Exhibit L.7d
September 2021

North Carolina Synod
Phase III Proposal
National Initiative to Address Economic Challenges Facing Pastoral Leaders
September 10, 2021

Proposal Narrative

I. **Program Description of Faith, Finances, and Freedom, The Lifeline Fund**

A. Key Objectives and Major Components. There are six key objectives of our proposal.

First, we intend to scale our grant to include all six of the synods in Region 9 of the Evangelical Lutheran Church in America (ELCA), adding the Florida Bahamas Synod, and also adding the Southeastern Iowa Synod in Region 5. The Southeastern Iowa Synod will only participate in the education debt grants in the second year of our program as it will take that synod some time to communicate within their synod and create a framework that will lead them to success.

Secondly, we want to address some of the financial concerns that have arisen during the pandemic environment since early 2020. Our research suggests that more than 50% of rostered ministers in Region 9 experienced little or no financial impact arising out of the pandemic. However, we have found that a number of leaders have experienced harsh financial burdens. The financial challenges in some cases, when present, are significant. Therefore, our second objective is to provide resources that will alleviate some of the financial burdens. We intend to give to each of the Region 9 synods, through their individual distribution teams, the freedom to disburse the pandemic-related grant money to rostered ministers most harshly impacted by the pandemic in ways that fit their context. A general application that includes the criteria Lilly Endowment has established for Phase III, Part One, will be provided to each synod. The pandemic grant monies will be distributed in the first year of our Phase III grant, that is, in 2022.

The third objective of our proposal is to continue providing education debt grants to rostered ministers in Region 9 and the Southeastern Iowa Synod along with the financial education that empowers financial well-being. Financial education will also include connecting rostered ministers to the recently updated Public Service Loan Forgiveness program. We will continue to apply debt manageability criteria as we distribute grants. Since the education grant monies are shared with six participating synods, and are therefore small compared to the grant monies we have previously managed, we will complete the education debt grants in the second year of Phase II, thus resulting in a two-year Phase III program. We will continue to distribute Phase II education debt grants in 2022, thus managing a one-year overlap between Phases II and III.

The fourth objective of our proposal is that each synod will have flexibility to disburse the grant monies in ways that fit their particular context. Each synod will have a Distribution Team made up of the Bishop and other elected members of their Synod Council. The teams will meet and decide how to disburse both parts of the Phase III grant.

Our fifth objective grows out of a key learning in Phase I and Phase II. Education debt is a complex problems with many different roots. We have discovered that too many of our leaders are incurring unmanageable education debt while in seminary. We aim to have conversations with candidacy committees in each participating synod so that they might be better prepared to discuss the impact of incurring debt on their family and career. Front-end discussions between candidacy committees and candidates for ministry about debt would lead to better decisions by candidates as they consider taking on more education debt.

Our final objective is to continue to seek out conversations with other synods in the ELCA with the goals of having them consider and possibly adopt programs in their synod to address the economic challenges related to education debt.

B. Outcomes Reached in Phase I and Phase II.

One of our expected outcomes that fuels all the other outcomes is our goal of raising matching funds. We are experiencing varied levels of fundraising success with the Region 9 synods with whom we have partnered. Not surprisingly, the North Carolina Synod continues to far exceed its fundraising goal, raising in our first year more than $50,000 above our full three year goal. The South Carolina Synod has also met its three year goal within the first 18 months of our grant. The Virginia Synod has raised 40% of its matching funds, while Southeastern Synod has raised 20% and the Caribbean Synod has yet to send in any matching funds.

One of the most significant outcomes of our program is the reduction in the number of years of debt payments our rostered ministers will have to pay. In our Phase I program we reduced a cumulative of 150 years of debt payments. In the first year of Phase II alone we reduced education debt payments for a cumulative of 167 years. Additionally we have seen at least eight of our applicants completely pay off their education debt loans. The reduction in debt payments results in a reduction of stress, freedom for effective ministry and better steward leadership.

Another significant outcome of the Lifeline fund, an outcome which provides for long term impact on our rostered ministers, arises out of the financial education, including coaching, which we are providing to our leaders. Financial education options now include an additional program, “Six Weeks on Money,” that is available through our partnership with the ELCA Stewardship office. Our leaders are gaining a better understanding of financial matters and establishing a stronger economic foundation for their future. They are learning key financial principles through Financial Peace University (FPU) or “Six Weeks on Money,” they are having personal conversations with financial planners our partners provide, and some of them are putting those principles in practice through a relationship with a coach that our program provides.

Another welcomed outcome of our Phase II program is the positive responses congregation councils are showing in response to conversations our program directors have with them about the challenge of education debt on their rostered minister. We are noticing that a few more rostered ministers are giving permission for those conversations to be held, and in most cases the congregations respond by helping reduce their pastor’s education debt load. The “conspiracy of silence” about education debt is slowly being broken, one conversation at a time. Congregations, in our first year of Phase II, reduced an additional 13.7 years of education debt payments.

We have had conversations that are ongoing with three other synods in the ELCA about our Lifeline Fund work. One of those synods, the Southeastern Iowa Synod, is joining us in the second year of Phase III during which time they will provide education debt relief grants to their leaders. Our goal is to offer to each interested, potential synod partner some key insights we have gained and encourage development of their own synod-based team who might consider the development of a program to address the economic challenges of their rostered leaders.

C. Key Learnings

The first insight we have gained from our scaling efforts is that messaging matters. The North Carolina Synod has devoted more than five years of consistent messaging about our

Lifeline Fund. Our exposure within the culture of our synod is deep and broad. Our new partner synods in our scaling efforts have had varied success in consistent communications. Part of the reason for varied communication efforts is the impact of the pandemic. We also note that ministries in our partner synods are already full and complex. The challenge of communicating one more new program is significant. There have also been some synod staff transitions that disrupt the flow of the initiative in the synod.

A renewed sense of positive, caring partnerships between rostered ministers and synod staff is a key outcome of the Lifeline Fund. The improved partnerships have impact on participation and engagement levels in synod ministries.

We discovered some resistance from some leaders to Financial Peace University (FPU) as a required source of financial education. Some of our leaders resisted applying for a grant because of David Ramsey's actions and opinions. While we provided another option to FPU in Phase I, we discovered the second option did not provide a good financial education foundation. We have experimented in Phase II with Six Weeks on Money as an option. In the Virginia Synod more rostered ministers have applied for a Lifeline grant in 2021 because they have an alternative to FPU. We will be evaluating the impact of the new education option at the close of our second year in Phase II.

We have discovered that it is undesirable for some leaders to allow the Lifeline Fund program director to have a conversation with their congregation councils, for a variety of reasons. However, when those conversations happen, councils respond favorably to providing relief for their own rostered minister's debt load. Consistent, gentle conversations the program director has with rostered leaders are leading to a few more presentations to their councils.

The newly introduced debt-manageability scale that we have developed is focusing our grants based on the level of burden the debt places on a leader. We are providing more help to those most harshly impacted by their debt load. We are also discovering that our Synod Distribution Teams are being flexible to provide grants based on the particular circumstances of each applicant. The flexibility, we are discovering, yields more significant impact on leaders.

We expected that there would be some challenges as we scaled our efforts to partner synods who were vaguely familiar with Lilly Endowment's National Initiative and the North Carolina's Lifeline Fund. It takes time and much consistent effort, with broad-based communication efforts, to explain the Lifeline Fund and to encourage leaders to apply. When strong, committed, consistent leadership is provided, when there is a clear place for the Lifeline Fund in the synod's priorities, and when the value of the Lifeline Fund is clear, we are experiencing more success than in those places where synod leadership is in transition, where many priorities are being managed, and it is a challenge to fit one more effort into an already full plate of ministries.

II. Disruptive Economic Impact of COVID 19 pandemic

A. Most Significant Economic Impact on Pastoral Leaders

A survey was distributed to all of the synods in Region 9 of the ELCA (Southeastern United States and the Caribbean) in early August to discern the impact of the current pandemic on our rostered ministers. We received 125 responses from five of the six Synods in Region 9. Uneven numbers of responses were received from each of the invited Synods as noted below. The Florida Bahamas Synod, which was not a partner with us in Phase II but has been invited to partner with us in Phase III as we continue to scale our program, will be sending its survey later this fall. The most significant insights we gleaned from our research, highlighted first of all by synod and then as general insights are as follows:

Caribbean Synod - 5 respondents

* All five respondents indicated loss of income related to the pandemic
* The total financial burden reported was $55,200 for an average loss of $9,200.
* While two of the respondents had less than $2,000 financial loss, the other 3 had losses of $8,000, $9,000, and $36,000 respectively.
* Example - the offerings in one congregation reduced to the point that the congregation was no longer able to pay the salary of the interim pastor at $1,000 per month.

North Carolina Synod - 84 respondents

* 65% of respondents indicated no financial need connected with the pandemic
* The financial impact of the pandemic among the remaining respondents was $417,933 for an average of $14,412.
* Ten respondents experienced a financial loss greater than $10,000.
* The North Carolina Synod provided a robust financial response to the impact of the pandemic on both congregations and rostered ministers, distributing approximately $650,000 from their reserve funds to rostered leaders and congregations as they coped with financial challenges arising from the pandemic.
* Example - the conflict in one congregation over whether or not to worship and whether or not to wear masks heightened to a degree that the Bishop's staff recommended the pastor resign rather than have the congregation vote that would have split the congregation. Loss of income for that pastor was $2,277 per month.

Southeastern Synod - 24 respondents

* 11 of 24 respondents (46%) reported no financial impact of the pandemic
* Seven leaders reported a financial loss of more than $10,000, totaling more than $260,000 in lost income, averaging $37,200 each.
* Example - a pastor of Asian ethnicity is serving a multiracial congregation that provided a total compensation package of $25,000. He is only able to accept the call because his wife has a well-paying job with the airlines. During the pandemic his wife's job was cut back to 30% with a salary reduction of $30,000.

South Carolina Synod - 9 respondents.

* Six of the nine respondents reported some financial loss.
* Four leaders reported loss of more than $10,000, averaging $19,700.
* Example - one pastor tells this story: "The biggest inequality was unequal coverage for time forced off. My wife went unpaid for several months because her preschool closed and did not get a PPP loan. We lost a quarter of income during that time, forcing us to cut back on expenses and debt repayment. Eventually, we had to take on more student loan debt just so I could finish out seminary." Loss of income was $22,500.

Virginia Synod - 3 respondents.

* 3 leaders responded to our survey. No financial needs were noted

General Insights

* While most of the respondents reported loss of income as the primary challenge, about 15% reported an increase in counseling/therapy cost.
* Only 5 respondents (4%) reported uncovered medical expenses related to COVID -19.
* The total reported financial impact of the pandemic in five synods in Region 9 revealed by the survey was $829,100.
* While the financial impact was significant in some places, and low among other leaders, the continued impact of the pandemic as the Delta Variant rolls through the world is producing sincere concern among respondents to our survey that the financial impact of the pandemic will deepen and widen in the coming year.

* The factors leading to negative financial consequences for rostered ministers are multiple as noted above: congregational giving decline; financial vulnerability of ethnic minorities, pandemic-related conflicts in congregations, and a forced decline in work hours and salaries.

B. Impact of the Pandemic on Faith, Finances, and Freedom, The Lifeline Fund. The most immediate impact of the pandemic on our program came from the cancellation of many of the events during which we were scheduled to provide presentations. For example, the ELCA Rostered Minister's Gathering, scheduled for the summer of 2020, was cancelled. We were expecting to engage in conversations with rostered ministers, candidates for ministry and many synodical leaders about our work. It was hoped that we might encourage other synods to develop an assistance program for addressing their rostered minister's education debt load. There are no similar gatherings scheduled in the next couple of years. Another significant change in our planned Phase II program was our inability to reach first-call rostered ministers at their annual Region 9 gathering. The gatherings were cancelled and not yet rescheduled in the near-term. Yet another challenge in Phase II came through a whole new set of demands and expectations placed on synod staff and rostered ministers because of the pandemic. The new demands made it more difficult for our partners to find time and opportunities for communications with leaders. Leaders were stressed and had fewer opportunities to engage with activities beyond the newly-emerging demands of ministry in a pandemic-world. A recent survey the Lifeline Fund conducted affirmed the higher levels of stress in the personal comments leaders made in the survey and the fact that 15% of the respondents pointed to additional counseling and therapy they pursued because of their increased anxiety and stress. More rostered ministered are worried about the long-term survival of their congregations because of reduced membership, worship attendance and giving. The stress of the pandemic and pandemic-related conflicts are also resulting in an unhealthy polarization within congregations, causing leaders to leave ordained ministry in higher numbers than what is normally experienced.

III. Proposed Use of Phase III Supplemental Grant Fund

A. Use of Phase III Funds for pandemic, racial Injustice and economic disparities.

Bishop Tim Smith, reflecting the North Carolina Synod's value of generosity, affirmed his commitment to share the generosity we are privileged to receive from Lilly Endowment with other synods who are not as fortunate. The goal of scaling our Phase II work just a bit farther to include the sixth synod in Region 9 and the Southeastern Iowa Synod has a couple of significant implications. First of all, our Lifeline Fund will be able to reach a much more diverse audience across the ELCA. The richer diversity (richer, that is, than what is found in North Carolina) in both the leadership and congregation makeup means that we have the potential to impact leadership across a broader range of ethnic and economic categories. Secondly, since we are sharing our grant with six other synods in Phase III, the amount of money each synod will have to address pandemic-related financial needs is markedly reduced than it would be if our proposal only included one or two synods. The two implications noted in this paragraph lead us to adopt three key principles as we propose to use the Phase III funds intended for those most harshly impacted by the pandemic.

The first principle is that we will decentralize decisions about disbursement of the funds as much as we can, while at the same time maintaining the responsibility the North Carolina Synod has to manage our grant. We will accomplish this goal through the development of distribution teams in each participating synod made up of trusted, elected officials who serve on Synod Council. We encourage diversity in the makeup of the distribution teams. The Distribution Teams will provide each synod a degree of flexibility to respond to the emerging needs in their context. Each distribution team will report to the Lifeline Program Director with reports of how grants have been distributed. The program director will then survey the grant recipients before the end of 2022 to assess the impact the grants have made.

The second principle we will apply arises out the the decentralizing principle. Our goal is to give each synod freedom and flexibility to distribute the pandemic-related monies to those most harshly impacted by the pandemic. Our research survey for Phase III revealed pockets of substantial financial impact as a result of the pandemic. The survey also revealed an ongoing increase in financial vulnerability for both rostered ministers and congregations. We expect that the impact of the pandemic will grow in the final months of 2021 and into 2022. Therefore, it is important that our pandemic-related relief efforts are directed by those most closely monitoring the situations in each synod.

The third principle of our pandemic-related grants is that the fundamental guidelines established by Lilly Endowment are honored. Pandemic grants are to be given to rostered ministers based on three criteria, namely, those most harshly impacted by the pandemic, those underrepresented populations who have experienced racial inequality, and those experiencing economic inequality. Individual distribution teams in each synod will use a general Lifeline Fund application form, modified for contextual concerns, as they consider pandemic-related grants.

B. Current Activities to be enhanced.

The foundational work of our Phase I and Phase II work, namely providing education debt relief grants to rostered ministers, will continue. The principle of assessing debt manageability using a scale that has proven to be effective will also be applied in Phase III. Grant monies allotted for education debt relief will be distributed by Synod Distribution Teams in each synod. New applicants will continue to be expected to engage in financial education efforts, either Financial Peace University or Six Weeks on Money, and have three sessions with a financial counselor from Portico Benefits or Lutheran Social Services Minnesota.

The Stewardship programs supported in Phases I and II have become a part of the culture of at least two of our partner synods, North Carolina and South Carolina. We are encouraged to see the results of the investment the Lifeline Fund has made in support of congregational stewardship programs, The decreased amount of money available to us in Phase III, alongside the continued need for education debt relief, lead to the decision that the Lifeline Fund in Phase III will no longer fund congregational stewardship efforts. One of our partners in Stewardship, Gronlund, Sayther, and Brunkow, have increased the reach of their programs, making them more available and accessible to congregations in the ELCA.

The Lifeline Fund program director will continue to reach out to rostered ministers to seek their permission for the program director to give a presentation to church councils on the economic challenges of education debt for rostered ministers. The presentations will include an invitation for congregation councils to consider adopting some method of financial support to offset their leader’s education debt.

Conversations with Bishops in ELCA Synods outside of Region 9 will be sought so that the key learnings of the Lifeline Fund can be shared and new efforts may emerge in those synods to address the economic challenges arising out of education debt. Bishop Amy Current of the Southeastern Iowa Synod will reach out to other Iowa Synods during Phase III to encourage them to address education debt challenges in their synods. Our work multiplies.

C. New Activities to be created.

First, the sustainability of the essential work of the Lifeline Fund will be addressed in a concerted effort. The program director in 2022 will invite the Bishop of each of our participating synods to assign a leader to address Lifeline Fund sustainability in the synod. Once the designated leader is identified, the Lifeline Fund program director, a professional certified coach with the International Coaching Federation, will conduct a series of three coaching calls over the duration of Phase III, 2022-2023. The purpose of the coaching calls will be to help each synod's designated leader to address the issue of sustainability in their synod and consider a sustainability proposal that would be submitted to their Bishop and the Synod Council.

Secondly, with the arrival of the Public Service Loan Forgiveness Program that now includes religious leaders, we intend to have conversations with each Lifeline Fund applicant about the program. We will also include periodic articles for Synod newsletters that will inform all rostered ministers about the new opportunity available to them.

D. Anticipated Outcomes.

Based on our previous Lifeline Fund work, we are confident in the capacity of the fund to yield significant outcomes.

First, we promote our program as providing "Three Ways To Win", namely healthy leaders, vital congregations and flourishing communities. Our grants reduce the stress of our leaders, leading them to healthier financial circumstances. Our education grants, combined with stewardship grants and the emerging partnerships when congregations help reduce their rostered minister's debt, lead to more effective congregational vitality. Vital congregations have more capacity to bless the communities in which they are planted. Three ways to win are expected as we continue the work of the Lifeline Fund.

The Lifeline Fund in Phase II has received 80 applications as of September, 2021; 53 from the North Carolina Synod; 9 from South Carolina Synod, 10 from Southeastern Synod, and 9 from the Virginia Synod totaling $313,000. We have reduced more than 175 years of cumulative debt payments so far. We expect those numbers of applicants and debt reduction to increase by 10-20% in the third year of Phase 2. We also expect to distribute more than $200,000 in education debt relief and $125,000 in pandemic-related relief to approximately 100 rostered ministers, yielding another round of "Three Ways To Win."

Financial education efforts are expected to continue to increase the financial stability of our leaders. Decreased debt loads and increased financial peace are expected to produce stronger steward leaders in our congregations.

One of the most commonly recognized fruits of the Lifeline Fund is the growing sense among our rostered ministers that their synod leadership "has their back" and cares about their well-being. Partnerships between rostered minister and synod staff are strengthened, which is healthy for both parties.

We fully expect that the North Carolina Synod will far exceed the requirement for matching funds. We also expect that our partner synods will at least reach their fundraising goal.

The sustainability plans we have included in this proposal are expected to lead to the continuation of the work of the Lifeline Fund in our participating synods.

We expect to engage two more partner ELCA synods in conversations about developing a "Lifeline" program in their synod before the end of Phase III.

E. Data Needed to support the anticipated outcomes.

We will continue to survey each grant recipient at the end of each year of the grant in order to measure the impact of our grants, gathering objective measurable data such as debt reduction in both amount and years of payments. We will also seek to gather information about the more subjective impacts of our grants in terms of the three ways to win.

F. Phase III leadership.

The roles and identities of the three main leaders in Phase II, the program director, program staff assistant and resource development director, will remain the same for the two years of Phase III. The overlap of one year between Phase II and Phase III means that no Phase III monies will be used for staff compensation in the first year of Phase III. A Steering Committee, made up of representatives from each participating synod, will oversee the Lifeline Fund. Reports will be submitted annually to Lilly Endowment and the North Carolina Synod for accountability purposes. Annual reports will be shared with all participating synods. Each synod council will choose elected members of the synod council to serve on their distribution team.

IV. <u>Plans for Sustainability</u>

A. <u>Current sustainability efforts</u>.

Efforts toward sustainability in the North Carolina Synod are rooted in the intention of making the Lifeline Fund a part of the culture of the North Carolina Synod.

Consistent communications, the commitment of Bishop Tim Smith, the involvement of our Synod Council, and the development of a data base of donors, including generous foundations in the North Carolina Synod have increased the likelihood that the Lifeline Fund will be sustained beyond Phase III. Bishop Smith, newly elected to a second three year term, is committed to carrying on efforts related to the economic challenges facing rostered ministers. The Lifeline Fund has already been embedded in the North Carolina Synod. In addition to Bishop Smith's involvement, the fund has been directed by the Synod Council, the Distribution team is made up of elected synod leaders, the stewardship committee regularly funds stewardship education, and the Lifeline Fund is funded in part by commitments of money directed by synod staff from synod sources of income such as the Peeler Fund. The Lifeline Fund, and its impact, is regularly reported at Synod Assemblies.

Sustainability plans also include the effort described in the section above on "New activities to be created," that is, having the program director coach a designated leader in each synod with a sustainability agenda.

B. <u>Progress in raising funds to sustain MEF</u>. The North Carolina Synod, by mid-2021 had exceeded the fundraising requirement for its share of the Phase II requirement by more than $25,000. We had also raised an excess of $292,000 in our Phase I matching funds requirement. It is the goal of the North Carolina Synod to raise $125,000 every year of our partnership with Lilly endowment. Our fundraising history gives us every confidence we will meet that goal. The South Carolina Synod has also reached its goal of raising Phase II matching funds one year early. The Virginia, Southeastern and Caribbean Synods, combined, are about $140,000 shy of their fundraising goals. The synod staffs, however, are confident in their fundraising capacity to meet their expected fundraising goals. The pandemic has had a larger impact on fundraising capacity in those synods that are new partners with us in Phase II.

C. <u>Impact of Phase II on Phase II scaling activities</u>. The possibility of a Phase III grant has enabled the North Carolina Synod to scale their activities even more than in Phase II. The North Carolina Synod has been nurturing relationships with synod staff in the Florida Bahamas Synod ever since the Florida Bahamas Synod decided not to join us in Phase II. We have had several conversations with Bishop staff and synod council members to inform them of our activities and explore how they might partner with us if we had a Phase III possibility. We are pleased to be able to scale our Phase III efforts to one more synod in Region 9, now including all Region 9 synods in our work, plus adding the Southeastern Iowa Synod. We plan to carry on the first year of Phase III, pandemic-related relief, at the same time we continue the third year education debt relief and stewardship grant work in Phase II. We plan to keep the financials of Phase II and Phase III separate in 2022, providing two separate financial reports.

We intend that the pandemic-related funds of Phase III will supplement and complement the work of Phase II.