

Grace Fellowship – Guiding Principles

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Why Elders Adopted Guiding Principles

Grace Elder Board has adopted the governance approach known as the Accountable Model of Leadership. This approach directs and empowers the Lead Pastor to lead the church in accomplishing its mission without hands on involvement by the Elders. This model involves the development of a set of governing principles by the Elder Board called **Guiding Principles**.

These principles are divided into three sections—**Mission, Boundary, and Accountability** principles.

Mission principles prescribe the goals to be achieved by the Lead Pastor. They define, in outcome terminology, the objectives Grace will accomplish, for whom, and with what results.

Boundary principles set constraints on the means that may be used in pursuit of mission goals. These principles give the Lead Pastor not only the responsibility for accomplishing the mission of the church but also the authority needed to fulfill the mission. The Lead Pastor is empowered to use appropriate and necessary means to accomplish the purpose within the boundaries established by the Elders.

Accountability principles define the Elder Board’s process of governing and how the lead pastor relates to the Elder Board. These principles provide clarity on how accountability will be provided and how Lead Pastor performance is assessed. This accountability feature does not involve micromanaging but provides support for the lead pastor for mission accomplishment.

Elders believe that a policy-governed, pastor-led approach to governance is more suitable for growing Grace into a healthy church than hands-on involvement. It provides autonomy within boundaries in outcomes desired and empowers pastoral leadership to accomplish results.

These Guiding Principles do not have the force and effect of the Constitution. Rather, they are intended to provide much needed guidance and clarity for the lead pastor and the Board.

Mission Principles

MP1.0 Mission Statement: Helping people experience Grace by leading and loving our cities. A fully devoted follower of Christ is a person who knows God, finds friends, discovers their purpose, and makes a difference. We believe discipleship is multiplying this process while being a reproducing church.

MP1.1 Know God: We want people to experience God’s grace weekly. We will intentionally invite all to accept God’s gift of salvation, take a step of obedience through Believer’s baptisms, and take steps toward discipleship.

MP1.1.1 – Measurable goals: 10% growth in attendance. Present the gospel with an invitation every week. Offer baptisms at least 10 times per year.

MP1.2 Find Friends: God designed us to live in community with others. Connecting with others in small groups is a practical and enjoyable way to find friends and experience Grace.

MP1.2.1 – Measurable goals: 70% of adult attendance average are in small groups. Measured twice a year in October and February.

MP1.3 Discover Purpose: God has a plan for every believer’s life. We offer GrowthTRACK regularly to help people discover their purpose and participate in God’s great commission plan.

MP1.3.1 – Measurable goals: 10% growth in membership.

MP1.4 Make a Difference: God's ultimate plan for our lives is to make a difference in the lives of others. Through our Dream Team of volunteers, we hope to connect every person to an opportunity to live out their calling by using their spiritual gifts, talent and resources to serve others in the church and the community.

MP1.4.1 – Measurable goals: 20% attendance to Sunday volunteer ratio measured twice a year in October and February.

MP1.4.2 – Meet the general budget goal and increase giving by 3-5% annually.

MP1.5 Reproducing Church: Healthy things grow and reproduce. We are dedicated to multiplying churches.

MP 1.5.1 – Measurable goals: Help start at least one church plant a year.

Boundary Principles

BP1.0 Comprehensive Boundary Statement

The Lead Pastor shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, unethical, or imprudent or contrary to God’s Word, evangelical Christian values, the Bylaws of Grace Fellowship, or the Guiding Principles. These principles apply to the Lead Pastor, and all members of the staff through the supervision of, and accountability to, the Lead Pastor. The Lead Pastor may delegate tasks in this section to meet these principles.

BP1.1 Component: Biblical and Moral Integrity. With regard to the teaching, leadership, and membership of the church, the Lead Pastor shall not fail to uphold high standards of biblical teaching and morality.

BP1.1.1 Detail Principle: Theological Parameters. The Lead Pastor shall not knowingly allow Grace Fellowship personnel to disregard or oppose the essentials of evangelical Christian theology such as those in Grace Fellowship’s Statement of Faith, nor shall the Lead Pastor fail to apply appropriate discipline

toward any leader or activity associated with Grace Fellowship that disregards or opposes such essentials.

BP1.1.2 Detail Principle: Moral Boundaries. The Lead Pastor shall not knowingly allow any Grace Fellowship personnel to violate or advocate the violation of basic moral boundaries established by the Bible, the laws and regulations applicable to Grace Fellowship, and as expressed in the policies established by Grace Fellowship, nor shall the Lead Pastor fail to apply appropriate discipline toward any leader or activity associated with Grace Fellowship that disregards or violates such boundaries.

BP1.1.3 Detail Principle: Ministry Standards. The Lead Pastor shall not allow Grace Fellowship personnel to persist in ministry practices that are inappropriate for an evangelical church or unproductive with respect to the Mission Principles of Grace Fellowship, nor shall the Lead Pastor fail to apply appropriate discipline toward any leader or activity associated with Grace Fellowship that disregards or opposes such standards.

BP1.1.4 Detail Principle: Member Conflict Resolution and Discipline. The Lead Pastor shall not fail to pursue appropriate conflict resolution and discipline among the members of Grace Fellowship, in accordance with the Constitution and Bylaws, and with the support and participation of the Elder Board, where appropriate.

BP1.1.5 Detail Principle: Communion, Baptism and Marriage. The Lead Pastor or the Lead Pastor's designee shall not fail to perform the ordinances of Communion and Baptism, and to perform marriages, in accordance with the Constitution and Bylaws, and any policy statements adopted by the Elder Board, which shall be attached to these Guiding Principles.

BP1.2 Component: Financial Planning and Budgeting. Financial planning for any fiscal year or the remaining part of any fiscal year shall not deviate materially from the Mission Principles or risk financial jeopardy.

BP1.2.1 Detail: Sufficient Information. The Lead Pastor shall not allow budgeting that contains too little information to enable credible projection of revenues and expenses, separation of capital and operational items and relation of expenditures to Mission Principles.

BP1.2.2 Detail: Expenditures within Projected Funds. The Lead Pastor shall not allow budgeting that plans the expenditure in any fiscal year of more funds than are conservatively projected to be received in that period, unless special circumstances are adequately described including a realistic plan to make up the deficit within the following fiscal year.

BP1.2.3 Detail: Asset and Cash Margins. The Lead Pastor shall not allow spending that at any time reduces the current assets to less than 150% of current liabilities or allows cash to drop below a safety reserve of less than ½ (one-half) month's expenses.

BP1.2.4 Detail: Elder Board Funding. The Lead Pastor shall not allow budgeting that provides less for Elder Board activities during the year than is set forth in the Cost of Governance Principle, AP1.2.8.

BP1.3 Component: Financial Condition and Activities. With respect to the actual, ongoing financial conditions and activities, the Lead Pastor shall not allow the development of fiscal jeopardy or a material deviation of actual expenditures from Elder Board priorities established in Mission Principles.

BP1.3.1 Detail: Expenditures. The Lead Pastor shall not expend more funds than have been received in the fiscal year to date unless the following debt guideline, BP1.3.2, is met.

BP1.3.2 Detail: Debt. The Lead Pastor shall not indebted the church in an amount greater than can be repaid by reliable, otherwise unencumbered revenues within 120 days, subject to other conditions established by the Elder Board and/or Church Treasurer.

BP1.3.3 Detail: Inter-fund Shifting. The Lead Pastor shall not conduct inter-fund shifting in amounts greater than can be restored to a condition of discrete fund balances by reliable, otherwise unencumbered revenue within ninety days, without prior approval of the Elder Board.

BP1.3.4 Detail: Payroll and Debt Settlement. The Lead Pastor, in conjunction with the Church Treasurer, shall not fail to settle payroll and debts in a timely manner.

BP1.3.5 Detail: Government Payments and Filings. The Lead Pastor, in conjunction with the Church Treasurer, shall not allow tax payments, if any, or other government-ordered payments or filings to be overdue or inaccurately filed.

BP1.3.6 Detail: Purchase Cap. The Lead Pastor shall not make a single purchase of greater than \$50,000.00 (Fifty Thousand Dollars).

BP1.3.7 Detail: Real Property. The Lead Pastor shall not acquire, encumber, or dispose of real property.

BP1.4 Component: Asset Protection. The Lead Pastor shall not allow the assets to be unprotected, inadequately maintained, or unnecessarily risked.

BP1.4.3 Detail: Facilities and Equipment. The Lead Pastor shall not subject facilities and equipment to improper wear and tear or insufficient maintenance.

BP1.4.4 Detail: Liability. The Lead Pastor shall not unnecessarily expose the organization, its Elder Board, or its staff to claims of liability.

BP1.4.5 Detail: Purchases. The Lead Pastor shall not make any purchase 1) wherein normally prudent protections has not been given against conflict of interest; 2) of over \$1,000 (One Thousand Dollars) without having obtained comparative prices and quality; and 3) of over \$50,000 (Fifty Thousand Dollars) without Elder Board approval.

BP1.4.6 Detail: Information Protection. The Lead Pastor shall not fail to protect intellectual property, information, and files from loss or significant damage.

BP1.4.7 Detail: Auditor. The Lead Pastor shall not receive, process, or disburse funds under controls that are insufficient to meet the Elder Board, Church Treasurer or Auditor's standards.

BP1.4.9 Detail: Public Reputation. The Lead Pastor shall not endanger the organization's reputation or credibility in the community, or its testimony as part of God's church, particularly in ways that would hinder its accomplishment of Christ's mission for the church.

BP1.5 Component: Treatment of Individuals. With respect to interactions with individuals, whether members, attenders or others, the Lead Pastor shall not cause or allow conditions, procedures, or decisions that are unsafe, undignified, unnecessarily intrusive, or that fail to provide appropriate confidentiality or privacy.

BP1.5.1 Detail: Conflict Resolution Principles. The Lead Pastor shall not allow or permit any expression of conflict or offense by any person regarding any other person when such expression occurs outside the principles established by the Leadership Relationship Agreement or the Constitution and Bylaws, nor shall the Lead Pastor fail to take appropriate measures to guide participants to resolve underlying conflict and to counsel or discipline participants in the event of inappropriate expressions.

BP1.5.2 Detail: Circumstances of Counseling. The Lead Pastor shall not allow or permit circumstances in which staff members or volunteers counsel members of the opposite sex alone or without appropriate safeguards against the appearance of impropriety or the expression of allegations of impropriety, nor shall the Lead Pastor fail to institute appropriate policies to guide staff members or volunteers regarding the circumstances of counseling.

BP1.5.3 Detail: Suitability for Position. The Lead Pastor shall not allow or permit any person to serve as a staff member, ministry leader or volunteer without an assessment of that person's suitability for the position for which they are being considered, in terms of spiritual maturity, temperament, gifts and talents, commitment to the mission of Grace Fellowship, and other criteria deemed suitable by the Lead Pastor and the Elder Board.

BP1.5.4 Detail: Background Checking. The Lead Pastor shall not allow or permit any person to serve in any staff position, or in any volunteer capacity in which the volunteer will be involved in the care or custody of children, students, or church money or accounts, who has not (1) completed a volunteer application; (2) been subject to a criminal background check; and (3) been trained regarding standards and policies adopted by the Lead Pastor for the conduct of staff and volunteers in the various ministries of the church.

BP1.6 Component: Compensation and Benefits. With respect to employment, compensation, and benefits to employees, consultants, and contract workers, the Lead Pastor shall not cause or allow jeopardy

to fiscal integrity or public reputation. The Lead Pastor shall adhere to the Grace Fellowship Compensation Philosophy.

BP1.6.1 Detail: Lead Pastor Compensation. The Lead Pastor can allocate his/her own compensation within the total amount approved by the Elder Board in the budget. This includes housing allowance, retirement savings, etc.

BP1.6.2 Detail: Promise of Employment. The Lead Pastor shall not promise or imply permanent or guaranteed employment, or make any statement or promise which is inconsistent with the principle that all employees of Grace Fellowship are employed at-will, meaning that any employee of Grace Fellowship may terminate any employment relationship at any time, with or without cause or reason.

BP1.6.3 Detail: Market Value. The Lead Pastor shall not recommend current compensation and benefits that deviate materially from the geographic or professional market for the skills employed, taking into account performance, education, experience, ministry growth and other factors which may be pertinent to compensation for particular staff members.

BP1.6.4 Detail: Term of Compensation. The Lead Pastor shall not create compensation obligations beyond the term of the currently effective budget, and in all events subject to losses in revenue.

BP1.6.5 Detail: Fairness of Benefits. The Lead Pastor shall not recommend or change health insurance or retirement benefits so as to cause unpredictable or inequitable situations.

BP1.7 Component: Treatment of Staff. With respect to the treatment of paid and volunteer staff, the Lead Pastor may not cause or allow conditions that are unfair, undignified, or contrary to law or Grace Fellowship Constitution and Bylaws or the Guiding Principles.

BP1.7.1 Detail: Personnel Policies. The Lead Pastor shall not operate without concise personnel policies that clarify rules for staff, provide for effective handling of grievances, and protect against wrongful conditions such as nepotism and grossly preferential treatment for personal reasons.

BP1.7.2 Detail: Conflict Resolution. The Lead Pastor shall not allow or permit any expression of conflict or offense by any staff member or volunteer regarding any other person when such expression occurs outside the principles established by the Leader Relationship Agreement and the Constitution and Bylaws, nor shall the Lead Pastor fail to take appropriate measures to guide participants to resolve underlying conflict and to counsel or discipline participants in the event of inappropriate expressions.

BP 1.7.3 Detail: Grievances. The Lead Pastor shall not prevent staff expressing a grievance to the Elder Board when (1) internal procedures have been exhausted, and (2) the employee alleges either that Boundary Principles have been violated to his or her detriment or that Boundary Principles do not adequately protect his or her rights under law or Grace Fellowship Constitution and Bylaws

or the Guiding Principles.

BP1.7.4 Detail: Suitability for Position. The Lead Pastor shall not allow or permit any person to serve as a staff member, ministry leader or volunteer without an assessment of that person's suitability for the position for which they are being considered, in terms of spiritual maturity, temperament, gifts and talents, commitment to the mission of Grace Fellowship, and other criteria deemed suitable by the Lead Pastor and the Elder Board.

BP1.7.5 Detail: Background Checking. The Lead Pastor shall not allow or permit any person to serve in any staff position, or in any volunteer capacity in which the volunteer will be involved in the care or custody of children, students, or church money or accounts, who has not (1) completed a volunteer application; (2) been subject to a criminal background check; and (3) been trained regarding standards and policies adopted by the Lead Pastor for the conduct of volunteers in the various ministries of the church.

BP1.7.6 Detail: Position Definition and Goals. The Lead Pastor shall not allow or permit any person to serve in, or present for Elder Board approval, any staff or volunteer leadership position without a position description for that position, accompanied by goals specifically related to the Mission Principles and a description of the budget authority associated with that position.

BP1.7.7 Detail: Staff Code of Conduct. The Lead Pastor shall not allow or permit any person to serve as a member of the staff or a ministry leader who fails to (1) serve with un-conflicted loyalty to the interests of Christ regarding those whom He has called His church to serve (Matt. 28:18-20); (2) promote such loyalty above any personal or group interest among or outside consumers of the church's services; and, (3) disclose any fiduciary conflict of interest and withdraw from any decision-making affected by it.

BP1.7.8 Detail: Notice. The Lead Pastor shall not fail to acquaint staff with their rights according to these principles.

BP1.7.9 Detail: Staff Health. The Lead Pastor shall not fail to administer an annual staff health survey and make a report to the Elder Board.

BP1.8 Component: Communication and Support to the Elder Board. The Lead Pastor shall not permit the Elder Board to be uninformed or unsupported in its work.

BP1.9 Component: Emergency Lead Pastor Succession. In order to protect the Elder Board from the sudden loss of Lead Pastor services, the Lead Pastor may have no fewer than one other ministry staff member familiar with Elder Board and Lead Pastor issues and processes.

Accountability Principles

AP1.0 Comprehensive Accountability Statement

The responsibility of the Elder Board member before God, on behalf of people in Brooklyn Park and the surrounding region who need to be led to Christ and nurtured in Him, is to see that Grace Fellowship, through the leadership of its Lead Pastor, (1) achieves the fulfillment of its Mission Principles, and (2) avoids violation of its Boundary Principles.

AP1.1 Component: Stewardship to Christ for Those He Calls Us to Serve. The Elder Board shall maintain an active connection to the “moral ownership” of the church: Christ and the people he has called his church to serve.

AP1.1.1 Detail: Helping People Become Fully Surrendered Disciple-Makers of Jesus Christ. The Elder Board will continually gather input, feedback, and data to evaluate the success of Grace Fellowship in meeting its Mission Principles.

AP1.1.3 Detail: Devotion to Prayer and the Word of God. Under the teaching and guidance of the Lead Pastor, the Elder Board will continually seek the wisdom and leading of Christ as the Lord of the church. To this end, significant attention will be given to prayer and study of Scripture as a group.

AP1.1.4 Detail: Support of the Lead Pastor. The Elder Board shall continually support the Lead Pastor through prayer, encouragement, protection, cooperation, accountability, intercession and in any other way requested by the Lead Pastor consistent with these Guiding Principles.

AP1.1.5 Detail: Interpretation of the Guiding Principles. The Elder Board shall advise the Lead Pastor with respect to the interpretation of these Guiding Principles, including the evaluation of current and proposed ministries, programs and activities as related to the Mission Principles and the consideration by the Lead Pastor of interpretation and application of the Boundary Principles.

AP1.1.6 Detail: Church Discipline. Consistent with the Constitution and Bylaws, the Elder Board shall, in conjunction with the Lead Pastor, implement the discipline of any member of the church in accordance with God’s Word.

AP1.1.7 Detail: Church Membership. The Elder Board shall consider and act upon applications for membership to the church, and shall establish qualifications and requirements within the authority granted in the Constitution and Bylaws.

AP1.2 Component: Disciplining the Process of the Elder Board. The Elder Board shall conduct itself with discipline and integrity with regard to its own process of governance.

AP1.2.1 Detail: Elder Board Style. The Elder Board will govern with an emphasis on (1) outward vision rather than internal preoccupation, (2) encouragement of variety of viewpoints, (3) strategic leadership more than administrative detail, (4) clear distinction of Elder Board and staff roles, (5) collective rather than individual decisions, (6) future more than past or present, and (7) proactively

rather than reactivity.

AP1.2.2 Detail: Elder Board Job Description. The essential job outputs of the Elder Board are linkage to the people served, definition of Guiding Principles, assisting Lead Pastor with spiritual leadership of the church, reviewing and approving applications for membership, implementing church discipline, monitoring of Lead Pastor performance oversight and protection of church property, oversight of the financial management and affairs of the church, and other duties established by the Constitution and Bylaws. In addition to these essentials, the Elder Board shall exercise authority granted to it in the Constitution and Bylaws and not delegated to the Lead Pastor.

AP1.2.4 Detail: Elder Board Member Code of Conduct. The Elder Board commits itself and its members to the following code of conduct:

- a. Members of the Elder Board must represent un-conflicted loyalty to the interests of Christ regarding those whom He has called His church to serve (Matt. 28:18-20). This loyalty supersedes any personal or group interest among or outside consumers of the church's services. A member must disclose any fiduciary conflict of interest and withdraw from any decision-making affected by it.
- b. Members of the Elder Board must honor the principles and decisions of the Elder Board acting as a whole. They may not foster dissent or attempt to exercise individual authority over the staff or the organization except as explicitly stated in the Guiding Principles.
- c. Members of the Elder Board must respect the confidentiality of sensitive Elder Board issues and must avoid facilitating gossip or other "triangulation" against the practice of direct, biblical resolution.
- d. Members of the Elder Board must publicly support the Lead Pastor's decisions that are consistent with the Boundary Principles and the Constitution and Bylaws of Grace Fellowship. If an issue arises that requires modification of the Guiding Principles, it will need to be taken up by the Elder Board and communicated by the Board as a whole.
- e. Members of the Elder Board must comply with the Leader Relationship Agreement attached in the Appendix of the Guiding Principles.

AP1.2.5 Detail: Responsibility of the Chair for Integrity of Process. The Chair of the Elder Board enforces the integrity and fulfillment of the Elder Board's processes. The Chair is authorized to use any reasonable interpretation of the Accountability Principles as he or she acts to ensure the integrity of the Elder Board's process.

AP1.2.6 Detail: Responsibility of the Lead Pastor for Visionary Leadership. The Lead Pastor has the responsibility, authority, and accountability to serve as the primary leader of the church at every level: congregation, Elder Board, and staff. With respect to the Elder Board, the Lead Pastor will envision the Elder Board on all actions except for monitoring of Lead Pastor performance. If a question of process arises with regard to the Constitution or Bylaws or the Guiding Principles of the church, the Lead Pastor will defer to the judgment of the Chair, in consultation with the Elder Board.

AP1.2.7 Detail: Use of Elder Board Committees. Elder Board committees, if used, will be assigned so

as to reinforce the wholeness of the Elder Board's job and never to interfere with the delegation from the Elder Board to the Lead Pastor or with the work of the staff.

AP1.2.8 Detail: Cost of Governance. The Elder Board will invest amply in its own governance capacity through training, outside expertise, research mechanisms, and meeting costs.

AP1.2.9 Detail: Lead Pastor and Elder Board Chair and Clerk.

- a. The Lead Pastor is responsible to be the primary leader and spokesman of the church. With respect to the work of the church, the Lead Pastor will provide the primary vision and guidance, except as related to the monitoring of his performance and his compliance with the Boundary Principles and the Elder Board's compliance with the Accountability Principles. If a question of process arises with regard to the Constitution and Bylaws or the Guiding Principles, the Lead Pastor will defer to the judgment of the Chair of the Elder Board.
- b. The Chair is responsible to enforce the Accountability Principles as applicable to the Elder Board. The Chair of the Elder Board is authorized to use any reasonable interpretation of these principles to ensure that the Elder Board fulfills the principles. The Chair or the Chair's designee shall serve as the moderator of all church business meetings.
- c. The Clerk is responsible to update and distribute the Guiding Principles as those principles are amended or revised, to prepare, distribute and keep minutes of all meetings of the Elder Board, and to prepare and keep any supporting material of the Elder Board.

AP1.2.10 Detail: Policy and Organizational Documents

- a. Policy. All policy or procedure adopted by the Elder Board shall be in conformance with the appropriate segment of the Guiding Principles, and shall be placed in the Guiding Principles and not in any other policy documents.
- b. Minutes of Meetings. The Elder Board will prepare minutes of all meetings at which any decisions or recommendations are made, including decisions to revise the Guiding Principles.
- c. Purpose of Limitation. The policy of limiting policy documentation to the Guiding Principles and Minutes is intended to ensure that a reading of the current Guiding Principles and of recent Elder Board minutes will reflect all the pertinent standing policies and decisions of the Elder Board, without recourse to other documents.
- d. Chain of Documents. The chain of policy documents is as follows: Constitution and Bylaws, by which the congregation instructs the Elder Board; the Guiding Principles, by which the Elder Board instructs the Lead Pastor; and staff policies, by which the Lead Pastor instructs the staff.

AP1.2.11 Detail Principle: Efficient Conduct of Elder Board Business. The Elder Board will utilize an annual calendar cycle to schedule the Elder Board's respective responsibilities, meeting agendas that facilitate training and responsibilities, routine consent agendas for items delegated to the Lead Pastor but legally requiring an Elder Board vote, and advance preparation and distribution of proposals and recommendations for major decisions, except as may be required in emergency situations.

AP1.3 Component: Monitoring the Performance of the Lead Pastor. The Elder Board's connection to the operating organization of the church, its achievement and conduct shall be through the Lead

Pastor.

AP1.3.1 Detail: Unity of Control. Only decisions of the Elder Board are binding on the Lead Pastor.

AP1.3.2 Detail: Accountability of the Lead Pastor. The Lead Pastor is the Elder Board's only link to operational achievement and conduct, so that all authority and accountability of staff, as far as the Elder Board is concerned, is considered the authority and accountability of the Lead Pastor. The Elder Board shall instruct the Lead Pastor through the Mission Principles, which prescribe the outcomes to be achieved, and through the Boundary Principles, which limit the acceptable means to achieve those outcomes. The Elder Board will allow the Lead Pastor to use any reasonable interpretation of the Guiding Principles.

AP1.3.3 Detail: Delegation to the Lead Pastor. The Elder Board will instruct the Lead Pastor through written principles that prescribe the mission to be achieved and establish the boundaries to be avoided, allowing the Lead Pastor to use any reasonable interpretation of these principles.

AP1.3.4 Detail: Performance of the Lead Pastor. Systematic monitoring of Lead Pastor job performance will be conducted only against the expected Lead Pastor job outputs: church accomplishment of the Elder Board's Mission Principles and church operation within the Elder Board's Boundary Principles.

AP1.3.5 Detail: Annual Goals of the Lead Pastor. The Lead Pastor will be required to write measurable goals each year that correspond to each of the Elder Board's Mission Principles. At least one of these goals for each Mission Principle must project growth in the number of people who benefit or participate. The Elder Board will rate each of the Lead Pastor's goals on the degree of difference it would make above current trends: a) minimal, b) significant, or c) exceptional. A composite of these ratings will result for the annual goals as a whole.

AP1.3.6 Detail: Annual Review of the Lead Pastor. Each year, the Elder Board shall review the results achieved by the Lead Pastor on each of the Annual Goals. The Elder Board shall recommend, and the Elder Board shall determine a raise or corrective action, subject to budgetary or other financial limitations, as described in the Grace Fellowship Compensation Philosophy.

AP 1.4 Component: Budgeting and Financial and Property Management Principles. Financial planning for any fiscal year or the remaining part of any fiscal year shall be consistent in all respects with the Mission Principles.

AP1.4.1 Detail: Sufficient Information. The Elder Board shall base all budgeting on credible projection of revenues and expenses, separation of capital and operational items, relation of expenditures to Mission Principles, and multi-year planning assumptions.

AP1.4.2 Detail: Expenditures within Projected Funds. The Elder Board shall base all budgeting on the conservative estimates of funds to be received in that period, unless special circumstances are

adequately described including a realistic plan to make up the deficit within the following fiscal year.

AP1.4.3 Detail: Asset and Cash Margins. The Elder Board, working in conjunction with the Lead Pastor, shall approve budgets that maintain a ratio of current assets to current liabilities of not less than 150% and maintains a cash safety reserve of not less than ½ (one- half) month's expenses.

AP1.4.4 Detail: Elder Board Funding. The Elder Board and Lead Pastor shall adequately budget for Elder Board activities during the year as set forth in the Cost of Governance Principle, AP1.2.8.

AP1.4.5 Detail: Insurance. The Elder Board shall insure against theft and casualty losses to at least 80% of replacement value and against liability losses to Elder Board members, staff, and the church itself in an amount greater than the average for comparable organizations.

AP1.4.6 Detail: Secure Instruments. The Elder Board shall invest or hold operating capital only in secure instruments, including insured checking accounts, money market accounts or bonds of greater than AAA rating, and shall hold capital in interest bearing accounts except when necessary to facilitate ease in operational transactions. In addition, the Elder Board may invest an appropriate portion of capital in ministry-related or sponsored accounts and investment instruments such as certificates of deposit and demand funds managed by the Cornerstone Fund of Converge Worldwide.

AP1.4.7 Detail: Property Management. The Elder Board shall budget, through reserves or operating accounts, for the maintenance, upkeep, improvements and uninsured emergency replacement cost of the buildings, land, furniture, fixtures and equipment.

AP1.4.8 Detail: Custodian of Legal Documents. The Elder Board shall act as custodian of all legal documents of the church, such as articles of incorporation, bylaws, deeds, mortgages, titles and insurance policies.

Appendix

Church Leadership Relationship Agreement

We will hold ourselves accountable to God and to each other to:

- Uphold the highest virtue of love for God and love for each other, even when we do not like each other's choices or points of view (*1 John 4:19; Mark 12:30, 31; Philippians 2:3-5*).
- Go to Jesus in prayer as our confidante before we go to the other person to deal with the conflict (*Matthew 7:1-5; 18:15; Colossians 3:15-17*).
- Expect the best about each other's motives and intentions (*Genesis 50:20; Romans 12:10*).
- Go directly to each other and do not gossip. No improper triangulation. (*Prov. 16:28; 26:20; Matt. 18:15; 2 Cor. 12:20*).
- Listen and hear each other accurately even when we do not agree with what is being said. Seek to understand, then to be understood (*2 Cor. 6:6; Eph. 4:2; Col. 3:12; James 1:19*).

- Go face-to-face—refrain from using phones or email to handle conflict (*Matt. 18:15ff*).
- Speak the truth in love and seek to understand and empathize rather than blame or accuse (*Genesis 3:7-13; Galatians 6:1-5; Ephesians 4:15; 29-31*).
- Not let the sun go down on our anger, but seek to resolve issues quickly (*Eph. 4:26, 27*).
- Choose to forgive and put the issue to rest (*Eph. 4:32; Col. 3:13*).
- Affirm and respect others on the team (*I Corinthians 12:12-27*).
- Build and guard unity of the church (*Jn. 13:34, 35; 17:20-23; Rom. 12:18; 15:5, 6; Eph. 4:3-6; Col. 3:14*).

Grace Fellowship Compensation Philosophy

Grace Fellowship intends to pay fair market base salaries and hourly wages to our valued staff members. Many factors go into base salary including skills, education, role, and years of experience. A good base salary should make it unlikely for a staff member to leave Grace Fellowship and earn significantly more or less for a similar role at a similar church.

In addition to base salary we believe it is important to give the congregation the opportunity to express their appreciation for the staff through the annual gift.

With these compensation elements combined we can attract and retain the best talent to achieve our mission.

Roles and Responsibilities:

- The Elder Board will set and adjust the Lead Pastor's compensation.
- The Lead Pastor will set and adjust all other staff compensation.

Annual Salary Increases:

- Used to adjust current salary to actual market value.

Annual Staff Gift:

- Not funded by the general budget.
- Collected from the congregation as a gesture of appreciation.
- Distributed to the Lead Pastor at the discretion of the Elder Board.
- Distributed to the staff at the discretion of the Lead Pastor.

General Guidance:

- Annual salary increases should be reflected in the budget presented by the Lead Pastor and are payable if funds are available at the discretion of the Elder Board.
- Promotions and job changes are out of scope of this document and should be handled at the time of the change rather than through annual salary increases.
- This document does not grant contractual rights to any employees.