

Local Church Leadership Training
Greater Northwest Area of the United Methodist Church
Trustees Focus
February 26, 2022

Every Board:

- Mission: - charting a course
- Policy - operating guidelines
- Budget - operating resources
- Protection of assets

All Trustees have these fiduciary duties:

- Duty of loyalty (make sure activities advance its mission, conflicts of interest, confidentiality)
- Duty of care (reasonably informed, reasonably prudent, independent judgment, prudent use of assets)
- Duty of obedience (obey applicable laws and regulations, bylaws, adhere to stated mission/values)

Authority

- The Book of Discipline (BoD) is the authoritative governing document for United Methodist Churches.
- On-line version available at: <https://www.cokesbury.com/book-of-discipline-book-of-resolutions-free-versions>
- Church Council functions as the executive agency of the Charge Conference. BoD Par. 244.1
- Since Trustees are amenable to the Charge Conference, the Trustees are amenable to the Charge Conference's executive agency, the Church Council.
- BoD Par. 722 requires all meetings, except for SPRC, to be open
- Trustees work is detailed In BoD Pars. 2525-2526 and 2530-2533
 - "The pastor shall be the administrative officer and, as such, shall be an ex-officio member of all conferences, boards, councils, commissions, committees, and task forces, unless otherwise restricted by the Discipline."
 - Pastor is "member" of all committees except Trustees and SPRC
 - Pastor has full access to all information for committees and sub-committees
- No one person can make unilateral decisions of significance. Such decisions are made by the Church Council and executed by committees.

PROPERTY

General

- Oversight and care of all real property
 - Inventory
 - Building/grounds maintenance
 - Equipment replacement schedules
 - Budgetary requests for this work
 - Parsonage standards and minimum requirements
 - Building and vehicle use policies
- Property deeds
 - All local church property is held in trust for the denomination (BoD Par. 2501)
 - Trust clause required in deeds (BoD Par. 2503)

Rental/lease of Property

- Tax-free status:
 - Rental of real property by a church does not jeopardize tax-free status.
 - Many churches rent steeples to telecommunication companies & facilities to outside groups.
 - As long as income is used for 501c3 purpose of the organization (religious activities) & rental income does not constitute primary source of income, rentals are allowed.
 - Creation of leases and use of terms such as landlord / tenant / rent is not problematic.
 - Income Taxes:
 - Outside income is usually subject to UBIT (unrelated business income tax)
 - Exemption for the rental of real property.
 - If there is no debt on property, all rental income is excluded from UBIT and not taxable.
 - If there is debt on property income could be subject to UBIT but only if less than 85% of the facility is used for exempt (church) purposes.
 - Rental of parking lots is not considered rental of real property and is taxable
 - Property Taxes:
 - Churches should assume that any property rented (to any organization) will be put back onto property tax rolls.
 - Example - if church rents the entire 2nd and 3rd floors of a three story education building to a preschool, municipality could make the case that 2/3rds of the building is taxable for property tax purposes.
 - Approvals:
 - Any property leased for a term of more than 30 days must comply with approval requirements of Par. 2540 & 2541 of The Book of Discipline.
- [Considerations](#) before allowing a group to lease church property
- More [leasing and rental considerations](#)

INSURANCE

Insurance

- Possibly the single-most important action a church can take to protect its assets, people and ministry
- Each church is required to bind its own insurance
 - Property, Liability, Automotive, Umbrella, workers' compensation
 - Directors & Officers Insurance
 - Ensure policy has updated and accurate values for costs to rebuild church structures and replace contents.
 - Obtain bids every few years to ensure that premiums are competitive in the marketplace.
 - Report claims to your insurer immediately.
- Save expired insurance policies for potential future claims

Insurance adequacy

- Denominational minimums <https://www.gcf.org/services/legal-services/minimum-insurance-requirements/>
- OR-ID Conference minimums <https://www.umi.org/files/finance+files/oregon-idaho+churches-insurance+coverage+requirement.pdf>
- PNW & Alaska local churches are covered by a Conference-wide policy

- Sexual misconduct insurance - \$1M minimum

OTHER

Tax Exempt Status

- UMC is Tax Exempt Religious Organization under Section 501(c)(3) of IRS tax code
- Group Tax Exemption ruling granted to General Council on Finance and Admin. (GCFA) in 1974
 - Exempt from Federal Income Tax
 - Generally exempt from filing Form 990 (Return for Organizations Exempt from Income Tax)
 - Donors may deduct contributions on tax returns (timely acknowledgement required)
- All churches / ministries covered by group ruling
- Churches may request a specific IRS inclusion letter. Process is automated
<http://www.gcfa.org/services/legal-services/group-ruling/>
- Churches may elect to be included on GuideStar, a database of IRS-recognized Not-for-profits.

Funds

- Trustees are charged to administer (unless delegated by charge conference to another group) any bequests, trusts or trust funds received by the church
- Endowments (Fall 2021 webinar follow-up e-mails with resources/recordings): [Session 1](#) – [Session 2](#))
 - True endowments (donor restricted)
 - Quasi-endowments (an “endowment” set up by church board/council/committee)

Annual Report of the Trustees

- [Form to be completed](#) at fall Charge Conference time

Miscellaneous

- Review Articles of Incorporation & Bylaws (BoD Par. 2506)
- [Trustees Annual Schedule](#)

Resources from the General Council on Finance and Administration (GCFA)

- Found [here](#) and includes
 - [Legal Manual](#)
 - [Property Management](#)

[The Little Book of Boards](#) by Erik Hanberg

United Methodist [Guidelines for Trustees](#) from Cokesbury

[Trustees Job Description](#) from UMC Discipleship Ministries

Questions? Contact your Conference Treasurer:

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