

LOCAL CHURCH

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Local Church

Awe came upon everyone, because many wonders and signs were being done by the apostles. All who believed were together and had all things in common; they would sell their possessions and goods and distribute the proceeds to all, as any had need. Day by day, as they spent much time together in the temple, they broke bread at home and ate their food with glad and generous hearts, praising God and having the goodwill of all the people. And day by day the Lord added to their number those who were being saved.

Acts 2:43-47

The Charge Conference

The charge conference is a key element in the United Methodist connection. The *Disciplinary* provisions for the local church and charge conference begin at ¶¶ 243.

The charge conference is the governing unit of the local church. The membership includes the church council (or other appropriate body, such as the administrative board), together with retired ministers and retired diaconal ministers holding their membership in the charge (¶246.2). The district superintendent, in accordance with the *Discipline*, schedules and presides in each charge conference or church conference within the district. S/he works with charge conferences, pastors, and other leaders as appropriate to formulate “statements of purpose for congregations in fulfilling their mission” and with pastor-parish relations committees “to clarify priorities for the ministry of clergy and diaconal ministers” (¶ 421.1).

The district superintendent fulfills the connectional role within the charge conference in representing the denomination to the local church: the role is that of a connecting link between focal points of denominational organization. The connectional role of the district superintendent is crucial. For most local church members, the district superintendent is the “church outside the local church.” S/he must prepare conscientiously to interpret conference and general Church programs and policies to local churches, explain the importance of apportionments, and help local churches understand that the World Service Fund is at the core of the Church’s mission and ministry. Conversely, a good deal of time must be spent learning as much as possible about each church and charge and about each pastor in the district as well, in order adequately to serve the conference and the bishop in the appointment process. The structure of the charge conference and its relationship to the district superintendent is intended to bring local church operations into connection with denominational concerns.

The charge conference oversees the management of the business affairs of the local church. It is ultimately responsible for the proper disposition of property according to the *Discipline* and local

law. The charge conference's executive and administrative functions are exercised through the following structures within the charge conference:

1. The church council (§ 252).
2. The various elective specialized ministry groups for programs (§§ 253-258).
3. The administrative committees (§ 259).
4. The board of trustees (§§ 259.3, 2524--2551).

An excellent publication is Cokesbury's "Guidelines for Leading Your Congregation" series including the "Church Council" by Tim Moss and Dan Dick.

The charge conference operates as a local legislative body in receiving the reports of the officers, committees, and other organizations of the local church, in electing officers and committees in the local church, in approving local church members for candidacy for the ordained ministry by written ballot, and in other matters, such as establishing local church policies for building use and scheduling, investments, program, property matters, etc.

The church conference, § 248, in which all local church members present are given a vote, is used as an alternative to the charge conference and may be authorized by the district superintendent. It may be called at the discretion of the district superintendent or following a written request to the DS by one of the following: the pastor, the church council, or ten percent of the church membership. Copies of any written requests are to be forwarded to the pastor. Its civil law equivalent is the "Town Meeting." The church conference is United Methodism's purest democratic structure, providing an opportunity for every member of the local church to participate in both legislative and executive affairs.

The charge or church conference operates as the annual meeting of the church, presided over by the district superintendent or an elder designated for this purpose by the district superintendent. Charge conferences have general oversight of the trustees and the church council, which in turn has general oversight of the administration and program of the local church. The church council § 252 acts as the executive agency of the charge conference. The church council may initiate planning, establish objectives, adopt goals and program plans for the ministries and the mission of the local church, and may evaluate their effectiveness. The charge conference is empowered to review and to evaluate the total mission and ministry of the church and to adopt objectives and goals recommended by the church council that are in keeping with the objectives of the United Methodist denomination.

Trust Duties & Local Church Trustees

(¶¶ 2524 – 2551) Trustees have a fiduciary obligation to hold property interests for the benefit of another, *i.e.*, the local church and the denomination. A fiduciary relation is one in which the law demands of one party an unusually high standard of ethical or moral conduct with reference to another. The settlor of a trust is the person who intentionally causes the trust to come into existence. The trustee is the individual or entity which holds the trust property for the benefit of another. The trust property is the interest in property which the trustee holds, subject to the rights of another. The beneficiary is the person for whose benefit the trust property is to be held by the trustee. The trust instrument is the document, whether a deed, agreement or will, in which the settlor expresses an intent to have a trust and sets forth the trust terms, that is the details as to beneficiaries and their rights and the duties and powers of the trustee. In some cases trusts are created without a writing and there is no trust instrument as such. In such a case the terms of the trust are determined by evidence of the settlor's intent.

¶ 2501 of the *Discipline* indicates that titles to all properties held by General Conference, jurisdictional, annual, or district conferences, by local churches or charges, by agencies or institutions of the Church, are held in trust for The United Methodist Church. These properties are also held subject to the provisions of the *Discipline* of The United Methodist Church. The legal titles to property are held by incorporated conferences, agencies or organizations within the denomination or, for unincorporated entities, are vested in boards of trustees created to hold and administer property.

More information on the Trust Clause is in the Property Section.

When the trust is created, the rights of ownership to the property are separated into legal and equitable rights. The benefits of the property go to the holders of the equitable rights, known as the beneficiaries. The trustees hold the legal title to the property and are considered to be in a fiduciary relationship with the beneficiaries. The fiduciary duty to the beneficiaries is very strong. It requires the trustees to administer the trust solely for the benefit of the beneficiaries. In denominational terms, a local church board of trustees must administer the property solely for the benefit of the members of the denomination, and in particular the members of the denomination who are also members of the local church.

1. Fiduciary Duty of Trustees

The law imposes two basic duties on all trustees: the duty of loyalty and the duty of care. The **duty of loyalty** requires that the trustee take no part in an action regarding trust property in which s/he would have an actual or potential conflict of interest without having previously **disclosed** that conflict to the board. Decisions must be made by the trustee looking only toward the interest of the beneficiaries and not to the trustee's own interest. Any form of self-dealing is prohibited and any profit or advantage gained by the trustee due to self-dealing transactions must be returned to the beneficiaries. When a conflict or a potential conflict does arise, the trustee must disclose the conflict or potential conflict prior to any discussion of the decision to be made. Preferably, this disclosure should be in writing and given to the secretary of the board. This procedure will provide protection to a trustee who might later be challenged on whether or not s/he actually made the proper disclosure. Any trustee with an actual or potential conflict of interest should abstain from any action on the issue in question. Care should be taken to document the abstention in the minutes in order to provide a record of it in the event of a challenge on this point. Trustees who breach their fiduciary duty of loyalty may be required to reimburse the trust for any loss suffered by the trust due to that breach.

Courts often deal harshly with those who deal for their own benefit in a trust situation. Justice Cardozo, in the case of Meinhard v. Salmon, 249 N.Y. 458, 464 (1928), made a famous statement concerning the high standards the trustees must uphold:

Many forms of conduct permissible in a workaday world for those acting at arm's length, are forbidden by those bound by fiduciary ties. A trustee is held to something stricter than the morals of the marketplace. Not honesty alone, but the punctilio of an honor the most sensitive, is then the standard of behavior. As to this there has developed a tradition that is unbending and inveterate. Uncompromising rigidity has been the attitude of courts of equity when petitioned to undermine the rule of undivided loyalty . . .

The above statement indicates the seriousness with which courts look at potential breaches of loyalty on the part of trustees.

In a local church setting, disclosure of the actual or apparent conflict should be followed by the party's abstention from participation in the decision. These situations can arise, for example, in building situations (where members are contractors), in financial management areas (where members are bankers or investment advisors), or in insurance (where members are insurance agents). So long as the potential conflict is properly disclosed, and the party in conflict abstains from participation in the decision or selection process, the trustees can still elect to do business with the disclosing party. However, the trustees as a whole have a legal duty to ensure that its decisions are made in the best interests of the trust beneficiaries. This standard requires extra care when the trustees are considering

doing business with an organization in which one of the trustees has a personal or professional interest.

The second primary duty of all trustees is fulfillment of the **duty of care**. Trustees are required to act in good faith and in a manner they believe to be in the best interests of the beneficiaries and of the trust. They should act with such care as an “ordinarily prudent person” would use under similar circumstances in the management of his or her own affairs. Thus, trustees are required to be diligent in attending meetings and in making sure they are properly informed as to the various aspects of the decisions to be made. **Trustees who do not have time to attend meetings should resign from the board.** Attendance at meetings and reading and understanding relevant materials concerning the issues at hand are vital. To the extent that any board of trustees is making decisions, it needs a reasonable basis for making those decisions.

Given the facts available at the time of the decision, trustees are required to use their best judgment in making their decision. Trustees are not held responsible for facts that they could not have known at the time the decision was made. Decisions made in good faith and with reasonable care should be upheld if challenged even if they proved not to be the best decision in the light of later unfavorable developments. However, a board of trustees must keep track of the information available to and considered by the board in making the decision in order to answer such charges. Regular and accurate minutes, including exhibits of information considered, should be kept by a board of trustees.

Trustees are not absolved from the requirements of the duty of care by delegating their responsibility to others. For example, should a board of trustees entrusted with a large sum of money engage an investment adviser, the board still has the ultimate responsibility for the funds, even if the adviser is given broad powers to make trust investments. The trustees need to be able to demonstrate that proper procedures were used in choosing advisers. Persons engaged to handle funds or to do legal work should be trustworthy and competent in the areas for which they are being engaged. Trustees may rely on delegates so long as the initial decision in choosing the delegates is well-founded and so long as the trustees have no basis for concern about relying on the delegates. Any trustee who has knowledge, from whatever source, that would cause the reliance of the board of trustees on a particular person to be unwarranted must disclose that knowledge to the board. If the trustee does not make the disclosure and allows the board to rely on a delegate s/he knows to be unreliable, the trustee is not considered to be acting in good faith and may be personally liable for breaching his or her fiduciary duty of care.

2. Trustee Receipt and Investment of Funds

The local church board of trustees has broad powers in regard to investment of local church funds, including funds received from wills and bequests. These responsibilities are set forth in ¶ 2532.5 of the *Discipline* as follows:

5. Subject to the direction of the charge conference as hereinbefore provided, the board of trustees shall receive and administer all bequests made to the local church; shall receive and administer all trusts; shall invest all trust funds of the local church in conformity with laws of the country, state, or like political unit in which the local church is located. Nevertheless, upon notice to the board of trustees the charge conference may delegate the power, duty, and authority to receive, administer, and invest bequests, trusts, and trust funds to the permanent endowment committee or to a local church foundation and shall do so in the case of bequests, trusts, or trust funds for which the donor has designated the committee or the local church foundation to receive, administer, or invest the same. The board of trustees is encouraged to invest in institutions, companies, corporations, or funds which make a positive contribution toward the realization of the goals outlined in the Social Principles of our Church. The board of trustees is to act as a socially responsible investor and to report annually to the charge conference regarding its carrying out of this responsibility. Consideration shall be given to the placement of funds with the Conference or area UM Foundation for administration and investment.

In regard to bequests made under a will or written gifts in trust made by living donors, the board of trustees is bound to receive and administer such bequests subject to charge conference direction, as well as in accordance with local law, and the terms of the bequest or trust. Where the gift or bequest is unrestricted, the trustees may make a recommendation regarding the use of the funds to the charge conference, but it is the charge conference that is the final decision-maker on policy to be followed. It is an excellent idea for the charge conference to develop guidelines and to give prospective direction to the trustees in regard to receipt and administration of funds.

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| Trustees should be cautious and consult with legal counsel about the benefits versus the burdens of accepting restricted gifts or bequests. |
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The essential elements of most trusts are: 1) designation of a beneficiary and a trustee, 2) sufficient identification of the funds or other assets to enable the passing of good title to the trustee, 3) the terms of the trust, and 4) actual delivery of the property to the trustee with the specific intention of passing title of the property to the trustee. In a local church, the district superintendent and the trustees must be sure that the terms of the trust agreement as spelled out by the donor are carried out. For example, should the trust provide funds exclusively for loans to students, only loans to students may be made. The funds could not be diverted and used for, say, scholarships, because that would be a

breach of the trust agreement. Any such action taken in violation of the trust agreement by the board will subject the individual trustees and the board as a whole to liability for a breach of fiduciary duty in not following the instructions of the trust. Trustees should be extremely careful to make sure that restrictions on the use of trust monies are carefully reviewed and followed where legally permissible. Courts and juries often deal harshly with boards of trustees when trust funds are perceived to have been misappropriated or misused in contravention of express restrictions and conditions placed upon such funds.

If bequests, legacies, and trusts are encumbered with restrictive covenants to render the trustees without authority to meet the requirements of the *Discipline*, or if such covenants may guarantee the obsolescence of the purpose of the gift, the charge conference may wish to instruct the trustees to reject it. The charge conference, pursuant to ¶ 2528.3, has authority to direct the board of trustees regarding acceptance or rejection of any gift, bequest, etc., “for the use and benefit of the local church.” Trustees should be aware of the necessity for broad construction of trust agreement language. In turn they should make the charge conference and the church council aware of the necessity for responsibility in the construction and administration of all trust bequests.

Local trustees should carefully examine any actions taken in regard to an investment or distribution of funds held in trust. If either a district superintendent or a trustee becomes aware of a situation where the funds are being improperly invested, distributed to the wrong parties, or where proper reports of the investment by investment advisers or the trustees are not being made, he or she should ask why proper actions are not being taken. Failure to take action in such a case could expose a trustee or district superintendent to a charge that, in the case of a trustee, the duty of care was breached, or that, in the case of a district superintendent, the failure to make inquiries was negligent. When necessary reporting procedures are not followed, it is difficult to argue later that the proper standard of care was upheld in the handling of the trust or church funds.

The trustees are responsible to carry on the donor’s intent, if it is expressed, for the investment of principal and distribution of income. In most jurisdictions, trustees making decisions about trust investments must assume the posture of the “prudent man or woman” investing his or her own funds for his or her own purposes. The prudence required involves sufficient diversification between equity and debt issues to minimize risk in order to preserve capital as well as consideration of the income potential of any investment. Funds also must be invested in conformity with the laws of the country, state, or other political unit in which the local church is located, as indicated in ¶ 2532.5 of the *Discipline*.

Again, whenever the board of trustees is dealing with gifts and trust property, it is acting **subject to the direction of the charge conference**. The board of trustees may make recommendations and interim decisions on management of property. However, all significant decisions and permanent actions should be approved by the charge conference.

Routine receipts of gifts, sale of securities, and administration of the gifts is handled by the board of trustees. In the event there is some unusual question regarding a gift of securities, the charge conference should be consulted. Receipt of unrestricted gifts of securities in the normal course of events presents no problem. However, when considering accepting securities or other property subject to restrictions as to use or sale of the property, it is wise to obtain approval of the charge conference or to act in accordance with previously enacted charge conference policies regarding restricted gifts. For example, if a donor wished to give \$500 in a restricted fund, the annual income from which to be used for scholarships for needy church members to attend a specific United Methodist related university, the administrative responsibility of the choice to award this income (probably less than \$50 annually) might be viewed as exceeding the benefit it provided. Therefore, the decision might be made to request the donor strongly to take the restriction off the gift (explaining why administering such a bequest would be unduly cumbersome) or suggest an alternate trustee. Likewise, if a donor gave property with cumbersome and unwieldy restrictions on sale or use, such restrictions could present a problem.

The Judicial Council of The United Methodist Church considered an issue in which the administrative board of a local church had adopted a policy for the acceptance of financial gifts. In that particular case, the church would accept financial gifts for the local church budget, local programs and projects approved by the administrative board, district programs and projects approved by the district council on ministries, special conference appeals approved by the annual conference, conference and general advanced specials, church-wide special Sunday offering approved by the *Discipline*, and any United Methodist appeal that meets the requirements of the *Discipline*. Designated gifts with conditions requiring the church to channel funds to recipients other than those stated above were rejected. The Judicial Council ruled that such a policy was proper and found that the administrative board has the authority and the obligation to initiate planning and to determine policy in reference to receiving of funds to be donated to the church or through the church. (Judicial Council *Decision 667*)

When receiving a specific gift, the trustees should consider the appropriateness of retaining the security or selling it and investing the proceeds. For example, lack of diversification may be a problem if the church portfolio contains a large percentage investment in a single stock or security. A “prudent person standard” probably would dictate selling the security to achieve a varied portfolio mix.

Concerns for investment return and long-term growth also could dictate a more diverse portfolio. When a decision has been made to sell or purchase securities, a board resolution should be obtained.

Particular concern should be given to the handling of original stock certificates and related original evidences of ownership. It is advisable to use a stockbroker to handle stock transactions. As long as the broker is reputable and properly bonded, it may be easiest to keep the church's securities in street name accounts at the broker's office, *i.e.*, the original certificates are not held by the church trustees, but rather by the stock brokerage house itself. Be aware that lost or misplaced certificates are expensive and cumbersome to replace. Certificates should be mailed by certified mail/return receipt requested, or if possible, personal delivery with a receipt from the brokerage house.

When receiving bequests and gifts that have a restricted purpose, it is important to memorialize the terms and restrictions of the bequests, keep them properly organized in the church records, and keep proper financial accounting.

The board, in consultation with the charge conference, should consider adopting investment guidelines and standards. The General Council on Finance and Administration has developed a "Statement of Investment Guidelines—The United Methodist Church," which is found at the end of the Property Section to this Manual. It can be used as a starting point in working with churches and, in particular, boards of trustees, on issues relating to investment of local church funds.

There are often legal and tax issues involved in dealing with property and the administration of trusts. Consult with an attorney or tax advisor to obtain an expert opinion on legal or tax questions.

The board of trustees must prepare an annual written report to the charge conference and include in that report the amount of income received from income-producing property, a detailed list of related expenditures, a list of all trusts in which the local church is a beneficiary, how those funds are investments, and an explanation of the usage and goals for *which* those funds are expended or applied (§ 2549).

Charge conferences may create additional structures that can be used in regard to investment and fundraising. § 2533 provides an alternative structure for handling local church endowments via a local church Permanent Endowment Fund Committee. If local churches wish to establish local church foundations, permission of the pastor and district superintendent is required prior to their establishment (§ 2534). If either permanent endowment fund committees or foundations are under consideration, care should be taken to define the relationships of these organizations to the charge conference and the local church board of trustees.

The Discipline gives little guidance on which gifts are administered by the trustees (§2532.5) rather than the treasurer (§259.4). As a general rule, gifts that do not need to be administered are handled by the treasurer and not the trustees

Local Church Property

In regard to local church property, the board of trustees has certain *Disciplinary* responsibilities to the general Church. The trust clauses discussed in § 2501 and mandated by § 2503 have been upheld by both state and federal courts as valid expressions of the rights of the denomination, through its annual conferences, to retain church property where local congregations have disbanded or left the denomination or have been discontinued or where the property has been abandoned. Great care must be taken to ensure that these clauses are protected in the event of legal attack, and that they are included in the conveyances specified. Written authorization of the district superintendent as well as of the pastor is necessary for the trust clause to be released in conveyances or mortgages by the local church board of trustees.

The local church trustees, pastor, and district superintendent must be especially aware of the risks and responsibilities inherent in the handling of real estate transactions. **Discussion and Checklists relating to the purchase, sale, mortgage and transfer of local church property can be found in the Property Section of the Manual.**

Competent real estate counsel knowledgeable about the *Discipline* and familiar with the Church's structure should be engaged and great care taken in any real property transaction. Conference chancellors are excellent sources of information and assistance. If such transactions are not carefully handled, questions regarding title validity and restrictions on the use of the property that could have been resolved at the outset may lie dormant for years. These questions can become major problems when future efforts are made to convey the property or to use it for other purposes.

Insurance

Trustees are also responsible for securing adequate property and casualty insurance for the local church (§ 2532). Coverages should be adjusted upward as property values increase. In an inflationary environment, local churches often find themselves underinsured because coverages have been held static while inflation has increased property values. Periodic appraisals of the property can enable the trustees to update the coverage to reflect current values. Coverage that increases automatically by a set inflation factor is also available. Casualty (liability) coverage should be reviewed periodically as well. Should a change in use be implemented, such as opening a day care center, school, or other new program, be sure to review potential liability insurance needs with the church's insurance agent and to adjust coverages accordingly.

See the Insurance and Risk Management Section for more information.

Board of Trustees, Membership, Election, Officers

¶¶ 2524-2525 of the *Discipline* outline the membership and election requirements of the local church board of trustees. Not fewer than three nor more than nine members must be elected, and it is recommended that at least one-third be laywomen and one-third laymen. Each member must be of legal age and two-thirds of the members must be members of The United Methodist denomination. Trustees are usually elected to three-year terms in staggered classes to provide for continuity on the board. ¶ 2525 states that it is not intended to prevent the election of the trustee to succeed himself or herself if that is the desire of the charge conference.

An excellent publication from Cokesbury's "Guidelines for Leading Your Congregation" series is "Trustees" by Frank Dunnewind. Copies may be purchased through Cokesbury.

Under the terms of ¶ 2530 of the *Discipline*, trustees may be removed from office under two specific circumstances. Withdrawal or exclusion from membership in the United Methodist denomination automatically terminates the trustee's term of office unless they were not a member when elected. Good cause, including failure of a trustee to execute any legal instrument relating to church property properly in accordance with the directions of the charge conference (if all legal requirements have been met) can lead to removal by majority vote of the charge conference.

Vacancies are filled by the charge conference through election of trustees for the unexpired terms only. See ¶2530, ¶250 and ¶249.

The local church board of trustees is required to meet and organize within 30 days following the beginning of the ensuing calendar or conference year at a time and place designated by the chairperson and under certain conditions by the vice chairperson (¶ 2529.1). At that time the trustees are required to elect from their membership a chairperson and a vice-chairperson who must not be members of the same class. The offices of secretary and treasurer may be combined; the chairperson is required to be a member of the local church.

These rules may be modified if required by state corporate law (¶2506.1).

Annual Report and Record Keeping

The board of trustees is amenable to the charge conference and must make an annual report to the charge conference. The required elements of the annual report are set forth in ¶ 2549 of the *Book of Discipline*.

¶ **2549. Board of Trustees Report to the Charge Conference.** — The board of trustees shall annually make a written report to the charge conference, in which shall be included the following:

1. The legal description and the reasonable valuation of each parcel of real estate owned by the church.
2. The specific name of the grantee in each deed of conveyance of real estate to the local church.
3. An inventory and the reasonable valuation of all personal property owned by the local church.
4. The amount of income received from any income-producing property and a detailed list of expenditures in connection therewith.
5. The amount received during the year for building, rebuilding, remodeling, and improving real estate, and an itemized statement of expenditures.
6. Outstanding capital debts and how contracted.
7. A detailed statement of the insurance carried on each parcel of real estate, indicating whether restricted by co-insurance or other limiting conditions and whether adequate insurance is carried.

8. The name of the custodian of all legal papers of the local church, and where they are kept.
9. A detailed list of all trusts in which the local church is the beneficiary, specifying where and how the funds are invested, clarifying the manner in which these investments made a positive contribution toward the realization of goals outlined in the Social Principles of the Church, and in what manner there from the income is expended or applied. See Judicial Council Decision 420.
10. An evaluation of all church properties including the chancel areas, to insure accessibility to persons with disabilities; and when applicable, a plan and timeline for the development for accessible church properties.

It is extremely important that the board of trustees be aware of its record keeping responsibilities. Each local church board of trustees should have a well-organized, complete and current system of record maintenance to establish the chain of ownership of all church-owned properties. In the event that conveyances, mortgages, or other actions concerning the local church property are contemplated, these records will be vital in preventing delays in the transactions.

The trustees need this information for their annual report. When real estate transactions are undertaken, this information will be required by potential buyers and/or financial institutions. An up-to-date inventory of local church and parsonage contents also is a must. Retain records of purchases, consider supplementing the list with videotape of contents, and keep inventory materials off-site in a fireproof place such as a safe deposit box where other church papers are kept.

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| For a suggested “Record Retention” schedule, visit www.gcah.org . |
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Property Under Two-and Multi-Point Charges and Shared Facilities

The *Book of Discipline* makes special provisions for pastoral charges containing two or more local churches. These provisions are set forth in ¶¶ 2526 and 2527 of the *Discipline* and call for an establishment of a **church local** conference in each of the local churches within the charge to supervise and control that church's own property. Provision for apportionment of funds invested in parsonages among local churches included within the charge is also made in ¶ 2527.4. This paragraph includes a provision that churches joining a charge after the acquisition of a parsonage will **not** receive a share of the proceeds upon leaving a charge. The basic purpose of these paragraphs is to ensure that each church controls its own property even if it is a member of a multiple church charge. Property belonging to the entire charge may be vested in a board of trustees for the charge as a whole, as provided in ¶ 2527.

With the increase in agreements for sharing church buildings between separate congregations of differing racial/ethnic or linguistic composition, ¶ 2551 is to ensure fairness and orderly procedures in the evolution of such arrangements. Consent of the district superintendent to such arrangements is required as is notification of the district board of church location and building. Such shared facilities arrangements between United Methodist congregations require a mutually agreed-upon written covenant relationship, passed by both charge conferences and including a statement of purpose and a reference to the length of time the arrangement is expected to run. The development of such a covenant is to facilitate coordination of schedules and building use, provide for cooperative building maintenance and coordinate cooperative programs. Mutually agreed upon sharing of expenses is acceptable, but payment of rent by one United Methodist congregation to another is prohibited

Note that ¶¶ 2539.3c and 2540.3c bar congregations ceasing to be as organized United Methodist churches from selling their facilities to another United Methodist congregation but allows them to transfer title to another United Methodist church or agency.

¶ 2551.2 establishes applicable guidelines for an interdenominational shared facility arrangements with a congregation of a different ethnic or language background.

Shared facilities arrangements have a 90-day notice requirement (to the district superintendent and to the other parties in the covenant relationship) for termination of the covenant relationship. The district superintendent is required to consult with the parties involved and the termination requires his or her consent (¶2551.3).

Mergers

¶ 2545 outlines the procedures to be followed by local United Methodist churches that intend to merge.

1. Each charge conference involved must propose and adopt a resolution outlining terms and conditions of the merger.
2. Should the charge conference include two or more local churches, the plan of merger must be approved by the church local conference of each of the local churches in accordance with ¶ 2526.
3. The appropriate resolutions must be submitted to the district superintendent(s) of the district(s) in which the merging churches are located for the required approval(s).
4. The requirements of the laws of the state or states in which the merging churches are located which effect or relate to the merger of the churches must be met. Particular attention should be paid to real property law in the state or states in which the merging churches are located. In cases where there is a conflict between such laws and the procedures outlined in the *Discipline*, the *Discipline* in ¶ 2545.4 specifically indicates that the state law shall prevail and the procedures outlined in the *Discipline* are to be modified to the extent necessary to eliminate the conflict.
5. Archives and records of merged churches are the successor church's responsibility.

Prior to contemplating merger proceedings, a thorough review of all instruments relating to the local church property in question, including deeds, mortgages, leases, etc., should be initiated. In some cases, ownership of church property and buildings is not absolute. Prior conveyances may contain restrictions on the transfer of church property either to a new church entity or to another entity that contemplates using it for purposes other than the purpose stated in the original conveyancing instrument. Such restrictions may lead to the loss of title to the property in favor of the original owner or his or her heirs if a merger or other property transfer is undertaken. Therefore, it is important to ascertain whether or not the local church is legally capable of merging with another entity and retaining its real property. Such a determination cannot be made without a thorough review of the property instruments of the local church by local legal counsel.

Under ¶ 2546 of the *Discipline*, one or more United Methodist churches may merge with one or more churches of other denominations and become a single church. Merging churches of different denominations requires the resolution of potential legal problems involving titles to the merging

churches' property and proper conveyancing of that property to the new merged church. Procedures for an interdenominational merger are as follows:

1. Following appropriate dialogue between United Methodist district superintendent(s) of the district(s) in which the merging churches are located, and the corresponding officials of the other judicatories involved, a plan of merger stating the terms and conditions of the proposed merger and including the denominational connection(s) of the merging church or churches must be approved by the United Methodist charge conference involved in the merger. Should the charge conference include two or more local United Methodist churches, the plan of merger, as approved by the charge conference, also must be approved by the church local conference of each local church in accordance with ¶ 2526 of the *Discipline*.
2. The merger must be approved in writing by the superintendent of the district, a majority of the district superintendents, and the bishop of the area in which the merging churches are located.
3. Where applicable, the merger plan should include copies of the property conveyance instruments that shall contain the trust clause stated in ¶ 2503 of the *Discipline*. ¶ 2547 must be followed where property is involved.
4. As is the case with intra-denominational mergers, state laws that conflict with the procedures for merger outlined in the *Discipline* must be complied with and modifications may be made in the procedures outlined in the *Discipline* to eliminate these conflicts.
5. The requirements of any and all local or state law must be complied with.

¶ 2547 of the *Discipline* states that an annual conference may instruct and direct the board of trustees of a local church to deed church property to a federated church only with the consent of the presiding bishop, a majority of district superintendents, and the district board of church location and building. This procedure must come at the request of the charge conference or from a meeting of the membership of the church where such meeting is required by local law. The same approvals are required when the annual conference wishes to instruct the board of trustees of the local church to deed church property to one of the other denominations represented in the Commission on Pan-Methodist Cooperation or to another evangelical denomination under an allocation, exchange of property, or comity agreement. Such agreements must be written, signed, and approved by the duly qualified and authorized representatives of all parties concerned.

Use of the merger process, as opposed to abandonment or discontinuance, can be a way to keep alive the ministry of local churches that individually have had decreases in membership and finance making their maintenance as free-standing entities difficult or impossible.

Incorporation of a Local Church

¶ 2528.1 vests the charge conference with the authority to direct the board of trustees of the local church to incorporate the church. The incorporation must be accomplished subject to the *Discipline* and in accordance with local law. Minimum standards for a local church corporation are found in ¶2506.

Incorporation should protect and exempt the individual officers and members, jointly and severally, of the local church, from legal liability for and on account of the debts and other obligations of every kind and description of the local church. The first step in the incorporation process should be the retention of qualified legal counsel. Legal counsel should be very familiar with the structure of the United Methodist denomination, especially the trust clause (¶ 2503), the local church structure, and the various roles of the district superintendent as to certain local church matters.

Advantages of Incorporation

1. Limited liability
2. Clear legal capacity to enter into contracts and agreements
3. Perpetual duration

Under the law, a corporation is a separate legal entity from its officers, directors and its incorporators. Corporate powers are conferred by the corporate charter and by the state corporation statute. The corporate form provides a continuous entity for the ownership and management of property, and for carrying out the business and programs of the local church. Assertions of liability for acts undertaken by the corporation may be satisfied, if proved, from corporate assets only, rather than from personal assets of the corporate directors, except in cases of fraud against the corporation by a director, or where corporate formalities are not followed, and a case can be made that the corporation is acting as an alter ego of its directors.

A corporation derives its powers and existence from the state. The sources of its powers are its charter and the general statute under which the corporation was organized. The statutes grant numerous specific powers relating to organization, the use and conveyance of property, the election of officers, the amendment of articles of incorporation and by-laws, the right of dissolution, etc.

The “express powers” of a corporation are those related to the business activities in which the corporation is engaged that are enumerated in its charter. “Implied powers” arise out of reasonable inferences about the scope and intent of the language of the charter powers as they relate to certain facts and circumstances. Great care should be taken by the local church corporation to insure that its acts and transactions do not extend beyond its limits of authority. Such acts are termed *ultra vires* and should be expressly barred by the corporation’s Articles of Incorporation.

Procedures for forming and organizing corporations vary from state to state. However, general incorporation statutes in every jurisdiction allow for the issuance of a charter of incorporation to certain persons by a designated state official (usually the Secretary of State) in compliance with the provisions of the corporation statute. The typical statute requires:

1. The preparation and execution of the articles of incorporation by the incorporators, and the acknowledgment of their signatures before a notary public
2. The delivery of the articles of incorporation to the Secretary of State, including any other required incorporation papers and payment of required organizational fees
3. Filing of the articles by the Secretary of State, and subsequent issuance by him or her of the certificate of incorporation
4. The recording of the Certificate and Articles of Incorporation with the Recorder of Deeds, or any other county officials as required in the county or parish where the corporation is located
5. The convening of the first corporation organization meeting at the call of the directors to adopt by-laws, elect officers, and transact other business.

The articles of incorporation generally include the following provisions:

1. The name and address of the corporation.
2. The address of its registered agent for the service of process, notice, or demand upon the corporation.
3. The duration or tenure of the corporation, which may be perpetual or limited. Church corporations are typically perpetual.
4. The names and addresses of the incorporators.
5. A statement of purpose for which the corporation is formed.
6. The names and number of directors constituting the initial board of directors, and the names and addresses of those who are to serve as directors until the first called meeting.

7. Membership of the corporation, and, in the case of the local church, specific reference to the *Discipline* provisions on incorporation of the local church.
8. The powers of the corporation.
9. Procedures for the adoption of by-laws by the board of trustees.
10. Definition of the quorum of directors needed to transact corporate business.
11. Procedures for amending the articles of incorporation.
12. Provisions for the distribution of assets upon dissolution of the corporation.

Upon completion of the required charter application and the articles of incorporation, these documents must be submitted to the district superintendent for his or her written approval. The purpose of obtaining the superintendent's written approval is to insure conformity of the documents with the *Discipline*. Particular attention should be devoted to the following:

1. The corporation's stated purpose and powers must support the doctrine of The United Methodist denomination, and all its property must be subject to the "laws, usages, and ministerial appointments" of the Church.
2. The board of trustees, who ordinarily will serve as the board of directors of the corporation per the *Discipline*, must be properly selected. Officers of the board of trustees are the officers of the board of directors of the corporation.
3. The powers and responsibilities of the corporation, and its board of directors, should include the powers and responsibilities about property specified for the charge conference by the *Discipline*.
4. The members of the corporation are to be the members of the charge conference.
5. Should the corporation cease to exist, the title to all its property is to be vested in another 501 (c)(3) tax exempt organization. We suggest the title vest in the annual conference board of trustees, to be held in trust for benefit of the local church, if it should continue to exist, and, if not, for the benefit of the conference or successor entity.
6. The articles of incorporation and the by-laws of the corporation that are submitted to the state should include the provisions of the *Book of Discipline* of The United Methodist Church by reference.

7. After completion of the incorporation, care should be taken to deed all property into the new corporation. Real property can be deeded by use of a quitclaim deed. This transfer can present an excellent opportunity to review the title to property, to determine if there are any limitations on reversionary interests and to make sure that the trust clauses (§ 2503) are put into the new deeds.

Many states now have special not-for-profit corporation statutes or religious corporation statutes that significantly decrease the reporting requirements and filing costs for such corporations. Local counsel should be instructed to incorporate under such statutes if possible.

Note: Sample incorporation forms, including bylaws, are included at the end of this section. The sample forms are for both local churches and preschools formed by a local church. Each state has different incorporation requirements. These forms should be a useful starting point for the church's attorney.

It might be helpful as well to consult with other local churches that have recently incorporated in your state to obtain samples of their forms for review, assuming their incorporation forms have been prepared by a knowledgeable attorney with attention to the unique structure of the United Methodist denomination.

Building Committees and Programs

¶ 2543 provides a detailed outline of the process to be followed by local churches constructing a new building (including parsonages) or remodeling where the cost will exceed ten percent of the value of the existing building. The provisions of this paragraph are intended to insure the financial ability of the local church to support the project, the practicality of the plans in relation to the needs of the church, the orderly development of plans and specifications, and membership approval.

Local churches seeking to build or purchase a new church, education building, or parsonage, or to remodel any of these where the cost of remodeling the building will exceed ten percent of its value, must first establish a study committee. The study committee must analyze the needs of the church and community, project potential membership and average attendance, and write up its program of ministry in accordance with §§ 201-204. The study committee report will be part of a report presented to the charge conference and will be used by the building committee. The study committee findings will become part of the local church's report to the district board of church location and building.

Written consents of the pastor and district superintendent are required, as is site approval by the district board of church location and building.

At this point, a charge conference may authorize the project at a regular or called meeting and elect a building committee of not fewer than three. The selection of a good building committee by the charge conference is especially important. Care should be taken to select individuals qualified to assess building needs, plans and financial arrangements. The committee should make diligent efforts to ascertain from within the local community assessments of the reliability and competence of architects and general contractors under consideration for the project. Price, reputation, and quality of work as well as experience in working on church projects are all factors to be considered. Careful selection of the architect and contractor can do much to make the project run smoothly and be completed on schedule. Making sure that the contractor is bonded and a payout schedule is contingent on the percentage of work completed can provide protection for the church.

¶ 2543 also contains several specific requirements. A fee simple title to the building site is required, and it is recommended that the property title be guaranteed and environmental standards be met (¶2543.10). There shall be no personal guarantees by trustees or church members on loans to the church (¶ 2543.13) ¶ 2543.12 prevents entering into contracts for materials and labor until cash, pledges and loans are in place to assure payment of all obligations. ¶ 2543.4c requires special attention to access by disabled person to the church, parsonage, and other buildings. The building committee must ensure that adequate steps are taken to assure affirmative action in selection of contractors (¶ 2543.9). It must submit a need statement and architectural and financial plans to the district board of church location for approval (¶ 2543.5). After this approval is secured, and with the written consent of the district superintendent, a church conference to approve the project must be called (¶ 2543.6). On approval of the preliminary plans by majority vote, the building committee develops detailed plans and specifications, a cost estimate is secured, and charge conference and district board of church location approval is sought.

When entering into construction contracts it is important to make sure that the insurance obtained by the general contractor properly and sufficiently names the local church as an additional insured. That additional insured certificate should contain the following:

- Be sure the additional insured certificate includes actual insurance policy numbers.
- The certificate should include a statement, “This insurance is primary, noncontributory.”
- Be sure the certificate properly names the church as an additional insured, not just as a “certificate holder.”

Transportation Safety

Churches transport people to and from various church and community events and activities on a regular basis. Church transportation raises a number of important safety and regulatory issues that need to be addressed. These issues are especially crucial when considered in light of the accidents that have occurred in which human lives have been lost or seriously injured: a van transporting children collides with a tractor-trailer rig in an intersection and all of the children are killed; a car transporting children is stuck on railroad tracks and is hit by a train, killing everyone in the car; a young adult is killed in a car accident en route to a camp training event; several children are hit by a passing car while being loaded into a church van taking them home from Sunday school. The following safety issues need to be reviewed by every church organization that has occasion to drive - - or ask a member to drive children or adults to or from any church activity or event:

- Do the persons who are operating the vehicles have a valid driver's license for the class of vehicle being driven?
- Do the persons who are operating the vehicles have safe driving records?
- Are the vehicles equipped with a freshly stocked first-aid kit?
- Are the vehicles equipped with proper safety equipment in case of an emergency?
- Have the vehicles been serviced and inspected on a regular maintenance schedule?
- Are the vehicles equipped with seat belts for every passenger?
- Are a sufficient number of vehicles used for the safe transport of the number of persons (no overloading)?
- Does the organization have adequate liability insurance for all vehicles, and does it cover vehicles owned and operated by volunteer members?
- Are the drivers all responsible adults (age 25 or older)?
- Do any special federal or state regulations apply to the type of vehicle that is being driven (see the following summary of federal transportation regulations and the safety issues regarding full sized vans).
- Does the church have a written safety policy for transportation? Is it being followed?
- Does the church use release forms, including medical authorization forms, for all trips?
- Does the church have insurance that covers all trips?
- Is the transportation safe enough that you would allow members of your own family to go on the trip?

We are often so grateful for the willingness of volunteers to take time from their busy schedules to transport children, youths, older adults and others that it is easy to neglect any one of these important transportation safety issues. Church organizations must remember that the repercussions from an accident involving an overloaded, unsafe, or unsafely driven vehicle can negatively affect the congregation and its ministry for many years. Every reasonable precaution needs to be taken to protect the safety of passengers on their way to or from a church activity or event!

1. Federal Bus Regulations

Churches that use buses or large vans to transport passengers across state lines may be subject to federal safety regulations for motor coaches and buses. The regulations apply to any interstate transportation of “business private motor carriers of passengers” and “nonbusiness private motor carriers of passengers” as these terms is defined by the Department of Transportation (DOT). The DOT has stated that churches in general either will be exempt from the federal regulations altogether or will fall within the definition of regulated nonbusiness private motor carriers of passengers. A church that owns or leases a bus or van will be a “nonbusiness private motor carriers of passengers” if: (1) the bus or van has a gross vehicle weight of 10,001 or more pounds or is designed to transport more than 15 passengers (including the driver), and (2) the bus or van is “involved in interstate transportation of passengers,” which basically means taking the bus or van outside of the state in which the church is located.

2. Van Safety Concerns

One major concern is the safety of vehicles that are owned and used by the church. It is important to be well advised on what type of vehicle is the safest. Buying a used or less expensive vehicle that does not have adequate safety standards should never happen. Many churches use large vans to transport children because vans cost less than school buses. From the standpoint of protecting children, federal government studies have determined that vans of any size are not only less safe than school buses, but are also less safe than ordinary private passenger cars (which in recent years have had to meet certain design standards for safety).

Incorporation of the Local Church

Sample Charge Conference Resolutions

WHEREAS, it is the recommendation of certain members of this local church that the Charge Conference elect to direct the Board of Trustees to incorporate said church under the laws of the State of _____ and the *Discipline* of The United Methodist Church; and

WHEREAS, such members further desire said incorporation to be for and in accordance with the purposes set forth in the United Methodist *Discipline*; and in such manner as will fully protect and exempt from any and all legal liability the individual officers and members, jointly and severally, of the local church, and the Charge, Annual, Jurisdictional, and General Conferences of The United Methodist Church and each of them, for an on account of the debts and other obligations of every kind and description of the local church; and

WHEREAS, this meeting of the Charge Conference is called to consider the said recommendation to incorporate the local church as hereinbefore stated; and

WHEREAS, said members of the Charge Conference have been duly notified of the special meeting of the Charge Conference of this said association and the purpose thereof, which meeting has been duly authorized to be held and called in accordance with the United Methodist *Discipline*.

NOW, THEREFORE, BE IT RESOLVED that the membership of the Charge Conference of **(church name and state)**, an unincorporated association, duly called and convened, do hereby authorize and direct the incorporation of said association as **(church name and state)**, a(n) _____ **(state)** nonprofit religious corporation (or not for profit corporation), in accordance with the *Discipline* of The United Methodist Church and for the purposes as set forth in said *Discipline*, and do further authorize and direct the Board of Trustees of this association to forthwith cause proper Articles of Incorporation, containing therein the requirements and necessary provisions of the United Methodist *Discipline*, to be prepared, executed, and transmitted forthwith to the Office of the Secretary of the State of _____ for filing therein, and that the expense of said incorporation be paid from the General Treasury of said association.

BE IT FURTHER RESOLVED, that the following persons be, and they are hereby designated as the original trustees of said new nonprofit corporation:

[as many lines as Trustees designated, but not fewer than three (3) members nor more than nine (9) - Paragraph 2524 of *The Book of Discipline*, 2004]

RESOLVED FURTHER, that said Board of Trustees be further authorized to do and perform any and all acts necessary to carry this resolution into full force and effect.

(Date of Meeting)

VOTE:

Approved ___ **Defeated** ___

(Place of Meeting)

CERTIFICATION
(if required)

The undersigned, Secretary of the Charge Conference of _____ Church, an unincorporated association, do hereby certify that the following action was duly taken by said Charge Conference on the ____ day of _____, 20_____, and that the same is in full force and effect.

Secretary
Charge Conference

Sample Charge Conference Resolution 2

WHEREAS, the members of the Charge Conference of _____
(**name and state**), an unincorporated association, did this ___ day of _____, 20_____,
by proper resolution direct and authorize the Board of Trustees of said association to promptly
incorporate said association under the laws of the State of _____ pursuant to the
Discipline of The United Methodist Church, as a nonprofit, religious corporation (or not for profit
corporation); and

WHEREAS, it will become necessary upon the incorporation of said association to transfer all
of the assets of said association to the new corporation, which shall be known as

(**name and state**).

NOW THEREFORE, BE IT RESOLVED by the members of the Charge Conference of
(**name and state**), an unincorporated association, duly called and convened, that the Board of Trustees
of said association in order to perfect further and carry on the operation of said association as a
corporation and to comply with the *Discipline* of The United Methodist Church be, and it is hereby
authorized and directed to prepare, transfer and convey unto _____
(**name and state**), the newly formed corporation, by proper deeds, bills of sale, and other instruments,
all the property of said association, real and personal, of whatever kind and description whatsoever,
subject to all the encumbrances and liabilities of the unincorporated association and that thereupon all
the rights, privileges, immunities, powers, franchises, and authority and all the property and
obligations of such unincorporated society or association shall pass to, vest in, and be the property and
(in the case of encumbrances and liabilities) obligations of the corporation so formed, and that the
expense of said transfer and conveyance and all matters necessary and incidental thereto be borne by
and paid from the General Treasury of said unincorporated association.

Place of Meeting: _____

Date of Meeting: _____

VOTE: **Approved** ____ **Defeated** ____

CERTIFICATION
(if required)

The undersigned, Secretary of the Charge Conference of _____ Church, an
unincorporated association, do hereby certify that the following action was duly taken by said Charge
Conference on the ___ day of _____, 20__, and that the same is in full force and effect.

Secretary
Charge Conference

Sample Board Of Trustees Resolution

Pursuant to the direction of the Charge Conference of the

(name of unincorporated association) authorizing this Board by its proper officers to prepare, execute, and file Articles of Incorporation for this religious, unincorporated association, be it hereby

RESOLVED, that the President (Chairman) and Secretary of this Board forthwith cause Articles of Incorporation to be prepared, executed, and filed with the Secretary of the State of as a nonprofit corporation; and

BE IT FURTHER RESOLVED, that _____ be designated as Statutory Agent of this corporation upon whom any process, notice, or demand required or permitted by statute to be served upon the corporation may be served; and

BE IT FURTHER RESOLVED, that the following persons be, and they are hereby designated as the incorporators of said new nonprofit corporation:

**(minimum of one (1) incorporator required,
typically Chairman of Board of Trustees)**

BE IT FURTHER RESOLVED, that said President (Chairman) and Secretary of the Board be, and they are hereby authorized and directed to do and take such actions as they deem necessary to carry into effect the foregoing resolutions, all pursuant to the *Discipline* of The United Methodist Church.

(Date of Meeting)

VOTE:

Approved ___ Defeated ___

(Place of Meeting)

Each state varies on the form required for Articles of Incorporation

Approved for filing:

By _____

Date _____

Amount _____

Sample Articles Of Incorporation

ARTICLES OF INCORPORATION OF

The undersigned, all of whom are citizens of the United States, desiring to form a corporation, not for profit, under _____ (state authority or statute), do hereby certify:

FIRST: The name of said corporation shall be _____

SECOND: The place where the principal office of the corporation is to be located is _____
(City, County, and State)

THIRD: The purpose or purposes for which the corporation is formed are as more fully set forth in the *Discipline* of The United Methodist Church or as may hereafter, from time to time, be amended including:

(a) The promotion of the Christian religion through the preaching of the Word of God, the administration of the sacraments, ordinances, and other means of grace, the maintenance of worship, the edification of believers, the evangelization of the world, and the promotion of the missionary and benevolence causes.

(b) Receiving, holding, and disbursing gifts, bequests, and funds arising from all sources.

(c) Acquiring, owning, and maintaining real estate, buildings, and other property real or personal, incidental, necessary, or proper to carry out said objects.

(d) Doing of any and all things necessary or incident to the accomplishment of such purposes.

(e) All of the above shall be in accordance with the Doctrines, Laws, Usages, *Discipline*, and Ministerial appointments of The United Methodist Church.

FOURTH: The following persons shall serve as the initial trustees of said corporation and shall serve as provided in the *Discipline* of The United Methodist Church:

| NAME | ADDRESS |
|-------|---------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

[Note: Not less than three (3), nor more than nine (9)]

FIFTH: Upon the filing of these Articles of Incorporation of _____, the society or association now known as _____, a corporation not for profit, and the members of such society or association shall be members of such corporation, and all the rights, privileges, immunities, powers, franchises, authority, property, and obligations of such unincorporated society or association shall thereupon pass to, vest in, and be the rights, privileges, immunities, powers, franchises, authority, property, and obligations of _____, a corporation not for profit.

SIXTH: The corporation shall support the Doctrine of The United Methodist Church and all its property, both real and personal, shall be subject to the *Discipline*, Laws, Usages, and Ministerial appointments of The United Methodist Church as are now or shall be, from time to time, established, made, and declared by the lawful authority of the said church.

SEVENTH: The corporation, in conformity with the *Discipline* of The United Methodist Church, shall have the power to receive, acquire, and hold title, in trust or otherwise, to real and personal property, and to improve, encumber, lease, sell, convey, and dispose of all such property.

EIGHTH: Subject to the provisions of the *Discipline*, the corporation shall have the power to erect and maintain buildings for the worship of God, for training in Christian faith and conduct, and for Christian social intercourse, and to purchase, lease, and/or rent and otherwise acquire or build and maintain residences for the use and occupancy of its ministers.

NINTH: The business of this corporation shall be conducted in conformity with the *Discipline* of The United Methodist Church as the same now exists or as may hereafter be amended, changed, or modified, and the bylaws of the corporation shall include the *Discipline* of The United Methodist Church and no bylaws shall be adopted inconsistent with the provisions of said *Discipline*.

In addition to the powers and duties granted to this corporation by the *Discipline* of The United Methodist Church, the corporation assumes for itself all the rights, powers, and privileges and immunities which are now, and which may be during the existence thereof be conferred by law upon corporation with a similar character, provided the same are not inconsistent with said *Discipline*. All amendments, bylaws, and regulations of this corporation shall at all times be in conformity with the *Discipline* of The United Methodist Church.

But notwithstanding the above, however, at no time shall any of the amendments, bylaws, or regulations of the corporation be prohibited by or in conflict with the nonprofit corporate laws of the State of _____.

TENTH: The members of the corporation shall mean the membership of the corporation and shall be composed of such persons (ministerial and lay) as from time to time shall be defined in accordance with the *Discipline* of The United Methodist Church, and such members thereof shall have only such voting and other rights as now exist or may hereafter be granted by the *Discipline* of The United Methodist Church.

ELEVENTH: If for any reason the corporation shall be abandoned, discontinued, or cease to exist as a legal entity and its charter shall expire or be terminated, the title to all its property both real and personal shall be vested and be the property of the _____ annual conference of The United Methodist Church, pursuant to said *Discipline* of The United Methodist Church, or to an organization qualified under § 501(c)(3) of the Internal Revenue Code of the United States.

IN WITNESS WHEREOF, we have hereunto subscribed our names, this _____ day of
, 20__.

INCORPORATORS

_____ (place)
_____, 20

Sample Original Appointment Of Agent

The undersigned, being at least a majority of the incorporators of _____

_____ a corporation not for profit, hereby appoints _____
(name of agent), a natural person, resident of _____ **(state)**, in which the corporation has
its principal office, as agent of _____
(name of corporation), upon whom any process, notice, or demand required or permitted by statute to
be served upon the corporation may be served. His/her complete address is

(Name of Corporation)

By _____
Incorporator

By _____
Incorporator

By _____
Incorporator

(place)

_____, 20____

(Name of Corporation)

To Whom It May Concern: I hereby accept appointment as agent of your corporation upon whom
process, tax notices, or demands may be served.

(Statutory Agent)

INCORPORATION OF THE LOCAL CHURCH

Sample Certificate Of Amended Articles
Of

(old name)

_____, Chairman or President, and
_____, Secretary of the Board of Trustees of
_____, a State of _____ corporation not for profit, with its
principal office situated in _____ County, _____ State, do hereby certify that at a
Special Meeting of The Charge Conference of this corporation called and held on _____ day of
, 20____, at which meeting a quorum of members thereof were present, that by affirmative vote of a
majority of such members present, the following resolutions were adopted:

“**RESOLVED**, that the following amended Articles of Incorporation be, and the same
are hereby adopted to supersede and take the place of existing Articles of Incorporation
and all amendments thereto, if any, to-wit:

Amended Articles Of Incorporation
Of

FIRST: The name of said corporation shall be

SECOND: The place where the principal office of the corporation is to be located is

(City, County, and State)

THIRD: The purpose or purposes for which the corporation is formed are as more fully
set forth in the *Discipline* of The United Methodist Church or as may hereafter,
from time to time, be amended including:

(a) The promotion of the Christian religion through the preaching of the Word of God,
the administration of the sacraments, ordinances, and other means of grace, the maintenance of
worship, the edification of believers, the evangelization of the world, and the promotion of the
missionary and benevolence causes.

(b) Receiving, holding, and disbursing gifts, bequests, and funds arising from all
sources.

(c) Acquiring, owning, and maintaining real estate, buildings, and other property real
or personal, incidental, necessary, or proper to carry out said objects.

(d) Doing of any and all things necessary or incident to the accomplishment of such
purposes.

(e) All of the above shall be in accordance with the Doctrines, Laws, Usages,
Discipline, and Ministerial appointments of The United Methodist Church.

FOURTH: The Trustees shall be elected and shall serve and provided in the *Discipline* of The United Methodist Church.

FIFTH: Upon the filing of these Articles of Incorporation in accordance with the *Discipline* of The United Methodist Church, which is the constitution and fundamental agreement of this society or association, the _____ United Methodist church, a nonprofit corporation, formerly known as the _____ Methodist Church, and the members of the United Methodist Church shall be members of this corporation, and all the rights, privileges, immunities, powers, franchises, authority, and all the property and obligations of corporation under its former name shall thereupon pass to, vest in, and be the rights, privileges, immunities, powers, franchises, authority, property, and obligations of the _____ United Methodist Church, a corporation not for profit.

SIXTH: The corporation shall support the Doctrine of The United Methodist Church and it and all its property, both real and personal, shall be subject to the *Discipline*, Laws, Usages, and Ministerial appointments of The United Methodist Church as are now or shall be, from time to time, established, made, and declared by the lawful authority of the said church.

SEVENTH: The corporation, in conformity with the *Discipline* of The United Methodist Church, shall have the power to receive, acquire, and hold title, in trust or otherwise, to real and personal property, and to improve, encumber, lease, sell, convey, and dispose of all such property.

EIGHTH: Subject to the provisions of the *Discipline*, the corporation shall have the power to erect and maintain buildings for the worship of God, for training in Christian faith and conduct, and for Christian social intercourse, and to purchase, lease, and/or rent and otherwise acquire or build and maintain residences for the use and occupancy of its ministers.

NINTH: The business of this corporation shall be conducted in conformity with the *Discipline* of The United Methodist Church as the same now exists or as may hereafter be amended, changed, or modified, and the bylaws of the corporation shall include the *Discipline* of The United Methodist Church and no bylaws shall be adopted inconsistent with the provisions of said *Discipline*.

In addition to the powers and duties granted to this corporation by the *Discipline* of The United Methodist Church, the corporation assumes for itself all the rights, powers, and privileges and immunities which are now, and which may be during the existence thereof be conferred by law upon corporation with a similar character, provided the same are not inconsistent with said *Discipline*. All amendments, bylaws, and regulations of this corporation shall at all times be in conformity with the *Discipline* of The United Methodist Church.

But notwithstanding the above, however, at no time shall any of the amendments, bylaws, or regulations of the corporation be prohibited by or in conflict with the nonprofit corporate laws of the State of _____.

TENTH: The members of the corporation shall mean the membership of the corporation and shall be composed of such persons (ministerial and lay) as from time to time shall be defined in accordance with the *Discipline* of The United Methodist Church, and such members thereof shall have only such voting and other rights as now exist or may hereafter be granted by the *Discipline* of The United Methodist Church.

ELEVENTH: If for any reason the corporation shall be abandoned, discontinued, or cease to exist as a legal entity and its charter shall expire or be terminated, the title to all its property both real and personal shall be vested and be the property of the _____ annual conference of The United Methodist Church, pursuant to said *Discipline* of The United Methodist Church, and if it should not be in existence to any successor United Methodist organization and if none to an organization qualified under § 501(c)(3) of the Internal Revenue Code of the United States.

IN WITNESS WHEREOF, said _____, President, and
, Secretary of _____, acting for and on behalf of said corporation, have hereunto
subscribed their names this ____ day of
_____, 20__.

By _____
President

By _____
Secretary

Sample Bylaws

BYLAWS

(Name of local United Methodist Church)

(City, County and State)

ARTICLE I. IDENTITY

These are the Bylaws of the above named United Methodist Church, a non-profit religious corporation [**Note:** this may need to be changed to reflect the type of corporation, based on the options for incorporation in your state, *e.g.*, a not-for-profit corporation; a non-profit religious corporation, a religious corporation, etc.] organized pursuant to the laws of _____state, with its principal place of business at the above stated city and county in _____state (“the Corporation”).

ARTICLE II. PURPOSES AND POWERS

Section 2.01. The Corporation is organized as a local United Methodist Church exclusively for religious purposes, [**Note:** some will want to edit or add to the description from here] to promote the Christian religion through the preaching of the word of God, administration of the Sacraments, ordinances and other means of grace; to reach out and receive with joy all who will respond; to encourage people in their relationship with God and invite them to commit to God’s love in Jesus Christ; to provide opportunities for people to seek spiritual formation; and to support people to live lovingly and justly in the power of the Holy Spirit as faithful disciples, all in accordance with *The Discipline*.

Section 2.02. All the powers authorized and permitted by *The Book of Discipline* (as amended from time to time by the General Conference) (“*The Discipline*”) for a local church corporation shall be the powers of this Corporation, together with such powers as granted to the Corporation by the [cite to state statute], as amended from time to time.

ARTICLE III. GOVERNANCE

Section 3.01. The Corporation shall look to these Bylaws, the Articles of Incorporation, *The Discipline*, and the laws of this state with reference to non-profit religious corporations, and Section 501(c)(3) of the Internal Revenue Code (as amended from time to time) for guidance in the operation of its affairs [**Note:** may need to modify to comply with or mention specific state statutes].

Section 3.02. Where these Bylaws conflict with *The Discipline*, *The Discipline* shall control.

ARTICLE IV. MEMBERS

[Note: Check state law to see whether there are any special requirements for corporations that have members]

Section 4.01. The initial members of the Corporation shall be the members of the local church congregation immediately prior to incorporation. Persons subsequently becoming members of the local church congregation shall be members of the Corporation, and persons ceasing to be members of the local church congregation shall cease to be members of the Corporation.

Section 4.02. Only those members of the Corporation who are members of the Charge Conference, as defined in *The Discipline*, are entitled to vote at a meeting of the members; provided, however, that if the District Superintendent convenes (or authorizes the convening of) a Charge Conference as a Church Conference, then all members of the Corporation present shall be entitled to vote at such Church Conference.

Section 4.03. The annual meeting and any special meeting of the members (whether convened as a Charge Conference or a Church Conference) shall be convened and held, with notice, quorum and voting rights, all as provided for in *The Discipline*.

ARTICLE V. BOARD OF DIRECTORS

Section 5.01. The Board of Trustees of the _____
[name of local church] shall serve as the Board of Directors of the Corporation (“the Board”), and shall be elected and serve in accordance with the provisions of *The Discipline*.

Section 5.02. The number, qualifications, and constitution of the Board, their term in office and their method of election, removal and replacement shall be in accordance with the provisions of *The Discipline* for the Board of Trustees.

Section 5.03. Subject to the direction of the Charge Conference, the property, equipment, insurance coverage, bequests, and trusts of the Corporation shall be managed by the Board, consistent with the responsibilities of the Board of Trustees in *The Discipline*.

ARTICLE VI. CHURCH COUNCIL

Section 6.01. The Church Council shall have general oversight of the administration and program of the Corporation in pursuing the primary task of the Corporation, pursuant to *The Discipline*.

Section 6.02. The membership on the Church Council shall be as provided in *The Discipline*.

ARTICLE VII. OFFICERS

Section 7.01. The Board of Directors shall elect from its membership, to hold office for a term of one year or until their successors shall be elected, a chairperson [president], vice-chairperson [vice-president], secretary, who shall serve as the officers of the Corporation. The chairperson and vice-chairperson shall not be members of the same class.

Section 7.02. Any officer may be removed from office at any time by a majority vote of the Board, as then constituted, notwithstanding the fact that the term for which s/he may have been elected has not expired. No cause need be assigned for any removal under this section.

Section 7.03. Any vacancy in any office may be filled by the Board at any regular or special meeting.

Section 7.04. The chairperson shall preside at all meetings of the Board. The chairperson shall execute all contracts authorized by the Board and shall perform such other duties as are incident to the office or properly required of him/her by the Board, in accordance with *The Discipline*.

Section 7.05. The vice-chairperson shall perform the duties of the chairperson in the absence or disability of the chairperson. In addition, the vice-chairperson shall have such powers and discharge such duties as may be properly assigned to him/her, from time to time, by the Board, in accordance with *The Discipline*.

Section 7.06. The secretary shall keep a record of all proceedings at the meeting of the Board, give notices, have custody of the corporate seal, attest when necessary the signature of the chairperson, affix the seal to all instruments required to be executed under seal and as authorized by the Board, attend to any and all filings required by state law, and maintain the corporation's records. The secretary shall have such other powers and perform such other duties as are incident to the office or properly required of him/her by the Board, in accordance with *The Discipline*.

Section 7.07. The treasurer(s) of the local church, elected by the charge conference, shall serve as the treasurer(s) of the Corporation. If such person is not already a member of the Board, then s/he shall not have a vote but rather shall serve as an *ex officio* member of the Board, without vote. [Note: This sub-section may or may not fit with the current operating structure of a particular local church; it is not mandatory that the corporation have a treasurer as an officer, unless mandated by state law; however, the bylaws need to be clear that if someone else is going to serve as treasurer of the corporation (other than the local church treasurer), that person does not have control over all of the funds of the local church, given the role of the local church treasurer under *The Discipline*]

ARTICLE VIII. MEETINGS

Section 8.01. The Board of Directors shall meet at least annually, at the call of the pastor of the local congregation or the chairperson of the Board, at such times and places as shall be designated in a notice provided to each Board member and the pastor(s) at a reasonable time prior to the appointed time of the meeting. The notice may be by mail, church bulletin, telephone or fax machine [note any state law requirements here]. The notice shall include the date, hour and place of all such meetings. **Note:** State law may require a specified time] Notice may be waived, as provided for in the [cite to state statute] and *The Discipline*.

Section 8.02. An organizational meeting of the Board shall be held within thirty days after the beginning of the ensuing calendar or conference year, for the purpose of electing officers for the ensuing year and transacting any other business properly brought before it.

Section 8.03. A quorum at any Board meeting shall consist of a majority of the Board, as constituted at the time of such meeting. The acts approved by a majority of those present at any meeting, at which a quorum is present, shall constitute the acts of the Board of Directors, except where a greater than majority vote is required by state law or *The Discipline*.

ARTICLE IX. INDEMNIFICATION

The Corporation is authorized to indemnify its officers and directors to the full extent permitted by state law. [**Note:** Some local churches may want to make indemnification mandatory; however, be very careful in making such language mandatory, to ensure that you are not indemnifying more than you can truly indemnify, to ensure that you are complying with state law, and to ensure that you are not agreeing to indemnify acts which would be in violation of the *Discipline*, including its social principles; it is also important to consider the insurance coverage afforded by the local church's directors and officers liability insurance policy, if any, before deciding how to write this paragraph.]

ARTICLE X. AMENDMENTS

These Bylaws may be amended by a two-thirds vote of the full Board (as then constituted) at any meeting of the Board, provided that the notice of such meeting clearly sets forth the proposed changes which are to be considered.

ARTICLE XI. DISSOLUTION

Should the Corporation cease to exist, the title to all its property shall be vested in the annual conference Board of Trustees of The United Methodist Church, to be held in trust for the benefit of the local church, if it should continue to exist, and, if not, for the benefit of the annual conference of The United Methodist Church, or its successor entity, or, if such transfer is not possible, then such title shall be vested in an organization qualified under § 501(c)(3) of the Internal Revenue Code, as amended from time to time. [**Note:** state law may require a variation in this paragraph, but it is important to retain the notion that all real property is to be held in trust]

Effective as of _____

Secretary [or incorporator]

Sample Articles of Incorporation ABC Children's Center
A Nonprofit Corporation

ABC CHILDREN'S CENTER

ARTICLE I

The name of this corporation is ABC CHILDRENS CENTER.

ARTICLE II

Section 1. Purposes:

1.1 To operate exclusively for religious, charitable, scientific, literary, or educational purposes, within the meaning of § 501 (c) (3) of the Internal Revenue Code of 1986. Its purpose is to extend the Christian ministry of the XYZ United Methodist Church, Anywhere, USA, a nonprofit religious corporation, through a community outreach program to children. The objective of the program is to provide a comprehensive early childhood education in a Christian environment, with emphasis on Christian values, to children and families living in and around the Anywhere, USA area. The program shall be an integral part of the ministry of the local church.

1.2 This corporation is a religious corporation.

Section 2. Limitations:

2.1 The corporation shall have no capital stock, and no part of its net earnings shall inure to the benefit of any director or officer of the corporation, or any private individual.

2.2 No director or officer of the corporation, nor any private individual shall be entitled to share in the distribution of any of the corporate assets upon dissolution of the corporation, or the winding up of its affairs. Upon such dissolution or winding up, all the remaining assets of the corporation shall be distributed by the Board of Directors to the XYZ United Methodist Church, Anywhere, USA, if it exists, but if it does not exist, then to the Anywhere, USA Annual Conference of The United Methodist Church, or its successor.

2.3 No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting, to influence legislation except as may be permitted to § 501 (c) (3) organizations by the Internal Revenue Code, and the corporation shall not participate in, or intervene in (including the publication or distribution of statements) any political campaign on behalf of any candidate for public office.

2.4 Notwithstanding any other provisions of these Articles, the corporation shall not conduct or carry on activities not permitted to be conducted or carried on by an organization exempt under §501 (c) (3) of the Internal Revenue Code as now stated, or as it may be hereafter amended, or by an organization contributions to which are deductible under §170 (c) (2) or such Code as now stated, or as it may be hereafter amended.

Section 3. Powers:

In general, and subject to such limitations and conditions which are or may be prescribed by law, or in the corporation's Articles of Incorporation, Bylaws or in the United Methodist Book of Discipline, the corporation shall have all powers which are now or hereafter conferred by law upon a corporation organized for the purpose set forth above, or necessary or incidental to the powers so conferred, or conducive to the attainment of the purpose of the corporation. The corporation at all times shall comply with the policies and practices of the United Methodist religious denomination, as embodied in its Book of Discipline.

ARTICLE III

Section 1. Members:

The corporation shall have no members. The Board of Directors, however, may create a class of membership designated "contributing membership." An honorary or contributing membership shall constitute a nominal membership only. Honorary or contributing members shall not be entitled to vote on any matter nor shall have any other rights with respect to the corporation.

Section 2. Management:

The management of the corporation will be vested in a board of no less than seven (7) directors. The number, qualifications, terms of office, manner of election, time and place of meeting, and powers and duties of directors shall be prescribed in the Bylaws of the corporation.

ARTICLE IV

The name and address of the initial registered agent is Name, Anywhere, USA, who has consented to act as registered agent. The principle office address of the corporation is Anywhere, USA.

ARTICLE V

No amendment may be made either to these articles of incorporation nor to the Bylaws of the corporation unless such amendment has first been approved by the Administrative Council of the United Methodist Church, Anywhere, USA, acting in a duly called meeting. Subject to the requirement for such consent, the Board of Directors shall have full authority to make, amend and repeal both these articles and any Bylaws.

ARTICLE VI

The corporation shall indemnify each of its directors and officers, whether or not then in office (and his executor, administrator and heirs), against all reasonable expenses actually and necessarily incurred by him or her in connection with the defense of any litigation to which he or she may have been made a party because the person is or was a Director or officer of the corporation. Such person shall have no right to reimbursements, however, in relation to matters as to which he or she has been adjudged liable to the corporation for acts of bad faith in the performance of duties. The right to indemnity for expenses shall also apply to the expenses of suits which are compromised or settled if the court having jurisdiction of the matter shall approve such settlement. The foregoing right of

indemnification shall be in addition to, and not exclusive of, all other rights to which such director or officer may be entitled.

ARTICLE VII

The names and addresses of the incorporators are as follows:

John Q. Doe
Anywhere, USA

Mary Q. Smith
Anywhere, USA

Adopted by the incorporators _____, _____

John Q. Doe -- Incorporator

Mary Q. Smith -- Incorporator

Sample Bylaws ABC Children's Center

A Nonprofit Corporation

ARTICLE I.

Purpose

The purpose of ABC Children's Center (ABC) is to extend the Christian ministry of the XYZ United Methodist Church, Anywhere, USA, a nonprofit religious corporation (XYZ), through a community outreach program to children. The objective of ABC is to provide a comprehensive early childhood education in a Christian environment, with an emphasis on Christian values, to children and families living in and around the Anywhere, USA area. The program shall be an integral art of the ministry of the local church.

ARTICLES II

Board of Directors

The property, affairs, concerns, direction and business of ABC shall be managed by a Board of Directors. The Board of Directors shall pursue such policies and principles as shall be in accordance with the provisions of these By-Laws, XYZ policy and program guidelines, the statutes of the State of Anywhere, USA, and the policies and practices of the United Methodist religious denomination, as set forth in its Book of Discipline. The Board shall carry out the mission of the Church for this corporation as described in the corporation's purpose. The Board shall report to the Administrative Council (Administrative Council) of XYZ at regular intervals as may be requested by the Administrative Council.

Section A. Number and Qualifications

1. There shall be seven (7) directors of ABC.
2. Selection of directors should endeavor to reflect the demographic profile of the community served.
3. All directors must accept and support the mission and purpose of this Corporation as set forth in its Articles of Incorporation and By-laws and subject to the Book of Discipline.
4. The Member-at-Large directors and the Pastor's director must be XYZ or members of the Anywhere Annual Conference.

Section B. Professional Directors

1. One director shall be selected by the Board from each of the two professional areas listed below.
 - a. An Advisory Committee set up by the Executive Director shall nominate one director from the educational or health care community who must have academic preparation and/or be employed at the time of selection in the field of early childhood education or primary education; or in the field of health care, such as nursing, medicine or mental health.
 - b. The Executive Director shall recommend to the Board for nomination one Director from an agency, organization or program serving children and families.

2. Member-at-Large Directors

Three directors shall be nominated and selected for Member-at-Large positions by the Board. These Directors shall be interested individuals who have general knowledge, expertise and experience to bring to the Board.

3. Pastor's Director

The Pastor, or one individual recommended for selection by the Pastor, shall serve as the Pastor's Representative.

4. Parent Director

The Executive Director shall recruit and recommend for selection one parent who has a child attending the program.

Section C. Term

Each director, with the exception of the initial directors and the Parent Director, shall have a term of three (3) years and may be renominated at the discretion of the Board. The Parent Director shall have a non-renewable, one-year term. Term rotation shall be two terms expiring in Years 1, 2 and

Section D. Initial Directors

One-third (1/3) of the initial directors, other than the Parent Director, will serve a one year term. One-third (1/3) of the initial directors will serve a two year term except for the Parent Director who shall serve a one year term.

Section E. Nomination and Ratification

1. Directors shall be nominated as set forth above, elected by the Board of Directors, and ratified by the Administrative Council. If the Administrative Council rejects an elected director, the Board shall nominate another director for ratification by the Administration Council.
2. Directors shall be elected at the annual meeting.
3. Each individual elected and ratified, as a director of ABC shall have one vote on the Board of Directors.

Section F. Directors' Limitations

Individual directors shall have no authority to act or speak on behalf of ABC without the written approval of the Board of Directors.

Section G. Removal of Directors

1. A director may be removed, with or without cause and with or without an assignment of any reason thereof, by a two-thirds majority vote of the directors of ABC. The Board of Directors may assign to the Planning, Policy and Procedures Committee, the task of investigating the ABC Children's Center removal of any Director after a majority vote by the Board and approval of the Administrative Council. Due process shall be used with a notification to the involved Director.
2. Any removal vote shall be by secret ballot.
3. If a Director: (a) has an unexcused absence from a mandatory Board training, (b) fails to maintain the confidentiality required of certain Board matters and actions, and (3) has three consecutive unexcused absences from regular Board Meeting the Board of Directors shall hold a meeting for the purpose of evaluating the removal such Director.

Section H. Vacancies of the Board of Directors

The Board of Directors shall nominate a Director to fill any vacancy in the Board of Directors for ratification by the Administrative Council. If the Administrative Council rejects such nomination, the Board of Directors shall nominate another Director to full such vacancy subject to ratification by the Administrative Council. Upon ratification by the Administrative Council, such Director shall serve for the unexpired term of his or her predecessor in office.

Section I. Nepotism

Anyone related to a Program staff member shall not be nominated for or elected to the Board of Directors.

Section J. Conflict of Interest

When a conflict of interest occurs, any Director who has knowledge of such conflict must state the nature of the conflict of interest for the record. Directors who have a conflict of interest on a particular issue shall refrain from voting on that issue. Such a conflict arises when a Director, any member of his/her immediate family, his/her partner, or an organization which employs or is about to employ any of the above, has a financial or other interest in the issue, or any other circumstance which would prevent a reasonable person from being impartial.

Section K. Director's Compensation

1. Directors of ABC shall serve without compensation.
2. The Board of Directors shall follow the adopted policies that clarify reimbursement of expenses.

Section L. Responsibilities

In addition to all responsibilities imposed upon Directors by law, XYZ policy and program guidelines or elsewhere in these By-laws, Directors shall be required to attend Board Training sessions, read and understand the By-laws and any contract entered into by ABC.

ARTICLE III.
Officers

The officers of ABC shall be a Chairperson, a Vice Chairperson, and a Secretary.

Section A. Term of Office

The officers shall hold office for a term of one (1) year.

Section B. Nominations

Nominations shall be taken from the floor at the annual meeting or at such other time as two-thirds of the Board of Directors shall determine.

Section C. Elections

1. Election shall be by secret ballot. Two directors who have not been nominated for office shall count the votes.
2. The nominee receiving the majority of votes in each category shall be elected.

Section D. Duties of the Officers of the Board

1. The Chairperson shall:
 - a. Be responsible for ensuring that arrangements are made for meetings of the Board of Directors and the Executive Committee.
 - b. Preside at regular and special meetings of the Board of Directors and Executive Committee.
 - c. Be an Ex-Officio member of all committees.
 - d. Facilitate, with approval of the Board, all agreements entered into by ABC.
 - e. In the absence of an Executive Director, ensure the continued operations of ABC under the guidance of the Board until another Executive Director is hired.
 - f. Serve on the Executive Committee.
 - g. Report all Executive Committee actions to the full Board of Directors within ten (10) days of the action taken.
 - h. Serve as ABC's representative on Administrative Council. As ABC's representative on the Administrative Council, the Chairperson's duties shall include providing the Administrative Council with information on current fiscal and operations matters.
 - i. Serve as the chairperson of the Planning, Policies and Procedures Committee.

2. The Vice-Chairperson shall:
 - a. Perform the duties of the Chairperson in the Chairperson's absence.
 - b. Serve as Chairperson for the Personnel Committee.
 - c. Serve on the Executive Committee.
 - d. Perform any other duties delegated to the Vice-Chairman by the Board of Directors.
3. The Secretary/Treasurer shall:
 - a. Serve as the Chairperson of the Fiscal and Audit Committee.
 - b. Ensure that Board of Directors is notified of all meetings in accordance with these By-laws; and that a recording secretary is present at all meetings of the Board and Executive Committee.
 - c. Send a notice to Directors who fail to attend a regular Board meeting.
 - d. Serve on the Executive Committee.
 - e. Ensure that an up-to-date fiscal report is given at each regular Board meeting in a format approved by the Board.
 - f. Perform any other duties delegated to the Secretary/Treasurer by the Board of Directors.

Section E. Removal of Officers

1. An officer may be removed, with or without cause and with or without an assignment of any reason thereof, by a two-thirds majority vote of the Directors of ABC. The Board of Directors may assign to the Planning, Policy and Procedures Committee, the task of investigating the matter of removing any Director after a majority vote by the Board
2. Any removal vote shall be by secret ballot.
3. The removal of an Officer from his/her Officer position shall not prejudice his/her status as a Member of the Board of Directors.

ARTICLE IV. Meetings of the Board of Directors

Section A. The Annual Meeting

The annual meeting of the Board of Directors shall be held during the month of and at such time as the Chairperson shall determine. At the annual meeting, the Board of Directors shall: elect the officers of ABC for the coming year, select directors to serve as member of the three Standing Committees, conduct other annual business and such other business as may come before the meeting.

Section B. Regular Meetings

A regular Board of Directors Meeting shall be held at least once each quarter of the year to conduct business.

1. Notice of Board Meetings shall be delivered in writing or by telephone to each director at his/her address or telephone number as shown in the records of ABC.
2. Notification shall not be less than ten (10) days or more than thirty (30) days prior to the meeting. Tentative dates may be decided at regular meetings.
3. Notice of any regular meeting of the Board shall include the place, day, and hour of the meeting. An agenda of the business to be discussed and minutes of the previous meeting shall be included, but additional items of business may be discussed and acted upon at the discretion of the presiding officer.

Section C. Special Meeting

1. A special meeting of the Board of Directors may be held at any place, at any time, whenever called by the Chairman, the Executive Committee, or four (4) members of the Board of Directors. The chairman shall be provided with written notice of a call for a special meeting.
2. Notification of a special meeting shall be in accordance with Article III, Section B, and shall include a detailed reason for calling the meeting and the specific issues to be raised.
3. Within two business days after receiving a request for a special meeting the Chairman shall establish the date, hour and place for the meeting which shall be within thirty days of the request.
4. Only those issues set forth in the special meeting notice shall be discussed or acted upon at the Special Meeting.

Section D. Quorum of Directors

1. A majority of directors shall constitute a quorum for the transaction of business, except as otherwise provided in these By-laws.
2. Directors may not participate in or vote by proxy at any meeting of the Board of Directors, or of any committee designated thereby. No proxy shall be deemed to constitute attendance for the purpose of constituting a quorum at any such meetings.
3. Directors may participate in a meeting of the Board of Directors, or of any committee designated thereby, by means of a telephone conference call or similar communications whereby all persons participating in the meeting can hear each other. Participation by such means shall constitute presence in person at the meeting, thus establishing a quorum.

ARTICLE V.
Committees

Section A. Standing Committees

There shall be at least three (3) Standing Committees of the Board of Directors of ABC.

Section B. Chairperson

The Chairperson of each committee shall be an Officer.

Section C. Directors

Each director of ABC shall serve on a Standing Committee with committee membership divided evenly among current directors.

Section D. Committee Members

Non-directors may be recruited for committee membership based upon their skills and abilities to contribute to the work of the committee. Non-board committee members shall hold no voting privilege.

Section E. Executive Committee

The Executive Committee shall consist of the three elected officers.

1. The Executive Committee shall exercise only those powers assigned to it by the Board.
2. All action taken by the Executive Committee shall be reported to the full Board of Directors within ten (10) days. Such report shall be in the form of minutes written and sent by the Board Secretary.
3. The Executive Committee shall not have the power:
 - a. To elect or remove any Director or Officer of the Board of Directors.
 - b. To alter or amend the By-laws.
 - c. To approve a plan of merger or consolidation, sale, exchange, mortgage, pledge, or other dispositions of part or all the property or assets of ABC.
 - d. To take any action which the Board may reserve to itself or may be reserved in any XYZ policy or program guideline, or any law.
 - e. To assume powers delegated to other committees in accordance with these By-laws.
 - f. To authorize the dissolution of ABC or revoke proceedings thereof.
 - g. To hire, fire or discipline personnel, except in the case of the Executive Director, which must have the approval of the majority of the directors and the Staff/Parish Relation Committee.

Section F. Fiscal and Audit Committee

The responsibilities of the Fiscal and Audit Committee shall be:

- a. Evaluating fiscal procedures, policies and budgets.
- b. Arranging, with Board approval, for an annual audit of Program's financial records.
- c. Making recommendations to the Board on fiscal and budget matters.
- d. Coordinating with the XYZ accounting office to produce a reporting format for fiscal information to be presented to the Board.
- e. Performing such other duties as assigned by the Board of Directors.
- f. Preparation of an annual program budget no later than 3 months before the beginning of each fiscal year for approval by the Board of Directors. Upon approval by the Board of Directors, the budget shall be submitted to the Administrative Council for approval. No operating budget shall be implemented without approval of the Board of Directors and the Administrative Council.

Section G. Personnel Committee

The responsibilities of the Personnel Committee shall be:

- a. Conducting an annual performance appraisal of the Executive Director.
- b. Performing an annual review of staff salaries, and making necessary recommendations to the Board regarding any staff salary adjustments.
- c. Developing written personnel policies, which shall include an employee manual, for submission to the Board. Personnel policies shall become effective only upon adoption by the Board and approval by the Administrative Council. Adopted personnel policies may only be changed by the Board with the approval of the Administrative Council.
- d. Conducting an annual review of personnel policies.
- e. Performing such other duties as assigned by the Board of Directors.

Section H. Planning, Policy and Procedure Committee

The responsibilities of the Planning, Policy and Procedure Committee shall be:

- a. Evaluating operation and management procedures.
- b. Drafting or revising recommended program policies to be submitted to the Board of Directors.
- c. Reviewing the goals and direction of ABC and submitting recommendations thereon to the Board.

- d. Maintaining an up-to-date program policy manual.
- e. Performing such other duties as assigned by the Board of Directors.

Section I. Special Committees

1. The Board of Directors shall appoint all special committees needed to perform specific tasks as deemed necessary to carry out the mission of ABC.
2. Membership of a special committee may consist of Directors of the Board and non-board members.
3. The Chairperson of a special committee shall be a director of the Board.
4. The duties of a special committee shall be to carry out the Board assigned tasks and bring all recommendations to the Board of Directors for approval.

Section J. Standing or Special Committee Meetings

1. Committee shall meet at the call of the Chairman of the Board, Committee Chairperson, or by majority of the members of the committee.
2. Notice of meeting shall follow standard practice contained in these By-laws.
3. Recommendations from standing or special committees shall be presented at the next regular or special board meeting.

Section K. Minutes of Board Meetings.

Minutes of regular Board meetings shall be mailed in the packet mailed to all Directors no later than ten (10) days before the next regular meeting of the Board.

Section L. Public Meetings

All meetings of ABC, including meetings of the Board of Directors and committee meetings, shall be open to the public unless a closed Executive Session is called by a majority vote of the members present to discuss:

1. A personnel action,
2. Pending or proposed litigation, or
3. Other matters that the Book of Discipline would consider appropriate for closed session.

Section M. Parliamentary Authority

All meetings of ABC shall be governed by Robert's Rules of Order Newly Revised so long as Robert's Rules do not conflict with these By-laws.

ARTICLE VI.
Resource Development

Section A. Grant Proposals

The staff of ABC shall actively seek to develop new funding resources including grant monies directly related to ABC's goals, and at the direction of the Executive Director submit proposals. The Executive Director shall promptly inform all Directors of the Board of the submission of any such proposals and secure the approval of the majority of the Board, and where applicable, the XYZ Administrative Council.

Section B. Approval

Approval of grants proposals shall be obtained in the manner set forth in Article IV, Section D, of these By-laws.

ARTICLE VII.
By-laws

Section A. These By-laws may be amended, revised or restated at a regular or special meeting of the Board of Directors.

Section B. Notice

Notice of a meeting to consider an amendment of the By-laws shall be given at least thirty (30) days before the meeting. Notice shall include a draft of the proposed changes. No amendment to the By-laws may be adopted that is contrary or in conflict with XYZ policy and program guidelines, applicable laws and regulations and the policies and practices of the Methodist Church as set forth in its Book of Discipline.

Section C. Vote

A two-thirds majority of the Directors shall be required to amend the By-laws, subject to approval of the Administrative Council.

Section D. Approval.

Changes in the By-laws shall become effective only upon approval by the Administrative Council.

ARTICLE VIII.
Executive Director

Section A. Hiring of an Executive Director

A committee shall be selected by the Board Chair to review applications for the position of Executive Director. At a minimum the committee must include an existing Executive Director, and a representative of the Staff-Parish Relations Committee. Personnel policy procedures shall be followed in the selection process. Candidates recommended by the committee shall be brought before the Board of Directors for review and evaluation. If the Board of Directors approves a candidate, it shall forward its recommendation, together with the reasons supporting such recommendation to the Staff-Parish Relations Committee for approval. If the Staff Parish Relations Committee approves the candidate, it shall forward its recommendation to the Administrative Council for final approval. Upon receipt of final approval the Board of Directors may hire the candidate as Executive Director.

Section B. Duties and Responsibilities

1. The Executive Director is directly responsible to the Board of Directors of ABC in all matters of employment and program management. The Executive Director shall perform such duties as outlined in his/her job description, attend all meetings of the Board of Directors, serve as the agent for ABC, and participate in an advisory role to the Board. The Executive Director has no voting rights.
2. The Executive Director shall have the power to hire, manage, and terminate the employment of program support staff. Such actions shall be subject to review by the Board of Directors.

ARTICLE IX.
Indemnification

Each director and Officer, whether or not then in office, shall be indemnified by the corporation against all reasonable liabilities, costs and expenses reasonably incurred by or imposed in connection with or rising out of any action, suit or process, in which the director may be involved or to which the director may be made party by reason of being or having been a director or officer of the Corporation. Such expenses include costs of reasonable settlements (other than amounts paid to the corporation itself) made with a view of curtailment of costs for litigation.

The Corporation shall not, however, indemnify such director or officer with respect to matters which the director shall be finally adjudged in any such action suit or proceeding, to have acted in bad faith in the performance of his/her duty as such of Officer without authority.

The foregoing right of indemnification is in addition to all other rights to which any director or officer may be entitled as a matter of law.

ARTICLE X.
Dissolution

Section A. Approval

The Board of Directors may vote to recommend dissolution of the Corporation. If the Board of Directors votes to dissolve the Corporation, it shall submit such recommendation, together with the reasons for the recommendation for consideration by the Administrative Council. The Administrative Council may approve the Board's recommendation, with or without modification, or may reject the Board's recommendation of Dissolution.

Section B. Dissolution

Except as otherwise provided in these Bylaws, the Corporation will be dissolved upon the effective date of its Articles of Dissolution.

Section C. Judicial Dissolution.

If the Administrative Council finds that grounds exist for judicial dissolution under Anywhere, USA Nonprofit Corporation Act, the Administrative Council, acting on behalf of XYZ, may apply to the appropriate court for dissolution of the Corporation.

Adopted _____, 20____

John Q. Doe -- Incorporator

Mary Q. Smith -- Incorporator
