-31; SC11.09.17LF and SC11.09.18LF, pages SC11-64 to SC11-65). Effective in 2012, each year a percent of the annual spending allocation from the Linn Fund is transferred to the Planting New Congregations account within the Council Designated Fund. This percent is currently set at 40%. Additional information about Linn Fund grants is described in the "Grants and Loans" section of this summary of financial policies.

**Morton Fund.** The Morton Estate Fund was established in 1985. It is maintained on an endowment basis for mission work in Tennessee, from Chattanooga eastward. Except for operating expenses, the Synod Council must approve expenditures from this fund, upon recommendation from an advisory committee (SC08.09.12MF, page SC08-46). Members of the advisory committee are designated from time to time and usually consist of persons working or living in East Tennessee.

**Luther-Zion Fund.** The Luther-Zion Memorial Mission Fund was established in 1982 as part of the dissolution agreement with the Luther-Zion congregation in Limestone, Tennessee. The fund is maintained on an endowment basis to meet new and emergency needs within the Synod. Except for operating expenses, the Synod Council must approve Luther-Zion expenditures.

**Kessler Scholarship Fund.** The Richard C. Kessler Scholarship Fund was established in 1984. It is maintained on an endowment basis, to provide scholarships to outstanding students preparing for ordained ministry or other full-time professional positions in the ELCA. The Synod Council acts on recommendations from the Kessler Scholarship Committee regarding the scholarship recipient(s) for the next academic year, scholarship amount(s), expense allowance for recipient(s) to travel to the Synod Assembly, and expenses associated with choosing the recipient(s). The total of these dollar amounts cannot exceed the overall spending limitation for the Kessler Scholarship Ministry. (See Endowment Fund Spending Limitations.) The scholarship recipient usually is approved at the January Synod Council meeting, with specific dollar amounts approved at the May/June meeting. The specific rules and administrative procedures were updated at the September 2001 Synod Council meeting (see Exhibit D from that meeting) and again in 2009.

**Candidacy Fund.** The Candidacy Fund was established in 1992 from some of the proceeds of an earlier bequest from the E.A. Houser Estate (SC92.1.29PY). It is maintained on an endowment basis to provide financial assistance to candidates for rostered ministries in the ELCA. A second portion of the fund (the General Candidacy Fund) was added later that same year to facilitate possible additional contributions (SC92.9.116CU). In 1995, the Harold C. Skillrud Scholarship Fund was added as a third portion of the Candidacy Fund (SC 95.1.29SC, page SC95-9). In 2008, the General and Skillrud portions of the Candidacy Fund were transferred irrevocably to the ELCA's Fund for Leaders in Mission, to form the basis for a new scholarship fund with that entity, named in honor of Harold and Lois Skillrud. Any future amounts received by the synod but designated for the Skillrud Fund are to be sent to the ELCA Fund for

Leaders as additional contributions for its Skillrud Scholarship Fund (SC08.06.12EC, page SC08-22).

The Synod Council establishes policy for making disbursements from the Candidacy Fund, and the Candidacy Committee makes specific decisions about which candidates will receive what levels of support. In September 2013, the Synod Council restated the policy for awarding scholarships from all sources other than the Kessler Scholarship Fund. The new policy is: (1) Scholarships may be awarded to both full-time and part-time candidates for rostered ministry in the ELCA, in amounts deemed appropriate by the synod's Candidacy Committee; (2) Scholarship awards are to be determined by the Candidacy Committee according to guidelines to be developed, reviewed, and revised periodically by that Committee. Whenever the award guidelines are revised, the Candidacy Committee shall report the new guidelines to the Synod Council at its next regularly scheduled meeting; (3) The total amount that may be awarded for scholarships each year from the Candidacy Fund equals that year's spending authorization for the Candidacy Fund, calculated according to the synod's approved policy for spending from synod endowment funds; and (4) The total amount that may be awarded for scholarships from designated monies provided from sources other than the endowed Candidacy Fund equals the total amount in those accounts designated for candidacy scholarships (SC13.09.02, page 6).

**Great Commission (Endowment) Fund (GCF).** This fund was established in 1998, primarily from a 1997 bequest from the Olga Rose Estate (SC98.01.18BF, page SC98-7). The New Mission Site Fund (established in 1990) was also merged into the Great Commission Fund in 1999 (SC99.01.29GC, page SC99-6).

Both grants and loans were initially possible, but the loan option was eliminated in 2012 (SC12.09.26OR, pages SC12-63 to SC12-64). The endowment portion of the GCF is subject to the same 6 percent spending limitation imposed on other synod endowment funds (see "Endowment Fund Spending Limitations" elsewhere). Monies from this 6-percent payout are added annually to the spendable portion of the fund (SC98.09.89GC, page SC98-38). Contributions designated for outreach purposes are to be placed in the principal portion of the GCF, unless such would conflict with the designation of the donor.

With the closing of Grace Lutheran Church in Laurel, MS in 2000, the property was sold and the net proceeds ($99,000) were placed in the endowment portion of the GCF. However, the Synod Council reserved the right to move the $99,000 to the spendable portion of the GCF at a later date (SC00.01.24GC, page SC00-10). At its January 2009 meeting, the Synod Council approved the use of $65,000 of this $99,000 to fulfill the 2009-10 budgeted commitment to Lutheranch approved by the 2008 Synod Assembly (SD09.01.22BF, page SC09-10). Thus, only $34,000 of the proceeds from the Grace, Laurel property is still in the GCF.

**Southeastern Lutheran Holding Corporation.** Formed in 1980, the Holding Corporation is incorporated separately from the synod. It was originally established to own and hold title to the Lutheran Center on West Peachtree Street. That building was sold in 1995, and the proceeds are now held within this fund. Of the total proceeds from the sale, a portion ($253,000) was initially required to be invested to generate investment income to subsidize synod rent (SC98.05.60HC, page SC98-24). The purpose of the Holding Corporation was expanded in 1996 with the restatement of its articles of incorporation (SC96.09.93HC, page SC96-44). The Holding Corporation is now authorized to receive, hold, sell, etc. gifts of land, securities, or other items to benefit the synod.

In 2000, the Synod Council authorized a distribution of up to $200,000 from Holding Corporation funds to pay expenses incurred in 2000-01 associated with the Outreach

Stewardship Appeal (later renamed the Walking Together Appeal). The Synod Council regarded this distribution as a non-interest bearing loan to be repaid as quickly as possible by contributions to the Walking Together Appeal (WTA), unless the donors' designations were clearly inconsistent with such usage of the donated funds (SC00.01.31OR, page SC00-12). In January 2001, the $200,000 limit was increased to $250,000 for all expenses associated with the appeal, regardless of the year incurred (SC01.01.26WT, pages SC01-13 and SC01-14). By January 2005, all of these expenses had been repaid to the Holding Corporation from contributions to the WTA. Another major use of the Holding Corporation's funds was approved in 2008, when a loan of $150,000 was made to Lutheran Services of Georgia and subsequently repaid over a 3-year period. Substantial subsidies were also provided directly to the Synod for fiscal years 2009-10 and 2010-11, when the synod experienced significant declines in mission support contributions.

**Lutheran Theological Center in Atlanta (LTCA).** Effective June 1, 2012, the Southeastern Synod became the administrator for LTCA (SC12.05.27SE, page SC12-39). During Summer 2012, the prior administrator [Lutheran Theological Southern Seminary (LTSS)] transferred to the synod all remaining funds associated with LTCA. The LTCA Fund holds both operating and restricted monies transferred from LTSS. LTCA monies are commingled with other synod funds in existing synod bank and investment accounts, with separate accounting actively maintained.

**Advocacy Ministry**. The Southeastern Synod's Advocacy program began informally prior to being named in 2016 as a recipient of a $30,000 World Hunger grant to establish a state public policy office. This program is anticipated to last for at least three years.

**Disaster Ministry Fund.** Accounting for the many disaster response gifts and grants was moved into a separate fund (with many accounts) during Fall 2017. Prior to this time, disaster monies were managed through several net asset accounts within the Donor Designated Fund. Establishment of the separate Disaster Ministry Fund was done to facilitate increased accountability for donor-designated monies.

## Grants And Loans

**Planting New Congregations Fund.** Effective with the 2004-05 fiscal year, 2 percent of all undesignated mission support funds received from congregations was placed in a separate account designated for planting new congregations within the Southeastern Synod. The specific percentage figure increased to 3.5 percent for 2005-06 and increased to 5 percent for 2006-07 and several subsequent years. Financial shortfalls forced the reduction of this percentage to 3 percent, beginning in Fall 2010. Interest earnings are credited to this account annually, at a rate approximately equal to the overall rate earned by the Designated and Restricted Fund. Beginning in 2012, 20 percent of authorized spending from the Linn Fund is transferred each year into the Planting Fund. Additional contributions may be placed in this same account and commingled with the monies allocated from congregational mission support receipts. All expenditures from the Planting New Congregations Fund shall be for the purpose of starting new congregations and/or redeveloping existing congregations. The synod bishop, in consultation with the synod's Director(s) for Evangelical Mission (DEM) and synod officers, is authorized to expend monies allocated to this fund, provided that such expenditures are compatible with the goals and strategies approved by the Synod Council. Loans to congregations in redevelopment may be authorized by the bishop from monies allocated to this fund, at terms deemed appropriate by the bishop for the particular situation. A summary of expenditures and loans made from the Planting New Congregations Fund are to be provided to the Synod Council at each of its regularly scheduled meetings. (SC04.01.15PY, page SC04-07).

**Linn Fund Grants.** Grants of up to $5,000 per year are possible. Recipients must be Synod congregations that are either new mission starts or are actively engaged in renewal. Preference in making awards is to be given to those congregations that are working on leadership development or are addressing specific mission goals. Applications are accepted continuously throughout the year, must be reviewed by synod staff, and are then considered by the Mission Outreach and Renewal Committee, which can make the awards. The Committee is to report all awards to the Synod Council at the next meeting following the award. (SC11.09.17LF and SC11.09.18LF, pages SC11-64 to SC11-65).

**Houser Outreach Fund Loans.** Established in 1992 (SC92.9.107PY, page SC92-42), funding for these grants and loans was depleted in March 2014.

**Emergency Loan Fund.** In 1992, $30,000 was set aside in a restricted account as a revolving loan fund to assist pastors and congregations experiencing significant financial emergencies. Due to the write-off of bad debts, by May 2016 total funding for this purpose had been reduced to $18,447, of which $3,294 was still outstanding as a congregational loan. At its meeting in May 2016, the Synod Council approved the transfer of all monies in the Emergency Loan Fund (except the one remaining loan outstanding) to the Emergency Assistance Fund and terminated authorization for additional loans in the future. With this action, all emergency assistance is to be in the form of grants, rather than loans.

**Energy Efficient Lighting Loan Fund.** THIS FUND WAS ELIMINATED IN 2000 (SC00.05.39TC, page SC00-17).

**Emergency Assistance Fund.** The Bishop can approve grants from this net asset account, subject to: (a) amounts are limited by the amount of funding available, (b) disbursements must be for benevolent purposes consistent with the synod's tax-exempt status as a charitable organization, (c) no disbursements can be made to the bishop or to any member of his/her family, and (d) a report of disbursements must be made by the bishop each year at the Synod Council's January meeting. (SC94.9.100PY, pages SC94-40 and SC94-41)(The original name "Bishop's Discretionary Fund" was changed in 1995 by SC95.1.12SC, page SC95-6.) In recent years, the report of disbursements has been made at the June meeting, so that it can include all transactions in the prior fiscal year.

**Great Commission Fund (GCF).** In September 2012, the Synod Council completely restated the rules concerning Great Commission Fund grants (SC12.09.26OR, pages SC12-63 to SC12-64), which are awarded and paid from the spendable portion of the GCF. Concurrent with this restatement, all limitations on how often a congregation or individual could receive GCF grants were suspended as of September 2012. The Mission Outreach and Renewal Committee is authorized to make grants as noted below and is required to report all actions periodically to the Synod Council. The following six types of grants are authorized: (1) <u>Outreach Ministry Project Grants</u> of up to $5,000 each, with one-for-one matching contributions usually expected from a congregation, with lesser matching allowable at the discretion of the Mission Outreach and Renewal Committee; (2) <u>Youth Ministry Educational Grants</u> of up to $1,500 per person for individuals to attend ELCA-sponsored youth ministry continuing education events; (3) <u>Multicultural Educational Grants</u> of up to $1,500 per person for individuals to attend ELCA-sponsored anti-racism/multicultural events; (4) <u>Long-Range Planning Grants</u> of up to $1,000 each; (5) <u>Internship Grants</u> of up to $15,000 per site, with a focus on outreach and/or renewal; (6) <u>Grants to the Lutheran Theological Center in Atlanta</u> of up to $5,000 to support classes, workshops, and other educational activities that enhance outreach and multicultural awareness within the synod.

**Compensation And Expense Reimbursements**

**Salary Increases for Synod Staff.** As funds are available, synod staff are to receive (1) annual cost of living raises and (2) additional merit increases based on performance evaluations (Continuing Resolution S10.03.A92). Salaries, housing allowances, and benefits for synod staff are determined each year by the Synod Council upon recommendation of the Personnel Committee (Continuing Resolution S10.03.01.A90).

**Payment of Honoraria.** Payment of honoraria for services provided on an ongoing basis are to be approved annually by the Synod Council, upon recommendation from the Personnel Committee. Payment of honoraria in connection with single events are determined by the groups coordinating such events. Compensation to temporary office workers are not considered to be honoraria (SC96.01.22PY, page SC96-7 and SC96-8). Synod officers cannot receive compensation for services provided in their roles as officers (constitution and bylaws provisions S8.21 and S8.31.01).

**Staff Severance Policy.** A maximum of three months of salary and benefits is to be paid to bishops and assistants to the bishop whose offices/calls/employment are involuntarily terminated due to non-election of the incumbent bishop, budget restraints, change of position functions, or resignation upon request of a newly elected bishop. Three months of benefits are payable if the recipient has served at least one full term as bishop or at least four years as an assistant to the bishop. Pro-rated benefits for periods shorter than three months are payable to assistants to the bishop who have served for fewer than four years. The complete severance policy is included as Appendix A within this document. (SC90.2.8PY, page SC90-3; amended in June 2007).

**Staff Benefits.** A list of benefits provided to synod staff is contained in Appendix D.

**Expense Reimbursements.** Synod Council and committee meetings are governed by the following reimbursement limits: one-half the double room rate for hotel/motel accommodations; $3.50 breakfast, $4.00 lunch, and $8.00 dinner; and air travel if over 200 miles one way (SC87.12.49PY, page SC87-16). The mileage reimbursement rate was increased from 12 cents to 14 cents as of January 1, 1998 (SC97.09.91SC, page SC97-41). The base offset mileage rate (i.e., reimbursement rate) was increased to 20 cents per mile, as of January 2006 (SC06.01.23SC, page SC06-96). An additional 4 cents per mile is payable if the driver transports a passenger who would otherwise be entitled to reimbursement. When transporting two or more such passengers, the driver is entitled to another 4 cents per mile. Thus, the total potential mileage reimbursement as of January 2006 is 28 cents per mile.

**Travel Funds for Synod Assembly Voting Members.** Due to repeated budgetary shortfalls, synod financial support for synod assembly voting member travel was eliminated, beginning with the 2015-16 fiscal year.

**Travel of Bishop's Spouse.** Travel expenses for the bishop's spouse to attend the ELCA Churchwide Assembly, the annual ELCA bishops' academy, and other events are to be paid, as needed and in consultation with the synod vice president, from the staff travel line in the regular synod budget. (SC13.01.33ES, page SC13-20 – SC13-21).

**Payment of Expenses at Year-End.** Expense and grant requests should be submitted to the synod office by January 15 of each year to assure payment under the budget governing that same fiscal year. (SC92.9.106PY, page SC92-42)

**Synod-Provided Vehicles.** In September 2014, the Synod Council approved a policy governing the use of synod-provided vehicles, whether owned or leased. With limited exceptions, such vehicles shall generally be driven only by synod staff. Personal use of synod-provided vehicles is prohibited except for purposes of commuting to and from the synod office and for *de minimis* personal use, such as stopping on a personal errand while en route to the driver's home. Staff with custody of a synod vehicle shall periodically report their number of commuting trips to the synod office manager and shall either reimburse the synod for the value of their reported commutes or have that value included on their W-2 forms at the end of the calendar year. The complete policy is reproduced in Appendix F (SC14.09.16, page 8 of Sept. 2014 Synod Council minutes and Exhibit E.17).

## Banks and Investments

**Bank and Investment Accounts.** Bank and investment accounts may be opened and closed as deemed necessary by the synod treasurer, provided that such accounts are consistent with approved synod investment policies (SC93.1.16PY, page SC93-5).

**Signature Authorization.** At its January 2018 meeting, the Synod Council approved a restatement of its policy on signature authorization. The restated policy is: (1) Any one of the following positions may sign checks or otherwise authorize purchases or payments of $10,000 or less from the synod's bank and investment accounts: Bishop, Treasurer, Fiscal Advisor, and one or more Assistants to the Bishop, to be selected by the Bishop; (2) Any two of the following positions may sign checks or otherwise authorize purchases or payments of more than $10,000 from the synod's bank and investment accounts: Bishop, Treasurer, Fiscal Advisor, and one or more Assistants to the Bishop, to be selected by the Bishop. (3) Fund transfers among the synod's bank and investment accounts are authorized as deemed appropriate by the Treasurer and Fiscal Advisor, without a specific dollar limitation. (4) In addition to the positions named above, the Office Manager may authorize and electronically execute transfers between the synod's checking and money market accounts with BB&T Bank, subject to review by the Fiscal Advisor. [Note: Positions and the names of individuals in those positions were included in the Synod Council action.]

**Endowment Fund Spending Limitations.** This policy applies to the following ministries: Linn, Morton, Luther-Zion, Kessler, Candidacy, and Great Commission Endowment. Each year, the amount authorized to be spent for each of these ministries is computed by multiplying 6 percent by the average investable assets in each fund for the preceding 4-year period. (Valuation is as of January 31 of each year.) This policy is to be reviewed annually by the Budget and Finance Committee, with a report of such review provided for the September Synod Council meeting (SC96.09.96BF, page SC96-46) and 2011 Assembly action SA11.04.04.

**Mutual Fund Proxies.** The synod treasurer is authorized to vote mutual fund proxies on behalf of the synod (SC94.2.17TR, page SC94-10).

**Investment Policies.** In 2009, the Synod Council approved a complete restatement of the synod's investment policies, included as Appendix E to this document.

**Land Owned in East Tennessee.** As part of a bequest from the E.A. Houser estate in approximately 1991, the synod was given ownership to a parcel of land in Knox County, Tennessee. Most of this land was sold within the next few years, but a small parcel was unable to be sold. In January 2014, the Synod Council specified that proceeds from the eventual sale of this property is to be divided evenly between the endowment portion of the Great Commission Fund and the Candidacy Fund (SC14.01.10, page 17, Jan. 2014). This division is consistent with the purpose for which the land was given.

## Budgeting and Spending Policies

**Funding Priorities.** At each September meeting, the Synod Council is to offer guidance to the Budget and Finance Committee for the formulation of the budget proposal to be considered by the Council at its January meeting (Continuing Resolution S10.03.B94). In most cases, authorized budgeted amounts are to be expended before the end of the fiscal year for which they have been approved. (SC02.01.18.BF, page SC02-13).

**Budget Carry-Forwards.** Authorized budgeted amounts are to be expended before the end of the fiscal year for which they have been approved. In this regard, moving unspent funds from a budgeted category to one or more designated accounts for future disbursement is usually not appropriate. Requests for exceptions to this policy will be considered by the Synod Council when strong justification exists. In considering a request for an exception, the Synod Council shall consider the synod's ability to meet all other budgeted obligations (both level 1 and level 2) if the exception is granted. (SC02.01.18BF, page SC02-13).

**Support for Committees and Task Forces.** Beginning with consideration of the 2010-11 budget proposal by the 2009 synod assembly, the budget proposal has included a proposed lump sum for committees and task forces. Budget requests were then solicited from the committees and task forces in the Fall of 2009 about how the lump sum should be allocated. The Budget and Finance Committee provided a recommendation, for action by the Synod Council in January 2010. The timing of this process was well received and has been continued.

**Institutional Support.** In January 2009, the Synod Council specified several principles regarding the support of institutions and agencies within the budget for the Unrestricted Fund (SC09.01.33TF, page SC09-16). It stated that there would be a long-range goal for the budget to allocate 10 percent of undesignated congregational mission support to the Level 1 institutional budget (not counting the ecumenical and other organizations). The Council also specified that the top synod priorities for institutional funding are the seminaries, Lutheridge/Lutherock (LLMI), and the campus ministry organizations, in that order. Groups within these three categories would be eligible for budgeted Level-2 allocations. (Other groups would be eligible to receive year-end allocations only if all budgeted Level-2 amounts for the priority groups were satisfied.) As part of the same action, the Council reduced the percentage of institutional support dollars allocated to social ministry organizations to 15% of the Level 1 institutional budget. Due to financial shortfalls, all funding for social ministry organizations was eliminated from the regular ministry funding plan, effective with the 2015-16 fiscal year. Finally, the 2009 institutional support principles addressed the annual budgetary allocation for Region 9. This action regarding Region 9 was then modified in January 2010 (SC10.01.15BF, page SC10-10), so that support for Region 9 is calculated as a percentage of unrestricted mission support receipts. The specific percentage was phased in over several years, ending up at 0.5% for 2014-15 and following.

**Implementation of Approved Ministry Funding Plans.** In September 2012, the Synod Council approved the following guidelines for implementing Level 1 spending in each annual ministry funding plan approved by a synod assembly (SC12.09.25BF, pages SC12-61 to SC12-62):

- Total expenditures for ELCA Mission Support, transfers to the Planting New Congregations Fund, and support of Region 9 should be the exact percentages of mission support approved by the Synod Assembly, unless modified in advance by the Synod Council.

• Total expenditures from non-designated funds for the support of institutions and agencies specifically listed in the approved funding plan should be the exact dollar amounts approved by the Synod Assembly, unless modified in advance by the Synod Council.

• Total expenditures of designated receipts for the support of institutions and agencies specifically listed within the approved funding plan should be the exact dollar amounts received in gifts designated for such institutions and agencies.

• Total expenditures for synod staff salaries and housing allowances should not exceed the dollar amount approved by the Synod Assembly, unless modified in advance by the Synod Council.

• Total expenditures for staff benefits may exceed the total approved by the Synod Assembly by the amount that the actual cost of benefits provided exceeds the estimated cost included in the ministry funding plan approved by the Assembly.

• Total expenditures within the categories listed below should be no more than 5% greater than the total approved by the Synod Assembly for each category. Expenditures for individual items within a category are not subject to this limit as long as the total for each category is no more than 5% in excess of the total approved by the Synod Assembly, unless modified by the Synod Council Executive Committee. Modification by the Executive Committee may be done either in advance of necessary expenditures or as soon as practical following the expenditures. Categories governed by the guidelines in this paragraph are: Participation in Ecumenical/Other Organizations; Committees & Task Forces; Synod Operating Expenses (except for Salaries, Housing, and Staff Benefits); and Governance.

## Accounting Policies

**Audit and Organization of Financial Statements.** There must be an annual audit, with the results provided to the Synod Assembly. (Constitutional provision S8.42.e.) Prior to the transition to using MIF accounting services in 2016, monthly internal financial statements were organized to reflect ten separate funds. Then, each year the independent auditors reorganized the statements to bring the synod into compliance with requirements of the accounting profession (SC96.05.61PY, page SC96-23). Starting in February 2016, the entire account numbering system was restructured to better meet accounting standards, with additional reports also generated to meet internal management needs. The ministries described at the beginning of this document ("History, Purpose, and Selected Details for Separate Synod Funds") are classified as follows for external reporting purposes:

Unrestricted Fund: Operating Fund; Southeastern Lutheran Holding Corporation

Council Designated Fund: Luther-Zion Fund; Candidacy Fund; Council-Designated accounts

Temporarily Restricted Fund: Linn Fund; Morton Fund; Great Commission Fund; Lutheran Theological Center in Atlanta; Advocacy Ministry; Donor-Designated accounts; earnings on the Kessler Fund endowment

Permanently Restricted Fund: Kessler Fund original investment

**Depreciation.** Individual assets costing less than $3,000 are expensed each year. Those with an acquisition cost of $3,000 or more are depreciated using the straight-line method, usually assuming no salvage value and a useful life as stated in the Internal Revenue Code. Deviations regarding useful life of assets are authorized if the synod treasurer deems it appropriate. (SC93.4.66PY, page SC93-26, and SC91.2.31PY, page SC91-12)

## Miscellaneous

**Fidelity Bond.** The synod treasurer is required to give "corporate surety in the amount determined by the synod council" (Constitutional provision S8.42.f). Any fidelity coverage provided by the ELCA is deemed to satisfy this requirement (SC95.1.32TR, page SC95-11).

**PLACE Funds.** Accounts are maintained within the Designated and Restricted Ministries for continuing education of synod staff, with annual contributions equal to the approved continuing education allowances for each eligible rostered person. Additional details about PLACE accounts are provided in Appendix D ("Staff Benefits").

**Financial Solicitation of Congregations.** The original policy governing the financial solicitation of congregations was approved by the Synod Council in 1989 and amended in 1992 (SC89.2.23PY, page SC89-6 and SC92.1.42PY, page SC92-16). A complete restatement of the policy was approved in January 2014 (SC14.01.04, page 4, Jan. 2014). See Appendix B for a complete statement of this policy.

**Gift Acceptance Policy.** Appendix C contains the synod's gift acceptance policy (SC00.09.78TR, page SC00-35). Throughout the policy, it is noted that the synod shall utilize the services of the ELCA Foundation whenever possible in matters pertaining to: donations of marketable securities; gifts of real estate; and planned gifts. Exceptions concerning the ELCA Foundation's involvement will be considered only if a donor expressly indicates a preference for working with another qualified entity. In January 2014, the Synod Council specified that any future contributions or bequests received that were associated with the capital fund campaign known as the Walking Together Appeal be placed in the Planting New Congregations restricted account unless designated by the donor for another purpose (SC14.01.10, page 18, Jan. 2014)

# APPENDIX A
# STAFF SEVERANCE POLICY

**(Original policy adopted by Southeastern Synod Council in Feb. 1990, patterned after the policy recommended by ELCA Conference of Bishops in Oct. 1989; restatement adopted by Southeastern Synod Council in June 2007 and amended in September 2010.)**

PURPOSE. These severance benefits are to be understood as providing support during the transition to another call or employment.

ELIGIBLE PERSONS. The persons eligible for these benefits are the bishop and assistants to the bishop in the Southeastern Synod of the Evangelical Lutheran Church in America who were either:

* Elected bishop of the Southeastern Synod of the Evangelical Lutheran Church in America, or
* Selected as an assistant to the bishop

and whose office or employment by the synod was involuntarily terminated due to action of the synod by non-election of the incumbent synodical bishop, budget restraints, change of position functions, or resignation upon request of a newly elected bishop. Disability is not covered under these provisions, since disability is covered under the provisions of the Disability Benefits Plan of the Board of Pensions. Persons planning retirement and, therefore, voluntarily declining election or appointment, are not eligible for these severance benefits. Eligible persons will be hereinafter referred to as severance benefits recipients.

EFFECTIVE DATE. This severance benefits policy, as well as any changes to it, shall be effective immediately upon approval by the synod council.

BENEFITS. The severance benefits shall:

*Begin upon vacating the synodical office or position and following the period covered by unused vacation time earned during the twelve months prior to termination.

* Be paid on the benefits recipients' regular pay periods.

* End as of the date that a recipient begins a new call or other employment, if the compensation payable under the new call or employment is at least 90 percent of that paid by the synod to the recipient immediately prior to termination. Responsibility for notification of a call or other employment and the associated compensation rests with the severance benefits recipient.

* Regardless of any other factors, be paid for a maximum of three months for the severance benefits recipient who has served at least one full term as bishop or at least four years as an assistant to the bishop; pro-rated benefits for periods shorter than three months are payable to assistants to the bishop who have served for fewer than four years.

AMOUNT OF BENEFITS. During the benefit period of up to three months, a severance benefits recipient will receive:

* The difference between current monthly compensation (salary, housing and FICA reimbursement, if applicable) and compensation under a new call or other full or part-time employment arrangement(s), if such new compensation (from one or more sources) totals to less than 90 percent of that paid by the synod to the recipient immediately prior to termination. Responsibility for notification of a call or other employment and the associated compensation rests with the severance benefits recipient.

* Participation in the ELCA Board of Pension Plans – pensions at the designated rate, Survivor Benefits Plan, Major Medical/Dental Benefits Plan, and Disability Benefits Plan for the months of severance benefits.

Following the expiration of the severance benefits, benefits recipients may retain their participation in the Survivor Benefits, Major Medical/Dental Plan, and Disability Plan at their own expense according to the provisions of the applicable plans. Solely for the purpose of determining rights to continue benefits under those plans, the benefits recipients' termination of call/employment will be deemed to occur on the date severance benefits cease.

DISPOSITION. In case of a difference of opinion in interpretation of this Severance Benefits Policy, the synod council will make the final disposition.

## APPENDIX B
## POLICY ON FINANCIAL SOLICITATION OF CONGREGATIONS
## ELCA-Southeastern Synod
## (Approved January 2014)

As stated in the ELCA Model Constitution for Congregations (provision *C4.03.g.), each ELCA congregation is expected to "motivate its members to provide financial support for the congregation's ministry and the ministry of other parts of the Evangelical Lutheran Church in America." In responding to this expectation, congregations typically engage in prayerful deliberation as they assess (a) their own financial needs, (b) their yearly plans for providing unrestricted mission support for synodical and churchwide ministries, and (c) their ability to respond to the many requests for financial support that they typically receive from many different organizations.

This Policy on Financial Solicitation of Congregations is intended to provide guidelines for the Southeastern Synod Council, for synod congregations, and for organizations in connection with various types of special financial appeals that may be focused on synod congregations. Before making major commitments to the special appeals described below, it is expected that all congregations will place a strong priority on responding to the 2009 Southeastern Synod Assembly action encouraging contributions of at least 10 percent of their offerings to the synod as undesignated mission support.

1. ANNUAL APPEALS BY SYNOD-SUPPORTED ORGANIZATIONS. All agencies, institutions, and other organizations receiving financial support through the Southeastern Synod's annual budget shall have permission to conduct annual appeals directly to congregations for funds to supplement those organizations' operating budgets. Details concerning the timing of such appeals may be coordinated through the Synod Office, so that conflicts can be minimized. Such coordination is especially important when an organization requests that congregations specify a particular Sunday for an appeal. Statements regarding the Southeastern Synod's endorsement of specific projects should not be included in any literature that is distributed, and the synod is unable to provide mailing labels or other fund raising assistance. Whether or not to participate in these annual appeals is a decision to be made by each individual congregation.

2. MAJOR MULTI-YEAR FUNDING APPEALS. Institutions, agencies, and other organizations wishing to conduct major multi-year funding appeals within the Southeastern Synod must obtain prior approval from both the Synod Council and the Synod Assembly. The request for approval shall include specific details regarding the timing of all phases of the appeal. In analyzing each request, the Synod Council shall consider the merits of the request within the context of ministry priorities within the Southeastern Synod, the number of years since the requesting organization conducted a prior appeal within the synod, current economic conditions, and other factors the Synod Council deems relevant regarding the request. The Synod Assembly shall normally consider only those appeals that have received a positive recommendation from the Synod Council and that are proposed to begin their public solicitation phase a maximum of two years following Synod Assembly approval. With the exception of major churchwide funding appeals addressed in item 3 of this policy, no more than three major multi-year funding appeals shall be conducted within the Southeastern Synod during any one year and no more than one appeal shall be considered by any one Synod Assembly.

Three years is the maximum length of time that any approved appeal may be in its public solicitation phase within the Southeastern Synod. Approved major multi-year funding appeals may include statements in distributed literature indicating that the appeals are endorsed by the Southeastern Synod of the ELCA. All congregations, who are thus committed to an appeal by action of the Synod Assembly, are expected to engage in prayerful consideration and prioritization in determining the level of their participation and support for each approved appeal, taking into consideration their current level of giving for unrestricted mission support.

3. MAJOR CHURCHWIDE FUNDING APPEALS. Southeastern Synod participation in major churchwide funding appeals that have been endorsed by the ELCA Church Council must be approved by the Southeastern Synod Council but do not require subsequent approval by a Synod Assembly. Such appeals may be conducted concurrently with other major multi-year funding appeals described in item 2 of this policy.

4. OTHER APPEALS. Appeals not addressed in the preceding three sections are not encouraged nor prohibited, and no official endorsement by the Southeastern Synod will be granted. The synod will not provide mailing labels or other fund raising assistance in this regard. Whether or not to participate in the many types of financial appeals made to congregations is a decision to be made by each individual congregation.

## APPENDIX C
## Synod Gift Acceptance Policy
## ELCA-Southeastern Synod
**(Adopted September 2000)**

It is the policy of the ELCA-Southeastern Synod (hereafter Synod) to offer donors the opportunity to make lifetime and testamentary gifts to the Synod. These guidelines provide the parameters within which Synod staff and volunteers shall function in discussing with interested prospects, and promoting, gifts that would be acceptable for the Synod.

**GUIDELINE 1 -- PRIORITY OF THE DONOR'S INTEREST.** The interest of the donor shall have priority over the interest of the Synod. No program, trust agreement, contract or commitment may be urged upon any donor or prospective donor to benefit the Synod at the expense of the donor's intent, or which would knowingly jeopardize a donor's interests. Agents or representatives of the Synod must make full disclosure to the donor on all aspects of benefits and liabilities of which they are aware that may reasonably be expected to influence the decision of the donor to make a gift to the Synod. No commission or fee associated with any gift shall inure to those working for the Synod.

**GUIDELINE 2 – ROLE OF ELCA FOUNDATION.** The Synod shall utilize the personnel, consultants, and services of the ELCA Foundation whenever possible in matters pertaining to the following types of gifts: donations of marketable securities; gifts of real estate; and planned gifts such as charitable remainder unitrusts, charitable remainder annuity trusts, charitable lead trusts, life estate agreements, testamentary gifts, charitable gift annuities, and pooled income fund gifts. Exceptions to this policy concerning the ELCA Foundation’s involvement with the aforementioned gifts will be considered only if a donor expressly indicates a preference for working with another qualified entity.

**GUIDELINE 3 – SYNOD IS NOT A TAX ADVISOR.** Though the Synod is obligated to provide donors with as much information as possible regarding benefits, limitations, and tax implications of specific gifts or gift arrangements, the Synod shall not be considered to be offering tax or legal advice to donors or prospects. All donors shall be advised, both orally and in writing, to seek their own legal counsel in matters relating to their gifts, tax, and estate planning.

**GUIDELINE 4 -- AUTHORIZATION FOR NEGOTIATION.** When the opportunity arises, representatives and agents of the Synod and other Synod professionals and volunteers are encouraged to point out the opportunities for making a planned gift to the Synod. However, formalization of planned gifts will be done through the ELCA Foundation, in accordance with Guideline 3 herein. No gift or gift agreement may be accepted by the Synod unless it complies with the requirements of these stated guidelines and any applicable guidelines from the state in which the donor is a legal resident. Any variances must receive prior approval by a majority of the members of the Executive Committee of the Synod Council. Prior to taking action, the Executive Committee shall seek the advice of the ELCA Foundation.

**GUIDELINE 5 -- CONFIDENTIAL INFORMATION.** Gifts from congregations, agencies, or institutions to the Synod may be made public unless confidentiality of a particular gift is requested by the donor organization. All information concerning individual donors and prospective donors, including names, names of beneficiaries, amount of gift, size of estate, etc., shall be kept in strict confidence by the Synod and its authorized personnel. A donor or, in the case of a testamentary gift or other acceptable circumstances, an executor, beneficiary, or close family member, may grant permission to publicly announce any gift or features of a gift to the Synod.

**GUIDELINE 6 -- ACCEPTABLE GIFT ASSETS.** The following assets may be deemed acceptable as outright gifts to the Synod:

a. <u>Cash</u>

b. <u>Securities</u>

*Publicly Traded Stocks, Bonds*, *and Mutual Funds* may be accepted and will be valued as determined under IRS rules. It shall be the policy of the Synod to utilize the services of the ELCA Foundation to sell, as soon as practicable, all donated securities. However, this policy does not compel the Synod or its authorized representatives to liquidate any stock or other property that, in the sole discretion of the Synod, would be a lawful and appropriate investment for the Synod.

*Stock in a Closely Held Corporation* may be accepted if a valuation has been made by a recent and qualified appraisal conforming to standards set forth by the Internal Revenue Service and further described in the instructions to IRS Form 8283 and as described in Guideline 7 herein.

c. <u>Real Estate</u>

The Synod may accept gifts of real property at fair market value if, at the time of the gift, there are no outstanding mortgages, tax liens, or other encumbrances upon such property. Such value shall be established by at least one recent, qualified appraisal arranged and paid for by the donor. No gift of real property will be accepted until a preliminary environmental evaluation has been completed. Whenever possible the services of the ELCA Foundation will be utilized in connection with all gifts of real estate. It shall be the policy of the Synod to utilize the services of the ELCA Foundation to sell, as soon as practicable, all real estate donated to the Synod. Arrangements to cover post-transfer expenses (such as taxes and assessments, insurance, and maintenance costs of the land or any buildings) should be agreed upon in writing by the donor, the Synod, and the ELCA Foundation prior to the gift. Any tangible personal property (such as home furnishings) associated with real property gifts should be segregated into separate gift proposals or agreements and should generally be discouraged, as noted in Guideline 6f below.

d. <u>Oil and Gas Properties</u>

Oil and gas properties may be acceptable if in the form of a royalty interest. Working interests and limited partnership interests will not be accepted.

e. <u>Life Insurance</u>

Gifts of a life insurance policy will be accepted only if the Synod or the ELCA Foundation is irrevocably named as owner and beneficiary of the policy, with all incidents of ownership intact in the policy. If a policy is accepted that is not paid up, the Synod is under no obligation to continue premium payments, but may do so upon approval of the Synod Council.

f. <u>Tangible Personal Property</u>

In most cases, gifts of tangible personal property, including but not limited to cars, boats, artwork, stamp or coin collections, equipment, inventory, etc. will not be accepted by the Synod. Exceptions for unusual situations are possible only with the prior approval of the

Executive Committee of the Synod Council. Prior to taking action, the Executive Committee shall seek the advice of the ELCA Foundation.

g. Other Acceptable Gift Assets

Upon consideration prior to acceptance, the Executive Committee of the Synod Council may accept gifts of other types of assets not herein specified or discussed. All appropriate liability and cost/benefit issues related to the gift or gift property shall be considered. Prior to taking action, the Executive Committee shall seek the advice of the ELCA Foundation.

**GUIDELINE 7 -- APPRAISALS FOR SYNOD GIFTS.** The Synod will not be responsible for furnishing a donor with property appraisals or valuations for gifts. It is the intention of the Synod to follow the requirements and guidelines set out, and from time to time amended, by the Internal Revenue Code related to qualified appraisals and appraisers, and gift reporting. Proper receipts will be provided to each donor in a timely manner, and appropriate reporting forms will be filed with the Internal Revenue Service for all property sold by the Synod within two years of the date of contribution.

**GUIDELINE 8 -- GIFTS AND SPECIFIC ACCEPTANCE CRITERIA.** In considering the acceptance of any gift and its value, the following factors will be considered: (a) nature of the assets contributed, (b) total return on investment of the gift assets, and (c) length of the management or trust period. Donors and Synod representatives should consider as controlling all restrictions and minimums on the gifts discussed within this guideline. Gifts may vary from these guidelines in certain circumstances, where permitted by law, but must receive prior approval from the Executive Committee of the Synod Council, if it were determined that such variance would be to the advantage of both the Synod and the donor. It is the intention of the Synod to sell all non-cash gifts it accepts, as soon as reasonably prudent and in the sole discretion of the Synod, and to reinvest the proceeds from those gifts in keeping with its recommended investment guidelines and portfolio mix.

a. Outright Gifts

No minimum is required for outright gifts, except for gifts of real estate, which require a minimum appraised fair market value of $50,000 before they may be accepted by the Synod. Donors may not retain any significant rights or benefits in any property or asset offered to the Synod, except when part of a planned gift. Donors who make gifts of cash or securities may designate their gifts to benefit a specific program associated with the Synod. Gifts of cash or securities that are not designated for a specific program may be used by the Synod at its discretion.

b. Planned Gifts

Planned gifts of many types will be accepted. The minimum amounts for planned gifts shall be as specified by the ELCA Foundation at the time of the gift.

***GUIDELINE 9 – ACKNOWLEDGEMENT AND GIFT DOCUMENTATION.*** *It shall be the policy of the Synod to acknowledge all gifts. All individual gifts of $250 or more, made in one payment, shall receive a receipt that shall comply with the IRS requirements for substantiation of charitable gifts. All gifts shall be deemed as properly documented when written evidence of the gift is received by the Synod. Such documentation may include signed pledge cards or letters of intent, notification from the ELCA Foundation, the donor's attorney, or other qualified advisor; or copies of the appropriate pages of the donor's will.*

# APPENDIX D - STAFF BENEFITS

Synod staff receive several benefits in addition to salary. These benefits begin immediately upon employment for ELCA rostered staff; benefits for nonrostered staff begin following the completion of a 60-day probationary period of employment. The following benefits are provided, but are subject to change (including elimination) through action of the Synod Council and/or ELCA Church Council:

1. Pension. All staff who work at least 20 hours per week are enrolled in the defined contribution pension plan administered by Portico Benefit Services. Unless a different amount is agreed upon during a particular call or recruiting process, the Synod contributes 12 percent of defined compensation (salary plus housing allowance plus social security allowance) for participating staff.

2. Medical, Dental, Death, and Disability Benefits. All staff who work at least 20 hours per week are enrolled in the medical, dental, death, and disability plans administered by Portico Benefit Services. The Synod pays the premium for this coverage for all staff persons. The Synod also pays the premium for medical and dental coverage for the dependents of rostered staff. Nonrostered staff who wish to enroll their dependents in the ELCA medical and dental plan must pay the dependents' premiums through a payroll-deduction arrangement.

3. Social Security and Workers' Compensation Insurance. All Synod staff persons are covered by social security and workers' compensation insurance, to the extent provided by federal and state law. In addition, the Synod provides clergy staff with social security allowances equal to half the amount of social security tax they must pay. The allowance is calculated so that it includes the social security tax due on the allowance itself.

4. Continuing Education Allowance. The Synod provides each full-time rostered staff person with a continuing education allowance equal to that specified in the Synod Compensation Guidelines; other amounts may be agreed to during a particular call or recruiting process. Each year's allowance is transferred to a designated account known as a PLACE account, with one PLACE account established for each eligible staff person. Disbursements from PLACE accounts for synod staff are to be for continuing education purposes that will benefit both the individual and the synod, as determined by the synod bishop. To encourage use of continuing education monies, deposits into PLACE accounts may accumulate for a maximum of 3 years and shall be forfeited if not used within that period. The 3-year maximum accumulation period will begin on February 1, 2012 for accounts in existence on that date for current synod staff members. No interest earnings will be allocated to accumulations in PLACE accounts. Accumulations in PLACE accounts for synod staff may be used for continuing education purposes only during the time of employment by the Southeastern Synod. Any remaining amounts in the accounts will revert back to the synod when the call to the synod staff ends. (SC12.01.25PC, pages SC12-12 to SC12-13)

5. Professional Expense Allowance. The Synod provides each full-time rostered staff person with a professional expense allowance equal to $300 per year, to be used for items such as clothing, books, and subscriptions. (A different amount may be agreed to during a particular call or employment process.)

6. Other Synod-Related Expenses. The Synod reimburses staff for necessary expenses associated with their responsibilities, according to policies established by the bishop.

7. Vacations and Other Time Off. Paid time off for vacations and other purposes is provided to nonrostered staff as specified in the Synod's personnel policies. Rostered staff are compensated according to the terms of their calls.

8. Section 125, Medical Reimbursement Plan. The synod's Flexible Spending Account (FSA) plan, known as its Section 125 plan, operated from 1994 through 2014. The plan was terminated as of December 31, 2014. No replacement plan was put into place at the synod level. Instead, staff may participate in the FSA plan sponsored by Portico Benefit Services.

# Appendix E
# 2/1/2018 Restated Investment Policies of the ELCA-Southeastern Synod

**Purpose.** The intent of this document is to set forth guidelines for the management and investment of monies held by the ELCA-Southeastern Synod. The synod has thirteen separate, primarily self-supporting funds that are maintained for different purposes. Within this policy statement, six of the funds are classified as endowment funds, and seven are classified as non-endowment funds, as specified below:

<u>Endowments</u>
Linn Fund
Morton Fund
Luther-Zion Fund
Kessler Fund
Candidacy Fund
Great Commission Fund

<u>Non-Endowment Funds</u>
Operating Fund
Council-Designated Accounts Fund
Donor-Designated Accounts Fund
Southeastern Lutheran Holding Corporation
Lutheran Theological Center in Atlanta
Advocacy Program Fund
Disaster Ministries Fund

(*Note about the <u>relationships among the "Operating Fund, Council-Designated Accounts Fund, and the Donor-Designated Accounts Fund:</u>* Combined contributions to these funds are received numerous times each month from congregations and other donors. Similarly, synod expenditures may be paid partially from more than one of these funds. The funds are maintained separately to better facilitate accounting for the many designated accounts maintained by the synod. However, the close relationship among these funds is acknowledged and may influence the manner in which investments for these funds are managed. As approved by the Synod Council in 1992, interest earnings within the designated accounts are used annually to pay operating expenses of those funds and to credit interest to those accounts where authorized. Any remaining interest earnings are then transferred to the Operating Fund at the end of each fiscal year.)

Policies within this document that apply to only one type of fund, or only to certain funds within a category, are specified. If not otherwise noted, guidelines are intended to apply to each of the separately maintained synod funds.

**Investment Objectives.**

A. <u>Endowment Accounts.</u> The investment objectives for the synod's endowment accounts are to:

1. Provide adequate liquidity for the payment of each <u>fund's</u> ~~ministry's~~ annual spending authorization (which is 6 percent of a fund's average investable assets for the preceding 4-year period, based on January 31 valuations)

2. Produce long-term growth in the corpus while managing the risk of substantial long-term loss through appropriate diversification

3. Minimize investment expenses.

B. <u>Non-Endowment Accounts</u>. The investment objectives for the synod's non-endowment funds are to:

1. Produce income consistent with current short-term interest rates

2. Emphasize safety of principal

3. Minimize investment expenses.

**Asset Allocation Guidelines.** The allocation of assets within the synod's endowment funds will usually be maintained within the ranges indicated below:

| | |
|---|---|
| Cash and Equivalents: | 0 to 10% |
| Equities: | 40 to 60% |
| Fixed Income Securities: | 30 to 60% |

It is noted that the ELCA Foundation offers congregations and synods the opportunity to invest in its ELCA Endowment Fund Pooled Trust, which has a target asset allocation of 65 percent equities, 30 percent fixed income assets, and 5 percent real estate investments. To the extent that a synod endowment is invested in this Pooled Trust, it is recognized that asset allocation within that fund will be somewhat different than the overall guidelines noted above.

The synod's non-endowment accounts will generally be invested entirely in cash, cash-equivalents, and short-term fixed income securities, with no allocation to equities. However, it is acknowledged that equity assets may be acquired from time to time within the non-endowment funds through gifts or bequests. In such cases, the donated equity assets will generally be sold either in a market transaction or through an inter-fund transaction that transfers the asset to one or more of the synod endowment funds.

The synod will not actively seek to invest in real estate in any of its funds, except in an incidental way through participation in the ELCA Endowment Fund Pooled Trust. However, it is recognized that temporary and/or long-term real estate assets may be acquired directly from time to time through gifts, bequests, or the dissolution of congregations. In such cases, the acquired real estate will be treated as described in the synod's "Gift Acceptance Policy," adopted by the Synod Council in September 2000, and will not be subject to the investment guidelines included within this document.

**Investment Strategy.** To accomplish its investment objectives, the synod will seek to remain fully invested according to approved asset allocation guidelines. For the endowment accounts, a passive buy-and-hold approach will generally be utilized, rather than an actively managed approach that emphasizes market timing.

**Permitted Investments.** The investments described below are approved for inclusion in synod investment portfolios. These permitted assets may be commingled among synod ministries to achieve economies of scale, provided that each ministry is credited with its proportionate share of income, gains, and losses. Potential investments that are not included in the list of permitted investments must be approved by the Synod Council prior to their inclusion in synod portfolios.

a. <u>Cash and Cash Equivalents</u>. All cash and equivalent investments shall be made with significant concern for quality and safety. Permitted investments in this category include: commercial bank deposits; short-term certificates of deposit insured by the Federal Deposit Insurance Corporation (FDIC); U.S. Treasury bills; and low-cost money market mutual funds investing primarily in high quality short-term monetary instruments.

b. <u>Fixed Income Investments</u>. Permitted fixed income securities include: intermediate-term and long-term securities issued by the U.S. Treasury; low-cost mutual funds that invest primarily in U.S. Treasury securities; low-cost bond index funds offered by reputable, well-established mutual fund companies; intermediate-term and long-term certificates of deposit insured by the FDIC; funds and certificates issued by the ELCA Mission Investment Fund; and participation in the ELCA Endowment Fund Pooled Trust.

c. <u>Equity Investments</u>. The primary forms of permitted equity investments are low-cost stock index mutual funds offered by reputable, well-established investment companies and participation in the ELCA Endowment Fund Pooled Trust. Other equity investments are permitted on a temporary basis if they are acquired through a gift or bequest. As specified in the synod's "Gift Acceptance Policy," it is anticipated that most donated securities will eventually be sold, with the proceeds reinvested according to the guidelines set forth in this document.

**Limitations on Certain Types of Investments.** The synod will seek to invest between $100,000 and $250,000 in securities issued by the ELCA Mission Investment Fund. In managing cash within commercial bank accounts, significant effort will be made to maintain an effective balance (defined as the account's cash balance if there were no outstanding checks) that does not exceed the limit insured by the FDIC. It is recognized that this limit may sometimes be exceeded shortly before large checks are issued, but effective balances should not routinely exceed the FDIC limit.

**Portfolio Rebalancing.** In implementing the asset allocation guidelines, it is expected that assets will be sold periodically to rebalance portfolios, particularly within the synod's endowment funds. Rebalancing transactions are not expected to be heavily influenced by market timing considerations. However, it may be advisable to implement rebalancing decisions over several months, so that market conditions at any one point in time do not control results. Rebalancing is generally expected to be appropriate when the percentage allocated to an asset class differs from the asset allocation guideline by 5 percentage points or more. However, it is recognized that a rigid asset allocation is not always practical or advisable. Therefore, the allocation of the synod's total assets may vary from time to time without being considered an exception to this investment policy.

**Fund Liquidity Needs.** The interest and dividend income generated within the synod's endowment funds may not always be sufficient to meet each year's spending authorization. Thus, it is anticipated that assets will be sold periodically to meet liquidity needs. Decisions about which assets to sell to provide liquidity should be made in conjunction with possible portfolio rebalancing needs that may exist concurrently. Investment sales over a multi-month period may be prudent in some market circumstances to fulfill a fund's need for liquidity.

Inter-fund payables and receivables may also be utilized to generate temporary liquidity within endowment funds, especially when asset sales are to be implemented over several months, but it is not expected that such inter-fund transactions will be the long-term method of providing liquidity. In contrast, it is anticipated that inter-fund payable/receivable transactions will occur regularly between the Operating Fund and the two designated account funds, due to the nature of these funds and their relationship to each other.

**Policy Implementation and Review.** Responsibility for implementation of the synod's investment policy is vested in the synod treasurer, who may authorize investment transactions and open and close bank and investment accounts as deemed necessary, provided that such transactions are consistent with the guidelines set forth within this document. At the discretion of the treasurer, various duties and tasks may be delegated to the synod fiscal advisor or other appropriate persons.

Investment balances shall be updated at least quarterly and shall be made available to Budget and Finance Committee members within the synod's regularly issued financial statements. The most recent investment balances shall also be reported through the financial statements at each regular meeting of the Synod Council.

The Budget and Finance Committee shall annually review investment performance and asset allocation for all synod funds. It is recognized that fluctuating rates of return are a characteristic of investment markets. Therefore, as part of the Budget and Finance Committee's annual review, investment performance will be compared to the appropriate weighted average return for the following indices:

| | |
|---|---|
| Cash and Cash Equivalents: | 90-day U.S. Treasury bills |
| Fixed Income Assets: | Barclays U.S. Aggregate Bond Index |
| Equity Investments: | Dow Jones Wilshire 5000 Index |

The Budget and Finance Committee will also periodically review the synod's investment policy as set forth in this document. Any recommendations for policy changes shall be communicated to the Synod Council.

# Appendix F
# Policy Regarding Synod-Provided Vehicles
# ELCA-Southeastern Synod

(Approved by the Southeastern Synod Council, September 5, 2014)

The use of synod-provided vehicles (whether owned or leased) shall be subject to the following provisions:

1. Vehicles may be provided for use by some Southeastern Synod staff to assist them in carrying out the responsibilities of their calls or employment agreements. All decisions about which staff may be provided use of a vehicle shall be made by the synod bishop.

2. Synod-provided vehicles shall generally be driven only by synod staff. Occasional exceptions to this rule are permitted for legitimate reasons benefiting the Southeastern Synod, its congregations, or its staff. Such exceptions shall be for a limited time period and must be approved in advance by the synod bishop.

3. A synod staff member who has custody of a synod-provided vehicle shall:

- Have a valid driver's license that is not suspended or revoked in any state;
- Grant permission for the synod or the synod's insurers to check his or her driving record at any time;
- Operate the vehicle in a safe manner;
- Assure that the vehicle is properly serviced and maintained in accordance with the manufacturer's recommendations;
- Immediately notify the synod office manager if the vehicle is involved in an accident or is otherwise damaged or stolen;
- Immediately notify the synod bishop and the synod office manager if the driver is convicted of a moving vehicle or related violation, regardless of whether the violation involved use of the synod-provided vehicle or another vehicle;

4. Because regular over-night garaging of automobiles is not permitted in the parking garage associated with the synod office building, and because affordable, secure over-night parking is not available within a reasonable distance of the synod office, synod staff who have custody of a synod-provided vehicle shall be required to use that vehicle for commuting between the synod office and the staff member's place of residence.

5. Personal use of synod-provided vehicles is prohibited except for purposes of commuting to and from the synod office and for *de minimis* personal use (such as stopping on a personal errand while en route to the driver's home).

6. Synod staff who have custody of synod-provided vehicles shall periodically report their number of commuting trips to the synod office manager. In accordance with the "commuting rule" set forth in IRS Publication 15-B, the taxable value of using a synod-provided vehicle for commuting between the synod office and a staff member's residence shall be $1.50 per one-way commute, or such other amount that the IRS may from time to time specify. Staff may individually elect to either reimburse the synod for the value of their reported commutes or have that value included on their W-2 forms at the end of the calendar year.