



REACHING THE GENERATIONS TOGETHER

MULTIPLYING TRANSFORMATIONAL CHURCHES AMONG ALL PEOPLE

January 26, 2018

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Dear North Central District Churches,

Greetings in the name of Jesus, our Savior and King. We hope and pray this letter finds your church in a season of gospel-shaped health. If not, please reach out to us. Our district team exists to serve the pastors, church leaders and churches of the NCD.

We are writing to share an update on Elim Care's proposed merger with Augustana Care. In 2017, Elim Care was approached by Augustana Care to consider a merger. Because Elim Care was founded and is owned by the North Central District, they reached out to us to get our perspective on the merger.

Our NCD board of directors understood the benefits of this merger for Elim Care. However, we had concerns given Augustana Care's connection with the ELCA, a denomination that does not share our history and Statement of Faith. Therefore, we engaged in a careful process of listening, sharing our concerns and setting forth requirements for our NCD board of directors to approve the merger. As we worked with the leadership of Elim Care on this merger, our primary goal has been ensuring that Elim Care, both now and in the future, remains a gospel-shaped mission of mercy of the North Central District and broader EFCA family. Furthermore, we had a special focus of empowering our chaplains to continue to champion our biblical convictions and the powerful, saving gospel of Jesus Christ.

With these goals in mind, and with deep regard for the legacy of Elim Care, our NCD board required the following items before we would approve the merger and present it to our conference for final approval.

1. The NCD District Superintendent will be a permanent member of the merged Elim/Augustana board of directors.
2. Every member of the Elim/Augustana board appointed by the NCD shall affirm, without mental reservation, the EFCA Statement of Faith.
3. All legacy Elim facilities will continue to have an EFCA ordained chaplain.
4. All future Elim/Augustana facilities that are formed in close partnership with an EFCA church will have an EFCA ordained chaplain.
5. The NCD shall appoint 50 percent of the Elim/Augustana board of directors.
6. The dissolution clause of the merged Elim/Augustana will name the North Central District as a 50 percent beneficiary. It will also say that this cannot be changed without NCD conference approval.

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These requirements have been incorporated into the governance documents of the new Elim/Augustana organization. We believe they strengthen our oversight and will help ensure that our existing Elim facilities and new partnership facilities will be missions of mercy that are faithful to the Gospel and the Scriptures.

Our board has approved this merger. Per our bylaws, we will be presenting the included bylaw amendment at the 2018 NCD conference. We will share more information and provide opportunities for questions at two conference breakout sessions. We will vote on the amendment at our 2019 NCD conference. If approved, this amendment will complete the merger of Elim Care and Augustana Care.

Please feel free to reach out to us prior to the conference for more information or to share your perspective on the merger.

In Christ,



Brian Farone
District Superintendent
North Central District



Bryan Lair
Board Chair
NCD Board of Directors

January 24, 2018

North Central District Churches,

This past November, the board of directors of the North Central District (NCD) approved a resolution endorsing an affiliation between Elim Care and Augustana Care, a senior care organization based in Minneapolis. The vote came after a year of significant deliberation, dialogue and due diligence on the part of the Elim Care board of directors and the NCD board. *The NCD board, at the request of the Elim Care board, will be introducing the proposed affiliation and the steps necessary to complete it, at the annual Conference meeting on April 9-10, 2018.* This letter seeks to provide information to help the conference attendees understand why we believe this affiliation is in the best interest of Elim Care.

Background

Elim Care is a faith-based, non-profit organization that has been providing care for older adults for 90 years. It was founded in Princeton, MN by several local EFCA churches and eventually became a wholly owned ministry of the NCD. Today the organization operates multiple buildings in 13 communities providing skilled nursing, assisted living, independent living and memory care services in Minnesota, Iowa and North Dakota. We also provide home care and hospice services through a partnership with Guardian Angels of Elk River and we provide physical, occupational and speech therapy at 35 locations. In August we began construction of Trinity Springs, a senior care community in The Villages, FL in partnership with Live Oaks Community Church, and an EFCA church plant. The NCD is the sole corporate member of Elim Care and appoints the members of the Elim Care board of directors each year.

Augustana Care is a faith-based, non-profit organization that has been serving older adults for 112 years. It was started by the pastor of the Augustana Lutheran Church in Minneapolis in 1896 and has had a significant presence in the Elliot Park district of Minneapolis from its very beginning. Today, the organization owns or manages more than 30 locations, providing skilled nursing, assisted living, independent living, memory care, home care, hospice and therapy services to people in need. The organization operates sites in Minnesota and Colorado.

Augustana Care is recognized and approved as a ministry of the Evangelical Lutheran Church in America (ELCA), however, it has no direct ownership ties to the ELCA denomination. The board of directors of Augustana Care is elected by delegates from their 40 affiliate churches. The majority of the affiliate churches are ELCA congregations but also include congregations that are Baptist, Presbyterian, Methodist, Catholic, Covenant and EFCA.

The Affiliation

In January of 2017, the CEO of Augustana, with approval from their board of directors, proposed an affiliation between Augustana Care and Elim Care. There were two primary reasons for this proposal: the rapidly changing nature of the field of older adult services and the planned retirements of the key leaders of Augustana.

Organizations like Elim and Augustana that provide services to older adults are responding to major changes that are impacting the services that we provide. In the last several years there has been a significant decline in the utilization of skilled nursing services. Consumers prefer to utilize the less expensive and less institutional models of care like assisted living, independent living and home based care. Occupancy rates of our skilled nursing sites have been declining for several years while competitors, both for-profit and non-profit, have been rapidly developing alternatives to the traditional nursing home. The most dramatic example of this change for Elim, was the decision in 2017 to close our Watertown, MN nursing home. Elim had operated this site for 50 years but had concluded that it would not be a viable operation in the long term and the board made the very difficult decision to suspend operations and permanently close the facility. While we believe skilled care will continue to be an important component in a continuum of care, its place among the spectrum of services is shifting.

Like Elim, Augustana operates a significant number of nursing home facilities. We feel that a strategic alliance between the two organizations will allow us to more quickly adapt to these changes and reposition from our historic care center focus to more of the community based alternatives like home care and assisted living.

The second primary reason for the proposed affiliation was the planned succession of key leaders from Augustana. By the end of 2018, the CEO, CFO, COO and VP of Human Resources will have retired from the organization. These leadership transitions will allow the existing leadership team from Elim Care to manage the combined operations of both organizations.

There are other advantages to the proposed affiliation. Augustana has a significant presence in the metropolitan area. Elim will benefit from this by having access to a greater presence in the largest market in the state of Minnesota with an ability to offer more choices and more geographic locations for our potential customers and clients.

The combined operations of the two organizations will create greater size, scope and scale that we can use to leverage needed access to capital and purchasing efficiencies. The new organization would employ 5000 people which may allow us to negotiate enhanced benefits. We also believe that a larger organization will attract top talent as we anticipate future leadership needs.

Proposed structure

The boards of directors of Augustana and Elim (with the approval of the NCD board) have approved an affiliation agreement that sets out the parameters and structure of the combined organization. *All parties understand that the affiliation is subject to the approval of the NCD conference.* Key components of the document include an agreement that a new parent corporation will be formed that will own and operate all of the current locations and programs of both organizations. A new board will govern the organization with an equal number of representatives from the Elim board and the Augustana board. The new organization will select a new name, and will create new mission, vision and values statements that remain true to our faith-based foundation, while reflecting our joining of purpose.

In order for the affiliation to occur, the NCD will need to amend its bylaws to transfer its status as “sole corporate member” of Elim Care to the new parent corporation. The NCD will retain the power to appoint the members of the Elim Care board and the Elim Care representatives of the new parent corporation board of directors.

Denominational issues

The Elim Care Board and the NCD board acknowledged early in the process that there are differences in doctrine, scriptural interpretation, church practice and perspectives on social issues

between the ELCA and the EFCA. Significant dialogue occurred at both the Elim Care and NCD boards about how to bridge the two denominations while maintaining the 90 year influence that the EFCA has had on the mission, values and spiritual care programs in our care communities. Similar conversations occurred within the Augustana organization and as a result, both sides have agreed that the legacy locations of each organization (i.e. Milaca, Princeton, Buffalo...) will continue to operate the spiritual care programs as they have been conducted in the past and under the supervision of a corporate spiritual care director from each denomination. The corporate directors of spiritual care are Dave Kiel from Elim (EFCA) and Nancy Carlson from Augustana (ELCA). It will be the responsibility of Dave and Nancy to provide oversight and direction to these programs and seek unity where possible. We also acknowledge that, while unity is preferred, uniformity of doctrine, practice and interpretation is not a requirement for either organization to have a successful spiritual care ministry.

To further ensure the ongoing influence of the EFCA in the new, combined organization, the NCD board required several provisions to be included in the affiliation documents. Those provisions are outlined in a separate letter from the NCD board.

These provisions have been agreed to and are included in the various documents that comprise the affiliation agreement between Elim Care and Augustana Care. We believe that these items provide sufficient protection to ensure the ongoing influence by the EFCA and the NCD in the operations of the new organization.

We hope this letter provides you with a basic understanding of the proposed relationship between Elim Care and Augustana Care. We believe there are compelling reasons to pursue this relationship that will help to ensure the viability of both organizations and their ministry well into the future. We also believe that we have created sufficient protections in the documents and in the relationship to ensure the ongoing influence of the NCD conference in the mission and ministry of the organization. We have done our due diligence regarding this decision. Throughout last year, the Elim Care board had the opportunity to vote six times on the question of moving forward. Each time the vote was unanimous to continue. The NCD board had the opportunity to vote three times. Each time the vote was unanimous to allow Elim Care to proceed.

More information will be available at the upcoming district conference meeting and attendees will have an opportunity to ask questions of those who have been involved in these discussions. We look forward to seeing you there and request that you prayerfully consider this important question about the future of Elim Care.

Sincerely,

Elim Care Board of Directors

Paul Anderson
Kevin Bergman
Dick Bjerkaas
Nikki Daniels
Brian Farone
Bill Hamel
Shey Larson

Stann Leff
Pat Nuss
Pam Pringle
Guy Tangedahl
Daryl Thompson
Lores Vlaminck
Henry Wessman

Robert Dahl, President and CEO
Elim Care

Exhibit B

**PROPOSED AMENDMENTS TO BYLAWS OF THE
NORTH CENTRAL DISTRICT ASSOCIATION
OF THE
EVANGELICAL FREE CHURCH OF AMERICA**

The following amendments are proposed to the Bylaws of the North Central District Association of the Evangelical Free Church of America, written copies of which shall be sent to member churches not less than sixty (60) days prior to the district conference at which they are to be introduced, in accordance with the procedure for amending Bylaws set forth in ARTICLE 13 of the current Bylaws:

1. RESOLVED, that **ARTICLE 8, Section A.3.** of the Bylaws is hereby amended to read in its entirety as follows:

“3. **EX-OFFICIO MEMBERS**

The District Superintendent and any Associate Superintendent shall be ex-officio members of the Board of Directors.”

2. RESOLVED, that **ARTICLE 11, Section B.** of the Bylaws is hereby amended to read in its entirety as follows:

“**B. STRUCTURE**

1. The sole member of Elim Care, Inc. shall be A & E Care Services, a Minnesota nonprofit corporation (the “Elim Parent Corporation”). The Elim Parent Corporation shall also be the sole member of Augustana Care, a Minnesota nonprofit corporation. The board of directors of the Elim Parent Corporation shall be appointed by action of the respective boards of directors of Elim Care, Inc. and Augustana Care. The Elim Parent Corporation shall not, however, appoint the board of directors of Elim Care, Inc.
2. The board of directors of Elim Care, Inc. shall be appointed by resolution of the Board of Directors of the North Central District in accordance with the bylaws of Elim Care, Inc.
3. The Board of Directors of the North Central District, by resolution adopted at a duly convened meeting, may at any time, with or without cause, remove any or all members of the board of directors of Elim Care, Inc.”