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**BYLAWS  
FOR THE  
AMERICAN EVANGELICAL LUTHERAN CHURCH OF PRESCOTT, ARIZONA**

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## **CHAPTER 1 – NAME AND POWER OF THE CONGREGATION**

- B1.01** The name of this organization is **American Evangelical Lutheran Church (to be identified herein as AELC)**, a non-profit organization and Body of Christ organized under the laws of the State of Arizona and subject to the Arizona Revised Statutes.
- B1.02** The Church is organized exclusively for one or more of the purposes as specified in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Code.
- B1.03** The purpose of this Congregation is to know Christ and to make Him known. Individuals and groups within the Congregation shall submit to the authority of the Word, and all facets of life and activity shall conform to that norm to fulfill the purpose of the Church.
- B1.04** The financial year of the Church shall begin February 1 and end January 31 of the following year.
- B1.05** Real property shall not be purchased, sold, leased, transferred, encumbered, or otherwise disposed of except by a resolution adopted by a two-thirds majority vote of the members present and voting at a legally called meeting of the Congregation (Known as the Voters Assembly in the Constitution of AELC).
- B1.06** The Congregation shall have the authority to initiate or terminate the call of a pastor by a two-thirds majority vote of the members present at a duly convened meeting of the Congregation (referred to as the Voters Assembly in the Constitution of AELC).

## **CHAPTER 2 – COMMUNION PARTICIPATION AND CONFIRMATION**

- B2.01** This Congregation invites all of its members, who have been prepared to receive the Sacrament, to participate regularly in Holy Communion.
- B2.02** Preparation for Holy Communion will normally be provided for people in the latter part of the fifth grade.
- B2.03** Participation in Holy Communion shall be open to members of other congregations who accept the Lutheran teaching in regard to this Sacrament.
- B2.04** It shall be made known to prospective participants that the belief of

this Congregation is:

Participation in the Lord's Supper is the reception of "the body and blood of our Lord Jesus Christ given with bread and wine, instituted by Christ himself for us to eat and drink." We hold that a person is well prepared and worthy who believes these words, "given and shed for you for the remission of sins". But anyone who does not believe these words, or doubts them, is neither prepared nor worthy, for the words "for you" require simply a believing heart."

**B2.05** As evangelical Lutheran Christians, we recognize it is our duty to rear our children in the nurture and admonition of the Lord. The Pastor(s) shall, with all diligence and faithfulness, supervise the preparation and instruction of children for the Rite of Confirmation.

### **CHAPTER 3 – CORRECTIVE / DISCIPLINARY ACTION**

**B3.01** Denial of the Christian faith as described in the Constitution and Bylaws, conduct grossly unbecoming a member of Christ's Church, or persistent troublemaking in this Congregation are sufficient causes for correction of a member. Prior to disciplinary action, reconciliation will be attempted following Matthew 18:15-18, proceeding through these successive steps.

- a. Private admonition by the Pastor(s),
- b. Admonition by the Pastor(s) in the presence of two or three witnesses, and
- c. The member may be requested to appear before the Church Council.

**B3.02** Disciplinary action shall be administered by the Church Council on behalf of the Congregation, with the right of appeal to the Congregation. Disciplinary action in the Congregation shall be exercised in accordance with Matthew 18:15-18.

**B3.03** A person who is requested to appear before the Church Council for possible discipline shall be advised in writing no less than ten days prior to the hearing. The written notice shall include the time and place of the hearing and shall specify the exact reason for the possible discipline. If a person fails to appear at the time and place without a valid excuse, the Church Council may proceed with the hearing and reach its conclusion in his or her absence.

**B3.04** Should the person be found in need of discipline by a two-thirds vote of the members of the Church Council, the Council shall impose one of the following:

- a. Censure before the Church Council or the Congregation.
- b. Suspension from membership until proof is given of sufficient repentance and amendment.
- c. Exclusion from membership and denial of the Sacraments.
- d. In the event of the imposition of (b) or (c) above, the action of the Church Council shall be delivered to the member in writing.

## **CHAPTER 4 – CONGREGATIONAL MEETINGS**

**B4.01** Time and place of the annual meeting of the Congregation shall be announced:

- a. At all worship services held two (2) weeks before the meeting.
- b. In publications periodically issued by the Church.
- c. By written or emailed notice to the voting members not less than ten days before the meeting.

**B4.02** The annual meeting shall be held on the last Sunday of January each year. The annual meeting's Order of Business is:

- a. Opening Devotion
- b. Appointment of a Parliamentarian where it is announced that Roberts Rules of Order will govern the meeting.
- c. Approval of Previous Meeting Minutes
- d. Reports of the Senior Pastor, the Church Council, the President, the Treasurer, Committees, and others
- e. Elections
- f. Unfinished Business
- g. New Business
- h. Approval of Budget
- i. Closing Prayer

**B4.03** In the following cases, voting shall be by ballot if the voice vote is too close to call:

- a. To adopt or amend the Constitution, Articles of Incorporation, or Bylaws of the Congregation.
- b. To Call a Pastor or to request his or her resignation or remove a member from office in the Congregation.
- c. To dispose of, encumber, or purchase real property.
- d. When requested by 10 percent or more voting members present.

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- e. In all matters not specifically provided for herein, the procedure shall follow the most recent edition of Robert's Rules of Order.

**B4.04** The current rosters of voting, confirmed, and baptized members, as described in Chapter 5, shall be available at each meeting of the Congregation.

**B4.05** A five-member Nominating Committee for prospective Council Members shall be elected at the Congregation's annual meeting. The Senior Pastor shall serve as convener and as an advisory member. The term of office of the members of the Nominating Committee shall be one year.

- a. The Nominating Committee shall nominate one or more candidates for each office to be filled and shall secure the consent of each candidate.
- b. The list of nominees shall be announced to the Congregation in conjunction with the announcements of the meeting of the Congregation at which the elections are to take place.
- c. The Church Council shall fill vacancies on the Nominating Committee.
- d. In addition to the candidates submitted by the Nominating Committee, additional nominations may be made from the floor.

### CHAPTER 5 – THE CHURCH COUNCIL

**B5.01** The Church Council will be the governing body of the Church. The Church Council will consist of the following:

- a. Executive Council Committee comprised of the President, Vice President, Secretary, and Treasurer (four members).
- b. Council Coordinators.
- c. The Pastoral Staff and Leadership Team shall act in an advisory role to the Council as defined in B10.02.

**B5.02** The Church Council shall:

- a. Hire and terminate Program Staff (e.g., all staff members at the Director level or above) employees of the Congregation and shall fix their salaries in conformance with the current *Human Resource Procedures and Employee Policy Manual*.
- b. Ensure that Pastors and Program Staff spouses are not hired as employees of the Church.
- c. Operate within the limits of the approved budget of the Congregation. Any excess expenditures of the total voted budget must be approved by a two-thirds vote of the Church Council.

- d. Have general oversight of the life, worship, and work of the Congregation, as well as coordinate the activities of the Council Coordinators and committees of the Congregation.
- e. Determine the rosters of the baptized, confirmed, voting, and associate members of the Congregation. This task may be delegated to the church staff with the help of the Council Coordinator of Membership Growth and Support.
- f. Provide a periodic review of the Constitution and Bylaws.
- g. Perform other such duties and responsibilities as are provided in the Constitution and these Bylaws.
- h. Ensure that all legal documents are signed by the President and the Secretary.
- i. The Church Council will ensure that the *Financial Policies and Procedures* are being followed. Including verifying that the Bookkeeper will be accountable for the following responsibilities: record all monetary contributions to the Church; maintain the individual contribution records of all AELC members in a confidential manner; coordinate with the Counting Team Chairperson regarding the counting of offerings and other income. The Bookkeeper and Director of Administration will coordinate with the Treasurer and provide appropriate financial information to prepare the annual budget.

**B5.03** Qualification for membership on the Church Council shall include membership in the Congregation for at least one year before the election date, voting membership in good standing, and being at least eighteen years of age.

**Conditions for being recognized as a member in good standing:**

- **Active Participation:** The individual regularly attends services, participates in church activities, and is involved in the life of the church.
  - **Financial Support:** They may contribute to the church financially through tithes or offerings, although the expectations can vary.
  - **Adherence to Church Doctrine:** They agree with and follow the church's teachings, beliefs, and practices.
  - **Moral and Ethical Behavior:** They maintain behavior that aligns with the church's moral and ethical standards.
  - **Absence of Church Disciplinary Issues:** They are not involved in any ongoing conflicts or disciplinary actions within the church community (e.g., unrepentant sin or behavior that violates church norms).
- a. Vacancies on the Church Council may occur as a result of a death, resignation, or removal of a Council member.

- b. Removal of a Council member requires a written notice to the Council member and a hearing upon their request within thirty (30) days of their receipt of the notice by the Church Council that they are being removed.
- c. Openings on the Church Council also occur when the Congregation fails to elect the authorized number of Council members. They can be elected at any regular or special meeting of the Council. Further, the Church Council is permitted to declare the office of a Council member vacant when a person is found to be incompetent, is convicted of a crime involving moral turpitude, or does not accept the office of Council member.
- d. A Council member elected to fill a vacancy shall be elected for the unexpired term of the predecessor in office.
- e. No spouse, parent, child, or sibling of a full-time employee of AELC shall be elected to a position on the Church Council.
- f. No spouse, parent, child, or sibling of a Council member shall become a member of the Church Council at the same time.
- g. All Council members are expected to submit monthly reports to the Church Council. These reports shall be sent to the Council President or a designated individual responsible for compiling and organizing them. Each report shall include summaries of any relevant Board reports, Advisory Committee reports, and individual ministry reports within the member's area of responsibility.

**B5.04** Meetings of the Church Council shall normally be held on the last Thursday of each month or as determined by the Council.

- a. Insofar as is possible, the date, time, and place of the monthly meeting shall be published in the newsletter and website of the Church in January of each year. In the event that this day falls on a Holy day, the Church Council shall reschedule the affected meeting and post the information in the church bulletin and on the website.
- b. Special meetings of the Church Council may be called when needed. The Council President should provide 72 hours before the time of the meeting. Email notice will be considered a sufficient means of notification. Special meetings may be called by the President of the Church Council, the Senior Pastor, or three members of the Council.
- c. The President of the Church Council shall contact any member with three consecutive unexcused absences from regular monthly meetings. If another meeting is missed, the Church Council may, on a two-thirds vote of the Council, terminate the person's membership on the Council. The vacancy will be filled pursuant to B5.03.

## CHAPTER 6 – EXECUTIVE COUNCIL COMMITTEE

**B6.01** The Executive Council Committee shall consist of the President, Vice President, Secretary, and Treasurer.

- a. The Executive Council Committee is empowered to establish secondary committees to serve as support and to accomplish tasks, goals, and objectives as stated in the current strategic plan as approved by the Church Council and which are considered necessary for the worship and life of the Congregation.
- b. When necessary to Call a Pastor, the Executive Council Committee will select and charter a Search or Call Committee.
- c. Special meetings of the Executive Council Committee may be called by any member of the Executive Council Committee. Notice of any special meetings must be given to each member of the Committee at least 48 hours prior to the meeting.

### THE EXECUTIVE COUNCIL COMMITTEE:

1. Shall establish the agenda for all meetings of the Congregation and of the Church Council.
2. Shall consult with the Senior Pastor on sensitive staff matters and shall have additional powers and duties assigned by the Church Council.
3. Shall hire an outside financial agency to do one of the following every three years: Agreed-Upon Procedure Services, Compilation, Review, or a Full Audit (see Appendix A). The findings shall be reported in writing at the annual Congregational meeting. No member of the Congregation, spouse, parent, or child of an employee of AELC or Council member shall be hired for this review. Such reviews shall include an examination of existing insurance coverage and its adequacy.
4. Shall verify that the Director of Administration has annually reviewed the insurance policies for costs and deductibles.

**B6.02** Officers may serve multiple terms. The duties of the officers of the Congregation shall be as follows:

#### a. THE PRESIDENT:

1. Shall conduct meetings of the Church Council, the Congregation, and meetings of the Executive Council Committee. Shall provide leadership for the Church Council in their work, worship, and service, and provide consultation with the Pastoral staff regarding matters of the Congregation. The President shall also make assignments as needed.



2. Shall have additional powers and duties as assigned by the Church Council.
3. Shall communicate regularly with the Senior Pastor and ensure all constitutional provisions and policies as they pertain to the Senior Pastor are followed.
4. Shall ensure all constitutional provisions and policies as they pertain to the Associate Pastor(s) and church staff are followed, including yearly evaluations and continual oversight of the organizational structure of the Congregation.
5. Shall provide liaison between the Church Council and the Human Resources Committee in all matters, including staffing, staff pay, and benefits.
6. Shall assume the duties of the Vice President when that position is vacant and until a replacement is secured.

**b. THE VICE PRESIDENT:**

1. Shall have additional powers and duties as assigned by the Church Council.
2. Shall assume the duties of the President when he or she is temporarily absent, or the position is vacant until a replacement is secured.
3. Shall assist in matters of the Congregation as assigned by the President.

**c. THE SECRETARY:**

1. Shall be responsible for the minutes and records at all Church Council meetings, Congregation meetings, and Executive Council Committee meetings.
2. Shall maintain the official records, which consist of the Council minutes and Congregational meeting minutes, which include all records except those maintained by the Treasurer, Bookkeeper, or Director of Administration.
3. Shall perform those duties as may be required by law.
4. Upon the expiration of his or her term of office, shall verify that the official records of the Congregation are stored on the Director of Administration's server for AELC.

**d. THE TREASURER,** in cooperation with Church staff, shall be responsible for the financial records and reports to the Church Council and the Congregation. Additionally, the Treasurer:

1. Shall monitor all fundraising activities necessary to achieve the mission of the Church.

2. Shall recommend to the Church Council the budget based on the requests submitted by all committees and Church staff.
3. Shall monitor the disbursement of the funds of the Congregation, ensuring adherence to Budget restrictions.
4. Shall recommend to the Church Council whatever disbursement reductions may be necessary if sufficient funds are not available to meet the budget.
5. Shall present a report at the annual meeting of the Congregation on the financial affairs for the past year and a report on the financial affairs of each Committee and Board.

## **CHAPTER 7 – CHURCH COUNCIL**

**B7.01** The Council members shall be elected at the annual meeting of the Congregation for a three-year term. Those serving as Executive Council Officers will be appointed yearly per AELC's Constitution C7.03 guidelines.

### **Executive Council (Officers) positions are as follows:**

1. President
2. Vice President
3. Secretary
4. Treasurer

The roles of the Council Coordinators will be defined by the Council as necessary to effectively support and advance the mission and vision of AELC, ensuring that each position aligns with the needs and goals of the Congregation.

**B7.02** Each Council Coordinator is the responsible council representative and liaison between the Church Council and an established Advisory Committee (as deemed necessary by the Council Coordinator) and/or representatives of ministries under their area of responsibility. This is appropriate to provide a base of operations for all the ministries, programs, committees, and projects (to be comprehensively identified herein as ministries) as divided and assigned by the Church Council. Every ministry of the Church will be placed under the oversight of one of the Council Coordinators.

Furthermore, the Council Coordinators shall familiarize themselves with the inner workings of the various ministries under their area of responsibility to establish effective communication with the ministries, Advisory Committee, and Church Council.

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The primary duties of all Council Coordinators in accordance with the Church Bylaws B5.01 shall include:

- a. Recruiting and establishing an Advisory Committee (as deemed necessary by the council coordinator) made up of representatives from various ministries who have been assigned to their area by the Church Council, unless said Advisory Committee already exists.
- b. Being available to provide advice and guidance to the Advisory Committee. They may help to recruit a competent chair or facilitator for the Advisory Committee.
- c. Providing guidance, direction, and assistance with grievances and reporting any issues that cannot be resolved to the Executive Council Committee and the Church Council.
- d. Ensuring their identified Advisory Committee's reports, when needed, are submitted for Church Council consideration one week before council meetings. The Council Coordinator shall be fully informed and ready to explain all recommendations in the report. When appropriate, the Council Coordinator will invite the relevant Advisory Committee chairs or ministry representatives to attend Church Council meetings to assist in this endeavor.
- e. Annually reviewing their ministries' goals, objectives, and budgets with their Advisory Committee Chairs and/or Ministry Leaders.
- f. Providing a written report on the activities of their identified Advisory Committee and the ministries in their area of responsibility at the Congregation's annual meeting and at such other times as the Congregation may request.

**B7.03** In addition to the duties and responsibilities provided in the Bylaws, the various duties of each Council Coordinator are specified in the Church Council's Standard Operating Procedures Manual.

### **CHAPTER 8 - OTHER BOARDS AND COMMITTEES**

**B8.01** Only the Church Council can establish a Standing or Ad Hoc Committee that will have duties involving the Church as a whole, or if the proposed Committee has duties involving the collection and disbursement of Church funds. Standing committees or boards shall have their own charter or bylaws and be responsible to the Church Council, either directly or through the Church staff.

- a. **Human Resources Committee:** The Committee will consist of the President, Vice President, and either a Council Coordinator or a church member with expertise in corporate or HR matters. It will oversee periodic salary reviews to ensure equitable compensation for employees, address sensitive HR disciplinary issues, verify employee

performance evaluations are being done, and ensure compliance with labor laws. Additionally, the Committee will maintain the Human Resource Procedures and Employee Policy Manual. The Committee will report directly to the Executive Council.

- b. **Endowment Board:** This Board of five members will manage the AELC Endowment Fund, which is a separate fund of contributions, gifts, bequests, and donations directed to the AELC Endowment Fund. It will report quarterly status to the Council Vice President.
- c. **Pre-School Advisory Board:** This Board will oversee the Preschool Director and the overall operations of the AELC Preschool. The Council Coordinator responsible for the Children's Ministry, as outlined in the Standard Operating Procedures, will serve as a member of this Board.
- d. **Benevolence Committee:** This Committee will make recommendations to the Church Council for the giving by AELC to charities both inside and outside the Church. It will report to the Council Coordinator, who is responsible for Benevolence, as outlined in the Standard Operating Procedures.
- e. **Restoration Committee:** This Committee will be appointed as deemed necessary by the Executive Council Committee and the Senior Pastor and will oversee the disciplinary process as provided for in these Bylaws. The Committee will be responsible to the Executive Council Committee.
- f. **Management of the Columbarium:** The Director of Administration will be responsible for the operation and maintenance of the Crossroads Outdoor Chapel and Columbarium, and for the funding and maintenance of the Perpetual Care Trust Fund to be used for the care and upkeep of the Crossroads Outdoor Chapel and Columbarium grounds. The Director of Administration will work with the Council Coordinator, who is responsible for the Property and Assets as outlined in the Standard Operating Procedures regarding the maintenance of this property.

## **CHAPTER 9 – CONFLICTING LOYALTIES**

- B9.01** The buildings of the Congregation shall be open to all people to share in worship, instruction, pastoral care, and fellowship. AELC reserves the right to reject all fellowship with organizations, secret or open, which practice forms of religion without confessing faith in the Triune God and Jesus Christ as the eternal Son of God incarnate to be our only Savior from sin.
- B9.02** Ceremonies of lodges or similar organizations shall not be permitted on the premises of the Congregation. Additionally, the Pastor(s) and lay assisting ministers shall not participate in such ceremonies,

regardless of location, unless they align with Appendix A and B of the AELC Constitution.

**B9.03** All weddings performed in the facilities of American Evangelical Lutheran Church, or by any of its Pastors in any venue, are Christian worship services.

## **CHAPTER 10 – THE PASTOR(S)**

**B10.01** When the Congregation has voted to Call a Pastor, it shall issue a Letter of Call to the Pastor-elect. It shall be signed by the President and the Secretary of the Council.

- a. A Call to a Clergy to be an Associate Pastor will be issued only with the concurrence of the Senior Pastor of the Congregation. The duties of the Associate Pastor, compensation, and other matters pertaining to the service of the Associate Pastor shall be included in a letter of call.
- b. The call will normally be for an indefinite time. A Call issued to an Associate Pastor may be for a defined period of time.

**B10.02** The Senior Pastor shall be directly responsible to the Church Council and shall be an advisory member of the Church Council and its various committees. Associate Pastors and other staff designated by the Senior Pastor will serve as the Leadership Team. The Leadership Team shall provide monthly status reports to the Council on the activities in the areas of their responsibility.

- a. Duties of the Pastor shall include but not be limited to: preach the Word properly, distinguishing between Law and Gospel; administer the Sacraments; conduct public worship; provide pastoral care; preside at confirmations, marriages, and funeral services; oversee all schools and organizations of this Congregation; install regularly elected members of the Church Council; administer discipline together with the Church Council; seek out and encourage qualified persons to prepare for the ministry of the Gospel; strive to extend the Kingdom of God in the community, in the nation and abroad; impart knowledge of this Church and its more comprehensive ministry through the distribution of its periodicals and other publications; endeavor to increase the Congregation's sense of partnership in the broader work of the Kingdom of God; and equip the saints for ministry, helping each to identify and use his or her gifts for ministry both within and beyond the Congregation.
- b. Ministerial Records – the Senior Pastor shall be responsible for ensuring the Director of Administration is keeping accurate records

of membership and ministerial acts on forms provided by the Congregation, which shall remain property of the Congregation. This will be accomplished in coordination with the Council Coordinator of Membership Growth and Support. The Senior Pastor shall report these statistics to the Congregation annually and to the North American Lutheran Church (NALC) and the Lutheran Congregations in Mission for Christ (LCMC) as required.

**B10.03** If a Pastor receives a Call to another ministry, the Pastor is to consult the Church Council, or if the Pastor desires, the Congregation, before reaching a decision. The Pastor should announce his or her decision as quickly as possible. If the call is accepted, the Pastor should terminate his or her ministry as soon as feasible. The Call of a Congregation, when accepted by a Pastor, shall normally constitute a continuing mutual relationship and commitment which, except upon the death of the Pastor, shall be terminated only following consultation among the Church Council and committees and for the following reasons:

- a. Mutual agreement to terminate the call or the completion of a Call for a specific term.
- b. Resignation of the Pastor.
- c. Inability to conduct pastoral office effectively in the Congregation in view of local conditions, without reflection on the competence or the moral and spiritual character of the Pastor.
- d. The physical or mental incapacity or incompetence of the Pastor.
- e. Disqualification of the Pastor through discipline on grounds of doctrine, morality, or continued neglect of duty.
- f. The dissolution of the Congregation.

**B10.04** A special meeting to request a pastor's resignation shall meet all specified requirements for Congregational voting meetings (Known as the Voters Assembly in the Constitution of AELC). A resolution requesting the Pastor's resignation must be adopted by a two-thirds majority ballot vote of those present and voting, representing a quorum of the membership. No less than a 10-day notice of such a meeting shall be given. Before requesting the resignation, all parties, including the Pastor, shall have the opportunity to be heard at a specially-called meeting of the Church Council. Following this, a special Congregational meeting may be called to consider the Pastor's resignation. If the resignation is requested, the Pastor will be placed on administrative leave per the Human Resource Procedures and Employee Policy Manual pending the outcome of the hearing. If the resignation is adopted by the Congregation, the Pastor shall vacate the office at the specified time. If the Pastor fails to do so, the Church Council shall declare the pastoral office vacant.

## **CHAPTER 11 – PARISH RECORDS**

**B11.01** The records of the Congregation shall be and remain the property of the Congregation. The Director of Administration shall be responsible for the maintenance of the records except as otherwise provided herein. The records shall consist of:

- a. The roster of baptized, confirmed, voting, and associate members.
- b. The ministerial acts performed by the pastors.
- c. The minutes of the meetings of the Congregation and the Church Council, for which the Secretary and Director of Administration shall be responsible.
- d. The financial records of the Congregation, for which the Treasurer and Director of Administration shall be responsible.
- e. The Constitution, BYLAWS, and all Policy and Procedure Manuals

**B11.02** The Senior Pastor shall report to the North American Lutheran Church (NALC) and the Secretary of the Lutheran Congregations in Mission for Christ (LCMC) on the items listed in paragraphs a. and b. of section B11.01, when requested. The Senior Pastor shall annually report to the Congregation the items listed in paragraphs a. and b. of section B11.01 with the assistance of all Council Coordinators and the Director of Administration.

**B11.03** Should the Congregation cease to do business and be dissolved, all property and funds remaining after the payment of the debts of the Congregation shall be distributed to the North American Lutheran Church (NALC) (or its successor) or a corporation, trust, foundation, or other organization organized and existing for religious and/or charitable purposes which would then qualify under the provisions of Section 501(c) (3) of the Internal Revenue Code, as now enacted or as may hereafter be amended.



**APPENDIX A  
DIFFERENCES IN AUDIT, REVIEW, COMPILATION,  
AND AGREED UPON PROCEDURES**

**Audit** – An Audit is the highest level of financial statement service a CPA can provide. The purpose of the audit is to provide financial statement users with an opinion by the auditor on whether the financial statements are prepared in accordance with the proper financial framework. To obtain reasonable assurance, items are observed, tested, confirmed, compared, or traced based on the auditor's judgment of their materiality and risk.

An Audit is most often requested from a bank for a large loan request, from stockholders of a large publicly-traded company, or a government agency if the company is receiving government funds through grants, loans, or other means. Another significant reason for an audit is suspected fraud.

An Audit is the most expensive level and can reach the level of \$40,000 - \$50,000.

**Review** – A review is conducted to provide limited assurance that there are no material modifications that should be made to the financial statements for them to be in conformity with the financial reporting requirements.

Methods used to obtain this assurance are inquiries of staff and management, analytical procedures, ratio measures, and review procedures and policies to ensure management's responsibility for internal control and responsibility to detect and prevent fraud.

A Review can be expected to cost \$10,000 - \$25,000.

**Compilation** – A compilation is conducted to assist management in presenting financial information in the form of a financial statement without undertaking to provide any assurance that there are no material modifications that should be made to the financial statement so they will conform to the acceptable financial reporting framework.

This is obtained by gaining an understanding of the business/non-profit and presenting financial information in the accepted format of proper financial statements.

A Compilation cost can be \$5,000 - \$10,000.

**Agreed Upon Procedures** - This is a standard the CPA and the client determine to be performed and acknowledged to be appropriate for the intended purpose and reporting on findings based on the procedures performed. It consists of tests or processes to be performed on specific areas



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of the financial statement. This can be on payroll, accounts payable, revenue, policies, and procedures, or other areas deemed material.

The CPA does not issue financial statements in the acceptable financial reporting framework.

Agreed Upon Procedures cost would range from \$2,500 - \$5,000 depending on the agreed upon areas covered.