

A LETTER OF UPDATE FROM THE BOARD OF DIRECTORS OF THE BOSTON CHURCH OF CHRIST

June 12, 2003

Dear Members of the Boston Church of Christ,

It is the board of directors' desire to update you on the steps the board has taken to address issues raised in the Church leadership group's March 16, 2003 apology letter. In that letter, the former oversight group (with the input and commendation of the group of evangelists and some non-staff leaders) apologized for having "a financial process that has not been more open to non-staff evaluation and review" and expressed "our intention to make major changes in this area."

Specifically, the letter set forth three important areas: 1) a reconstitution of the board of directors with more non-staff than staff serving; 2) a careful review of staff compensation; and 3) greater involvement by non-staff in financial management to ensure that Church funds are wisely spent.

Below are the steps that have been taken to address each of these areas since the March letter.

1. Board of Directors Composition and Elections

The current board of directors consists of three staff members (Gordon Ferguson, Cydnee Hines, and Mark Buchholz) and three non-staff members (Clarence Webster, John Martin, and Dr. Wayne Chin).

Given current demands on his schedule and a desire to allow other capable men to continue the work in New England and Europe, Dan Bathon announced his resignation as director and chairman at the April board meeting. Dan has served the church faithfully for over 13 years in numerous capacities including being a Deacon, World Sector Administrator, New England Europe Missions (our world sector) board member, Boston Church board member, and chairman of both boards at various times. Dan is now solely supported from a venture capital investment firm he founded.

The board wishes to express its gratitude to Dan for his faithful service, extraordinary financial generosity, and for the expertise he has so freely shared over the past many years to build and support the work in New England and Europe. Dan has agreed to remain available to the board in the near future to advise and help as needed during this time of transition.

At its past meeting, the board elected John Martin as interim chairman until a new chair is appointed upon the election of the new board.

As previously announced to the congregation, the board of directors is currently in the process of adding three additional non-staff director positions. These positions will expand the board to nine directors and ensure that at least two-thirds of the board consists of non-church employed directors.

Details of the director nomination process were made available to the regions in early May as well as posted on the church's website. Nominations have now been collected with the following election process in place:

- By June 26, 2003. Region-nominated candidates contacted and asked to provide a resume and complete an application if interested in being a director.
- By July 3, 2003. Elders and region leadership teams review and endorse candidates.
- By July 21, 2003. All candidates interviewed.
- By July 27, 2003. Entire Boston congregation receives ballot and biographies of proposed board of directors.
- August 3, 2003. Boston congregation votes for proposed slate of directors with option to 1) affirm all proposed directors, 2) not elect any one or all of proposed directors, or 3) to write in and vote for a different candidate.
- August 10, 2003. Boston congregation notified of election results.
- By September 8, 2003. New board meets and elects officers.

In addition to expanding the board, the current board will also be placing before the congregation amendments to the church by-laws at the upcoming annual meeting to establish staggered three-year director terms, term limits, and a requirement that the board be composed of two-thirds non-staff directors. The board believes these amendments will strengthen the board by adding greater participation of qualified members while also providing for continuity in leadership.

2. Review of Staff Compensation

In March, the board began discussions as to the proper process for reviewing staff compensation levels generated by the ICOC salary model. This "needs based model" has been in place for the past 15+ years. In 1999 the ICOC engaged an outside Washington D.C. law firm specializing in non-profit and church organizations. The firm was asked to review all employees' salaries produced by this model and to compare these salaries to comparable positions in similar organizations using ICOC job classifications, job descriptions, and total compensation. This outside review found the ICOC compensation to be "fair and reasonable" and noted "compensation for your ministry leadership tends to be less than what is provided for comparable positions in churches of similar size and

location.” However, over the past months the board has agreed with a growing number of members that the rationale and assumptions behind the model need to be re-examined and in some places discarded.

In order to help you understand the kind of salaries this model produces, the table below allows a comparison of the current Boston Church ministry staff employees (as of June 2003) with other church salaries:

		Salary Range	Average
Boston Church of Christ			
	Elders/Evangelists	\$44,898 - \$83,016	\$ 59,970
	Women's Ministry Leaders	\$36,906 - \$69,612	48,893
	Married Men Interns	\$29,613 - \$46,094	36,763
	Married Women Interns	\$29,007 - \$35,050	31,189
	Single Ministry Interns	\$26,880 - \$48,096	38,877
2003 Compensation Handbook ¹			
	Sr. Pastors with attendance of 751-1000 in suburban setting	N/A	86,003
	Sr. Pastors with attendance of 751-1000 in urban setting	N/A	103,229
	Sr. Pastors with attendance of 501-750 in suburban setting	N/A	75,285
	Sr. Pastors with attendance of 501-750 in urban setting	N/A	80,754
	Sr. Pastors with attendance of 251-500 in suburban setting	N/A	68,569
	Sr. Pastors with attendance of 251-500 in urban setting	N/A	67,154
	Associate Pastors with attendance of 501-750 in suburban setting	N/A	54,537
	Associate Pastors with attendance of 501-750 in urban setting	N/A	51,753
	Associate Pastors with attendance of 251-500 in suburban setting	N/A	51,728
	Associate Pastors with attendance of 251-500 in urban setting	N/A	47,105
Leadership Network Salary Survey ²			
	Senior Pastor	\$74,000 - \$210,000	124,000
	Executive Pastor	\$60,200 - \$130,000	92,830
	Associate Pastor	\$34,650 - \$110,500	63,409
	Women's Ministry Pastor	\$19,995 - \$68,969	43,578
Episcopal Church Salary Survey ³			
	Senior Pastor in MA (median) with attendance greater than 227	N/A	80,900
	Senior Pastor in MA (median) with attendance less than 226	N/A	68,600
Lutheran Church Salary Survey ⁴			
	All Lutheran ministers in all Lutheran churches in New England	N/A	50,853
Presbyterian Church Salary Survey ⁵			
	Pastors with congregation of 900-1000	N/A	74,780
	Pastors with congregation of 501-600	N/A	59,443

(See Notes at end of document) ⁶

In order to address the issue of proper staff compensation, the board of directors in its April meeting created a Compensation Subcommittee, consisting of the non-staff board members (Clarence Webster, Dr. Wayne Chin, and John Martin). The subcommittee has begun working with the church's administrative staff and the Hay Group, the premier consulting group in the world in evaluating and setting appropriate compensation levels for corporations and non-profit organizations.

Hay models typically identify appropriate salary ranges based on each staff position's key factors, such as the level of supervision, the knowledge required, and complexity of position. The ICOC hired the Hay Group last year to begin working on a new model and significant work has already been completed. In April, Hay began delivering the beginning results of its research and will continue to work with the Subcommittee this summer. Other compensation information and data will also be reviewed and used if decided by the board.

Upon completion of a new compensation model, the board's Compensation Subcommittee will then submit the new model to a Compensation Task Force composed of one non-staff member from each region of the church. The Task Force will review the new compensation program and provide recommendations to the board's Compensation Subcommittee.

The nomination process for the Task Force took place in May and task force members have been selected by the elders. Task force names will be made available in the next elder update. The new salary model will be in place by January 1, 2004.

3. Non-staff Involvement with Church Spending

In the March leadership letter, the former oversight group wrote:

Also in regard to finances we want to apologize to you for the fact that money was not always spent wisely.... there were times when other expenditures were in excess of what was appropriate and needed. At times, we allowed the financial culture of the late '90's to influence our decisions more than biblical principles, and for this we are very sorry.

To some degree, these comments were in reference to the staff's Professional Ministry Expense (PME) reimbursement policy. This policy is a typical business expense reimbursement policy utilized by most non-profit organizations as a way of reimbursing legitimate business expenses. Although this policy complied with all IRS regulations and monthly expense reports are strictly reviewed for compliance, there was a growing perception that the policy was overly generous and that staff should not be reimbursed for expenses that other non-staff disciples must pay for.

To address these concerns, last January of 2003 the non-staff board members worked with a task force of ministry staff members to create a new PME policy. This policy was

approved by the board of directors and was implemented for all Boston Church staff this past April. The following summarizes the new PME policy:

- Our membership desires staff to be viewed primarily as providers of spiritual encouragement and inspiration.
- Although permitted by law, Boston staff will no longer be reimbursed for ministry expenses that a regular member is required to pay for. This has become known as the “Joe Christian rule.” For example, ministry staff no longer may be reimbursed for mileage or parking related to Church, Bible Talk, or midweek events.
- All phone (whether cell, home, or business) and internet access fees are capped at uniform levels with some exceptions for those who make overseas calls to other churches.
- Business meals and supplies are capped at appropriate levels with new guidelines for appropriate spending per meeting.

The board commends this new policy to the congregation and believes it addresses the concerns expressed by some disciples and alluded to in the March 16 apology letter. Since April, the change in this policy has reduced the church’s business reimbursement plan costs roughly 20% per employee. The board will continue to monitor the policy and its results.

In addition to addressing the three areas mentioned in the former oversight group’s March letter, the board felt it would be helpful to take this opportunity to explain other areas of corporate oversight that have been addressed over the past several months.

4. 2003 Boston Budget

As most are aware, the worsening of the New England economy over the past several years has resulted in many of our members losing their jobs, taking pay cuts, or being forced to move to other parts of the country. In addition to creating very challenging circumstances for these disciples and their families, a financial effect is also felt on the Church by a reduction in weekly giving. It must also be stated that current turmoil in the church has also resulted in a reduction in weekly contribution. Based on current giving levels, the board projects that weekly giving in 2003 will be 15% lower than 2002. This equates to a decrease in over \$900,000.

The economic downturn and market correction has also had a significant impact on the Church in that stock donations that were intended to be given are no longer possible. Thankfully, because of the generosity of our members as well as a small handful of significant donors, the Church ended the year with a cash balance enabling us to downsize our budget in a deliberate fashion. However, at our spring 2003 spending levels, there was a projected \$1 million spending deficit for 2003.

The board of directors is committed to making sure that the Church lives within the budget established by the giving of its members. To address the current deficit and to ensure the Boston Church adequately addressed its deficit problem, in April the board asked the Boston elders to take steps necessary to reduce expenses by over \$1 million annually.

Since then, the Boston elders have met with each region's leadership team and from these discussions have made difficult staff cuts in both ministry and administration. In addition to losing staff who has served faithfully and well, regions have also been asked to reduce their facility budgets by meeting more often in house churches or combining worship centers with other regions. Since January of 2003 twenty-seven staff positions, including administrative staff, have been eliminated amounting to a savings from salaries, taxes, and benefits of over \$1.4 million annually.

While these cuts have been painful for our members to lose devoted and faithful staff, they were unfortunately necessary to reduce the church deficit. While some deficit remains, the Boston Board has adopted the revised 2003 budget, which adequately addresses the Church's financial situation given current cash reserves. The board wishes to express its sincere thanks to the Boston elders for the significant and unifying work these past few months to make these difficult but necessary decisions.

The board will continue to monitor the contribution and expenses and, if necessary, will recommend additional cuts to ensure the church remains financially strong.

5. Church Audit

As it has done for many years, the Boston Church employs outside auditors to audit our books. The board met with the auditor on May 5th to receive preliminary audit results and once again the Boston Church has received an "unqualified opinion," the highest mark given for an organization's accounting practices. Copies of the audit are available to members by contacting David Adams, the board secretary, at (978) 294-0130. At the beginning of next year, the board will also begin publishing an annual report for its members as has been done in the past.

6. Risk Management

As of this past March the ICOC Legal Department in Los Angeles has been reduced to a bare bones staff. This has required the Boston board to rely more heavily on Boston's administrative and legal staff to ensure the Church is addressing the key areas of risk management; mainly, is properly insured, continues to implement policies and procedures, and continues to train staff and volunteers on the key risk management policies. For example, in the past few months Boston ministry staff has received training as to the new state requirements for reporting child abuse as well as the appropriate way to handle the many challenging issues that arise in pastoral counseling.

The Board has also directed all Boston Church regions to work with the church's administrative staff to comply with Church policy which now requires criminal background checks for all volunteers working with children. The board is proud of the Church's safety record in all its children's, preteen, and teen ministries and will continue to expect full compliance with its policies to ensure the safest environment for our children.

Conclusion

The board of directors hopes this summary of some of the main corporate issues currently being addressed is helpful to the membership in understanding not just the various challenges facing the Church, but also the specific steps being taken to address them. As mentioned in this letter, a section of the Boston website will contain information to keep you abreast of these issues as well as to update members on an on-going basis as to the work of the board of directors.

The board believes each of these areas will strengthen the Church as an organization to help accomplish God's will in Boston and its outlying suburbs and communities. Please continue to pray for the Church, its leaders, and all disciples to continue to seek out His will in all areas of our lives.

Sincerely,

The Boston Board of Directors:

Mark Buchholz
Dr. Wayne Chin
Gordon Ferguson
Cydnee Hines
John Martin, Chair
Clarence Webster

Notes

- 1 *The 2003 Compensation Handbook for Church Staff* is published by Church Law & Tax Report. This survey is a compilation of approximately 7,000 ministry staff from nearly 2,500 churches of over 25 denominations. These numbers include salaries and housing allowance which is comparable to Boston staff salaries.
- 2 This survey is less scientific than Church Law & Tax Report's (see Note 1). The survey was compiled in 2001 by Leadership Network (<http://www.leadnet.org>) an organization focusing on congregations of 1000 members or more. Churches responding to the survey ranged from 1,150 to 13,000 in weekly attendance with an average of 3,700 weekly attendees. These numbers include the salary plus housing allowance which allows for a fair comparison with Boston staff salaries.
- 3 The Episcopal Church survey can be found at <http://www.lcpg.org>. A phone call to the author of the study, Dr. Matthew Price, revealed that these numbers consist of salary and housing allowance which is comparable to Boston staff salaries.
- 4 The Lutheran Church survey can be found at <http://www.elca.org/dm/leadership/salary.html>.
- 5 An entire website associated with Duke University's divinity school and devoted to minister compensation can be found at <http://www.pulpitandpew.duke.edu>.