



# **Local Church Incorporation Handbook**

Western North Carolina Conference  
Of the United Methodist Church

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# Introduction

This booklet has been prepared to provide you with all the information your congregation need to incorporate your Church. By following these steps, using the forms provided, the incorporation process should proceed easily and efficiently. It was originally compiled by Rev. William C. Wyman, Jr., former Conference Treasurer.

All of the forms are based on those used by existing congregations. Naturally there may be some modifications needed to suit your specific circumstances. We strongly suggest that if you intend to make any changes you do so in consultation with the Conference and with your attorney.

Should you have any questions about the information in this booklet or the incorporation process, please contact:

Dr. R. Mark King  
Conference Treasurer  
(704) 535-2260 Ext 140 or direct 704-714-2323  
Western North Carolina United Methodist Conference  
3400 Shamrock Drive  
Charlotte, North Carolina 28215

Or  
P.O. Box 18005  
Charlotte, North Carolina 28218

# Section I

## *Letter Initiating the Church Incorporation Process*

September 15, 2005

To Whom It May Concern:

Re: Incorporation of the Local Church

At the direction of the Conference Board of Trustees, I am writing to provide information regarding incorporation of the local church as a means of insulating church members from personal liability from lawsuits alleging wrongful conduct by church officials or employees. The *Discipline* provides that the charge conference of a local church is vested with power and authority to direct the board of trustees to incorporate the local church, subject to the *Discipline* and pertinent local laws. (Discipline, ¶2528). In 1994 the Conference Council on Finance and Administration promulgated “Guidelines for Incorporation of Local Church”. The Guidelines express no position to encourage or discourage incorporation, but provide a set of recommended forms for the incorporation of a local church, compatible with the *Discipline* and with the requirements of North Carolina law.

“Most of the community or parish churches, chapels and temples in the United States are not separately incorporated. Within the past decade, with the advance of state statutory provisions facilitating nonprofit incorporation and growing concerns for liability protection, however, individual churches within congressional denominations increasingly have sought corporation autonomy and protection.” Bassett, Religious Organizations and the Law §3:7. The primary reason for incorporation of the local church is to insulate church members from personal liability in the event the local church is sued and has insufficient resources, including insurance coverage, to satisfy any judgment obtained in the suit. Although the courts of this State have not decided whether the members of an unincorporated church could be held liable for the tortious conduct of employees or other members of the church, a number of courts in other states have affirmed the potential liability of such members.

The potential personal liability of the members of unincorporated churches is aggravated by the dramatic increase in civil litigation, as well as by limited insurance coverage and the emergence of new theories of liability. For example, most churches have limited

Coverage for sexual misconduct claims, yet these claims represent a risk of huge proportions. It is increasingly possible that victims who recover astronomical jury verdicts will sue the members of unincorporated churches if insurance coverage is limited.

*R. Hammar, "The Personal Liability of Members of Unincorporated Churches," in Church Law & Tax Report 1995).*

The potential liability of the local church has been highlighted by a decision of the North Carolina Court of Appeals, holding that the First Amendment to the U.S. Constitution does not bar the victims of sexual harassment by a Methodist minister in Raleigh from suing the local church, the District and the North Carolina Conference of United Methodist Church for negligent hiring and supervision. In that case the plaintiff had her claims against the church, District and Conference dismissed prior to trial, as the trial judge concluded that the power of a secular court to second guess the church on disciplinary matters violated the free exercise of religion under the First Amendment. The plaintiff recovered a verdict in the amount of \$420,000.00 against the minister at trial. Upon appeal, the Court of Appeals reversed the dismissal of the plaintiff's claim against the church, District and Conference, and remanded the case to the trial court.

The decision of whether or not to incorporate the local church should involve a weighing of the relevant advantages and disadvantages based upon the size and individual situation of each local church.

The trajectory of continuing mutual service, sophistication and complexity of operations, as well as increasing needs to provide stability in property ownership contractual assurances and insulation of the officers and membership from civil liability, may lead to a decision to incorporate. On the other hand, where these factors are absent, operation as an unincorporated association and its internal flexibility and [may be] compatible with a particular church's policy.

Bassett, Religious Organizations and the Law §3:32. Incorporation would require the assistance of counsel and the imposition of corporate governance procedures on the administrative structure of the local church.

Although our various congregations may differ as to the advisability of having a local church incorporate, everyone agrees that each church's obtaining adequate insurance coverage is most important. The local church should consult with its insurance agent to make sure that coverage is adequate both as to the amount of coverage and the absence of exclusions for the most common events that might give rise to liability, including accidents on and off premises, supervision and care of children and staff misconduct.

Sincerely yours,

William C. Wyman, Jr.  
Conference Treasurer,  
2002-2011

## Section II

### *Selecting an attorney to incorporate the church*

The incorporation process establishes the Church as a specific legal entity and so specific legal steps must be followed. For this reason, we recommend that you use the services of an attorney in completing this process. By following these simple steps, you should be able to identify an attorney to assist you.

1. Do you currently have an attorney that represents your local church? If so, contact that person to assist with the process of incorporation.
2. Otherwise, do you have an attorney in your congregation? If so, contact that person. S/he may be able to provide support or recommend another attorney to assist the church.
3. Call the District Office and inquire if the District Superintendent knows any local attorneys that have assisted other congregations.
4. Ask family and friends for referrals in your area.
5. Call the Conference Treasurer for a referral from the Conference Chancellor's Office.

## Section III

### *Steps to Incorporation of a Local Church for the Local Attorney*

The following steps will help your attorney complete the incorporation for your Church using the materials provided in this booklet.

1. Use Resolutions, Articles and Bylaws supplied by the Conference Chancellor and Conference Board of Trustees.
2. Submit prepared documents to Conference Chancellor for review: Articles, Bylaws, Deeds
3. Hold Charge Conference for approval of Resolutions.
4. File Documents with North Carolina Secretary of State
5. Obtain a new Federal Tax Identification Number
6. Review any deeds of trust under which church real property secures church indebtedness and confirm that conveyance of the subject real property to the incorporated church does not violate provisions of the documents.
7. Subject to (6) above, convey all church real property assets to the new corporation including the Trust Clause in all deeds. Notes payable and deeds of trust may need to be re-drawn according to their provisions.
8. Covey all bank accounts, endowments and other assets to new accounts in the name of the corporation.
9. Insurance policies must correctly identify the corporation as the owner
10. Notify the General Council on Finance and Administration of The United Methodist Church of the creation of the corporation with its new Federal Tax Identification Number and receive an official General Exemption 501 c (3) letter naming the new corporation.
11. Remind the church of future ongoing responsibilities and record keeping requirements to maintain a viable NC corporation.

# Section IV

## *Documents for Church Incorporation*

The following are the essential documents your Church will need to provide to your attorney for incorporation. Please note the specific areas that have been left blank for you to provide specific information unique to your Church and your circumstances.

### CHARGE CONFERENCE RESOLUTION NO. 1

**WHEREAS**, it is the recommendation of certain members of this local church that the Charge Conference direct the Board of Trustees to incorporate said church under the laws of the State of North Carolina 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 Conference 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**), an unincorporated association, duly called and convened, do hereby authorize and direct the incorporation of said association as \_\_\_\_\_(**church name**), a North Carolina nonprofit 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 North Carolina 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 directors of said new nonprofit corporation:

[as many lines as Trustees designed, but not fewer than three (3) members nor more than nine (9) –Paragraph 2525 of *The Book of Discipline*, 1992]

**RESOLVED FURTHER**, the 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.

## CHARGE CONFERENCE RESOLUTION NO. 2

**WHEREAS**, the members of the Charge Conference of \_\_\_\_\_(name), 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 North Carolina pursuant to the *Discipline* of The United Methodist Church, as a nonprofit 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).

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Charge Conference of \_\_\_\_\_(name), 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), 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.

**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 Chairman and Secretary of this Board forthwith cause Articles of Incorporation to be prepared, executed, and filed with the Secretary of the State of North Carolina 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 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.

## ARTICLES OF INCORPORATION OF

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*[NOTE: Name must contain the word "corporation," "incorporated," "company" or "limited," or the abbreviation "corp.," "inc.," "co.," or "ltd.". N.C.G.S. §55D-20(a)(1).]*

Pursuant to Section 55A-2-02 of the North Carolina General Statutes, the undersigned does hereby submit these Articles of Incorporation for the purpose of forming a nonprofit corporation under the North Carolina Nonprofit Corporation Act:

1. The name of the corporation is \_\_\_\_\_.
  
2. The corporation is a charitable or religious corporation, as defined in the North Carolina Nonprofit Corporation Act, and is organized exclusively for religious purposes in accordance with, and subject to the requirements for tax exemption under, Section 501(c)(3) of the Internal Revenue Code.
  
3. The street address of the initial registered office of the corporation, the mailing address if different from the street address, the county in which such address is located, and the name of the corporation's initial registered agent at that address are as follows:

Street Address: \_\_\_\_\_

City, State and Zip Code: \_\_\_\_\_

County: \_\_\_\_\_

Mailing Address: \_\_\_\_\_  
(if different from  
Street Address) \_\_\_\_\_

Name of Registered Agent: \_\_\_\_\_

4. The street address of the principal office of the corporation, the mailing address if different from the street address, the county in which the principal office is located, are as follows:

Street Address: \_\_\_\_\_

City, State and Zip Code: \_\_\_\_\_

County: \_\_\_\_\_

Mailing Address \_\_\_\_\_  
(if different from  
Street Address) \_\_\_\_\_

5. The purpose or purposes for which the corporation is formed are as more fully set forth in the Discipline of The United Methodist Church (all references herein to said Discipline being to said Discipline as set forth in *The Book of Discipline of The United Methodist Church* as it now exists or may hereafter, from time to time, be amended) and include:
- (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; *provided*, that all such property acquired or owned in the name of the corporation shall be deemed to be acquired or held by the corporation in trust for The United Methodist Church in accordance with and to the extent provided in its Discipline, whether or not the instrument conveying such property to the corporation shall so specify.
  - (d) Doing of any and all things necessary or incident to the accomplishment of such purposes.
  - (e) To the extent consistent with the Discipline of The United Methodist Church, and, subject to such Discipline, consistent with the continued qualification of the corporation as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code or any comparable successor provision of federal income tax law, to engage in any lawful activity for which a corporation may be organized under the North Carolina Nonprofit Corporation Act.
  - (f) Carrying on the mission, ministry, program and other activities of the local church now known as \_\_\_\_\_  
*[Name of local church before incorporation]* in corporate form through this corporation.

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

6. The board of directors of the corporation shall be, and shall consist of the members of, its Board of Trustees elected from time to time in accordance with the Discipline of The United Methodist Church, and the following persons, being the current trustees of the local church being incorporated hereby, shall serve as the initial trustees of said corporation and, therefore, as its initial directors, as provided in the Discipline of The United Methodist Church for the remainder of their respective terms for which they were elected as trustees of said local church:

*[Note: In accordance with the Discipline, the number of initial trustees/directors must not be less than three nor more than nine.]*

***Name of Initial Trustee:***

***Address:***

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Subject to the Discipline of The United Methodist Church and the rights of the members in accordance with such Discipline, all corporate powers shall be exercised by or under the authority of, and the property, equipment, insurance coverage, bequests and trusts of the corporation shall be managed by, and the affairs of the corporation shall be managed under the direction of, the Board of Trustees as from time to time constituted, except that the Church Council or Administrative Board of the local church being incorporated hereby shall have general oversight of the administration and program of the corporation as provided in the Discipline of The United Methodist Church, the other committees, leaders, commissions, councils task forces and other bodies of said local church shall have such powers and responsibilities as are given to them by said Discipline or by the Charge Conference for said local church in accordance with said Discipline, and the allocation of powers and responsibilities among the Board of Trustees, the Church Council or Administrative Board,

and such other committees, leaders, commissions, councils, task forces and other bodies shall be in accordance with said Discipline.

7. The corporation will have members. Upon the filing of these Articles of Incorporation, the professing members of the previously unincorporated church, congregation, society or association now known as \_\_\_\_\_  
*[Name of local church before incorporation]*, and including all clergy holding charge conference membership therein, shall be the members of this corporation, and all the rights, privileges, immunities, powers, franchises, authority, property, and obligations of such unincorporated church, congregation, society or association shall thereupon pass to, vest in, and become the rights, privileges, immunities, powers, franchises, authority, property, and obligations of this corporation.

The members of the corporation from time to time shall be composed of such persons (ministerial and lay) as from time to time shall be defined as members of the local church being incorporated hereby 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.

8. 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.
9. 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.
10. 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.
11. 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. Subject to the foregoing, the initial bylaws of this corporation may be adopted by the Board of Trustees without any approval by the members; thereafter, the bylaws may be amended by the Board of Trustees without any approval by the members if and to the extent that the bylaws so authorize the Board of Trustees to so amend the bylaws.

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 North Carolina Nonprofit Corporation Act.

12. 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, or in the event of any other termination, dissolution or winding up of the corporation, the title to all its property both real and personal, after payment or provision for payment of all debts and obligations of the corporation, shall be vested in and be the property of the Western North Carolina Annual Conference of The United Methodist Church, pursuant to said Discipline of The United Methodist Church, or to another organization selected by the Board of Trustees in accordance with said Discipline that is qualified under Section 501(c)(3) of the Internal Revenue Code of the United States and to which said property may be transferred in such event by an organization that is so qualified under said Section 501(c)(3).

13. To the extent consistent with the requirements for qualification of the corporation as a tax-exempt corporation described in Section 501(c)(3) of the Internal Revenue Code, and, except as otherwise provided herein, to the fullest extent permitted by applicable law, no director or trustee of the corporation and no member of the Church Council or Administrative Board performing any of the duties of a member of a board of directors shall have any personal liability for monetary damages arising out of any action whether by or in the right of the corporation or otherwise for breach of any duty as a director. This Article shall not impair any right to indemnity from the corporation or any other immunity from civil liability that any such person may now or hereafter have, including without limitation any immunity under Section 55A-8-60 of the North Carolina General Statutes. Any repeal or modification of this provision shall be prospective only and shall not adversely affect any limitation hereunder on the personal liability of a director with respect to acts or omissions occurring prior to such repeal or modification.

14. The name and address of the incorporator are:

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

15. These articles will be effective upon filing, unless a later effective date is specified below:

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**IN WITNESS WHEREOF**, the undersigned incorporator has executed these articles,  
this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

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*Signature of Incorporator*

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*Typed or Printed Name*

Title: Incorporator

## BYLAWS

of

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*[Name of Corporation]*

### ARTICLE I. IDENTITY

**Section 1.01.** These are the Bylaws of the above-named incorporated local United Methodist Church, a nonprofit religious corporation organized pursuant to the laws of the State of North Carolina to carry on in corporate form the mission, ministry, program and other activities of the local United Methodist Church from which its name is derived, with its principal office in \_\_, North Carolina (“the Corporation”).

### ARTICLE II. PURPOSES AND POWERS

**Section 2.01.** The Corporation is organized as a local United Methodist Church exclusively for religious purposes, including the purposes set forth in its Articles of Incorporation, and 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 of The United Methodist Church as set forth in *The Book of Discipline of The United Methodist Church*, as amended from time to time by its General Conference (“The Discipline”).

**Section 2.02.** All the powers authorized and permitted by The Discipline for a local church corporation shall be the powers of this Corporation, together with such powers as are granted to the Corporation by the North Carolina Nonprofit Corporation Act, 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, the North Carolina Nonprofit Corporation Act, and the requirements for continued qualification as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (as amended from time to time) for guidance in the operation of its affairs.

**Section 3.02.** It is intended that the Corporation be governed, and its affairs be conducted, in accordance with The Discipline and, to the fullest extent permitted by the North Carolina Nonprofit Corporation Act, in the same manner and with the same governance and organizational structure as a local United Methodist Church that is not incorporated, but with all of the rights, powers, privileges and immunities of a North Carolina Nonprofit Corporation, and these Bylaws shall be construed accordingly. Where these Bylaws may conflict with the

Discipline, The Discipline shall control. To the extent necessary to effectuate the foregoing, The Discipline is hereby incorporated by reference into these Bylaws.

#### **ARTICLE IV. MEMBERS**

**Section 4.01.** The initial members of the Corporation shall be the professing members of the local church congregation and all clergy holding charge conference membership in the local church immediately prior to incorporation. Persons subsequently becoming members of the local church congregation, as defined above, in accordance with The Discipline shall be members of the Corporation, and persons ceasing to be members of the local church congregation in accordance with The Discipline 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 (as defined in The Discipline) convenes (or authorizes the convening of) a Charge Conference as a Church Conference (as defined in The Discipline), 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 in such manner, at such time and place, and with such notice, quorum and voting rights, all as provided for in The Discipline for a Charge Conference or a Church Conference. Notice of any such meeting may be given by any means that is fair and reasonable and consistent with The Discipline. Notice of any special meeting, and of any annual or regular meeting at which one- third or more of the votes entitled to be cast in the election of trustees are not represented in person or by proxy, shall include notice of the purpose or purposes thereof, and only those matters that are within the purpose or purposes described in such notice may be acted upon at such special meeting. The Charge Conference or Church Conference at which one or more of the trustees of the local church (and, therefore, members of the Board of the Corporation) are elected for a full term in accordance with The Discipline shall be deemed the annual meeting of the members of the Corporation.

#### **ARTICLE V. BOARD OF TRUSTEES**

**Section 5.01.** The Board of Trustees of the local church incorporated as this Corporation shall serve as the board of directors of the Corporation (“the Board”), shall be elected and serve in accordance with the provisions of The Discipline, and shall have and exercise all of the powers and responsibilities of the board of directors of a North Carolina nonprofit corporation except to the extent that such power and responsibilities are conferred by the Articles of Incorporation, these Bylaws or The Discipline upon the Church Council or some other person or body. Any third party dealing with the Corporation may rely upon any act of the Board that is within the powers and authority of a board of directors of a North Carolina nonprofit corporation as being the act and deed of the Corporation unless such third party has actual knowledge to the contrary.

**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 AND OTHER BODIES**

**Section 6.01.** The Church Council [formerly referred to as the Administrative Board; all references to the Church Council shall refer to the Administrative Board or other body performing the functions of 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, and its officers shall be elected, its meetings shall be called, convened and conducted, its duties and responsibilities shall be carried out, and its actions shall be taken in accordance with The Discipline.

**Section 6.03.** The Church Council and such other committees, leaders, commissions, councils and task forces as may be established in accordance with the Discipline for the local church which acts through this Corporation shall be deemed to be part of the organization of, and to be acting through, this Corporation, and shall be entitled to all privileges and immunities as such.

## **ARTICLE VII. OFFICERS OF THE BOARD**

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

**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 such officer 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 or 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 or 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 or her by the Board, in accordance with The Discipline.

**Section 7.07.** The person or persons elected from time to time by the Charge Conference of the local church incorporated as this Corporation as the treasurer(s) of said local church shall serve as the treasurer(s) of the Corporation.

## **ARTICLE VIII. MEETINGS OF THE BOARD**

**Section 8.01.** The Board 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 given to each Board member and the pastor(s). The notice shall include the date, hour and place of all such meetings, but need not describe the purpose of the meeting unless otherwise required by The Discipline, these Bylaws or the North Carolina Nonprofit Corporation Act. The notice may be by mail, church bulletin, telephone, fax machine, electronic mail, or any usual means of communication. If such notice is given to a Board member or pastor in writing by U.S. mail, it shall be mailed, correctly addressed to such Board member or pastor with postage prepaid, no later than five days prior to the date of the meeting. If such notice is given to a Board member or pastor in writing otherwise than by mail, it shall be given so that it is received by such Board member or pastor no later than two days prior to the meeting. If such notice is given orally to a Board member or pastor, it shall be communicated orally to such Board member or pastor no later than two days prior to the meeting. Delivery or completion of transmission of written notice to the address of a Board member or pastor shall be deemed receipt by such Board member or pastor, and any such written notice given to a Board member or pastor by mail that is not timely mailed shall nevertheless be valid and effective if so received by such Board member or pastor no later than two days prior to the date of the meeting. A Board member or pastor may waive any such notice by signing a writing to that effect, whether before or after the meeting, and such waiver being filed with the minutes or corporate records; and, in addition, attendance by a Board member or pastor at or participation in a meeting shall constitute a waiver by such person of notice of such meeting, unless such person at the beginning of the meeting (or promptly upon his or her arrival) objects to holding the meeting or to the transaction of business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

**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, except where a greater vote is required by applicable law or The Discipline.

## **ARTICLE 1X. INDEMNIFICATION**

**Section 9.01.** Any person who at any time is serving as a member of the Board of the Corporation shall have a right to be indemnified by the Corporation to the fullest extent permitted by law and The Discipline against (a) expenses, including reasonable attorneys' fees, actually and necessarily incurred by him or her in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, whether formal or informal, and whether or not brought by or on behalf of the Corporation, arising out of his or her status as such Board member, or his or her status as an officer, employee or agent of the Corporation (including service on any committee, commission, council, task force or other body or agency of this Corporation other than the Board), or his or her service, at the request of the Corporation, as a director, officer, partner, trustee, employee or agent of any other corporation, partnership, joint venture, trust or other enterprise or as a trustee or administrator under an employee benefit plan, or his or her activities in any of the foregoing capacities, and (b) any liability incurred by him or her, including without limitation, satisfaction of any judgment, money decree, fine (including any excise tax assessed with respect to an employee benefit plan), penalty or settlement, for which he or she may have become liable in connection with any such action, suit or proceeding.

**Section 9.02.** The Board shall take all such action as may be necessary and appropriate to authorize the Corporation to pay the indemnification required by this Bylaw, including without limitation, to the extent necessary, (a) making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him or her and (b) giving notice to and obtaining approval by the members of the Corporation if otherwise required by law or The Discipline.

**Section 9.03.** Expenses incurred by a Board member in defending an action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the Board member to pay such amount unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation against such expenses.

**Section 9.04.** Any person who at any time after the adoption of this Bylaw serves as a member of the Board shall be deemed to be doing or to have done so in reliance upon, and as consideration for, the right of indemnification provided herein, and any modification or repeal of these provisions for indemnification shall be prospective only and shall not affect any rights or obligations existing at the time of such modification or repeal. Such right shall inure to the benefit of the legal representatives of any such person, shall not be exclusive of any other rights to which

Such person may be entitled apart from the provisions of this Bylaw, and shall not be limited by the provisions for indemnification in Sections 55A-8-51 through 55A-8-56 of the North Carolina Nonprofit Corporation Act or any successor statutory provisions.

**Section 9.05.** Any person who is entitled to indemnification by the Corporation under Section 9.01 shall also be entitled to reimbursement of reasonable costs, expenses and attorneys' fees incurred in obtaining such indemnification.

**Section 9.06.** The Corporation may, to the fullest extent permitted by applicable law and The Discipline, but, unless otherwise required by law, only as and to the extent authorized by general or specific action by the Board or by the members or as and to the extent required by any contract duly approved by the Board or the members, indemnify and advance expenses to any one or more of its current or former officers, employees, or agents (including any person who serves or has served on any committee, commission, council, task force or other body or agency of this Corporation other than the Board) who is not a Board member, or to any one or more of its former Board members, to the same extent to which an incumbent Board member is entitled to indemnification and advancement of expenses pursuant to Sections 9.01 through 9.05 above.

**Section 9.07.** Nothing in this Article IX shall impair any right to indemnification or advancement of expenses that any persons may otherwise have, in the absence of this Article IX, under the North Carolina Nonprofit Corporation Act or other applicable law, or any exculpation or immunity to which any Board member or other representative of the Corporation is entitled under the Articles of Incorporation, the North Carolina Nonprofit Corporation Act or other applicable law.

## **ARTICLE X. RECORDS AND REPORTS**

**Section 10.01.** The Corporation shall keep all records and submit and file all reports and filings as are required by applicable law and The Discipline. Unless the Board otherwise directs, the treasurer or treasurers shall be responsible for keeping, or causing to be kept, all financial and accounting records of the Corporation and for submitting or filing, or causing to be submitted or filed, all reports and filings of a financial or accounting nature, and the secretary shall be responsible for keeping, or causing to be kept, all other records and for submitting or filing, or causing to be submitted or filed, all other reports and filings.

**Section 10.02.** The Corporation shall keep as permanent records minutes of all meetings of its incorporators, members, Board, and anybody exercising any of the powers and authority of a board of directors of the Corporation, and a record of all corporate actions taken by the members or Board or other such body without a meeting. The Corporation shall maintain appropriate accounting records. The Corporation or its agent shall maintain a record of its members, in a form that permits preparation of a list of the names and addresses of all members in alphabetical order and showing whether such members have a right to vote. The Corporation shall maintain its records in written form or in another form capable of conversion into written form within a reasonable time.

**Section 10.03.** The Corporation shall keep a copy of the following records at the Corporation's principal office: (a) its Articles or restated Articles of Incorporation and all amendments to them currently in effect; (b) its Bylaws or restated Bylaws and all amendments to

them currently in effect; (c) resolutions adopted by its members or the Board relating to the number or classification of members of the Board or the characteristics, rights, limitations, and obligations of members of any class or category of members; (d) the minutes of all meetings of the members, and records of all action taken by shareholders without a meeting, for the past three years; (e) all written communications to members generally within the past three years and the financial statements, if any, furnished to any member or required to be furnished to any member under Section 10.04 of these Bylaws; and (f) a list of the names and business or home addresses of its current directors and officers.

**Section 10.04.** Unless otherwise required by The Discipline, the Charge Conference, or the Board of Trustees, no member shall be entitled to demand that the Corporation furnish annual financial statements to such member.

**Section 10.05.** If the Corporation indemnifies or advances expenses to a member of the Board in connection with a proceeding by or in the right of the Corporation, the Corporation shall report the indemnification or advance in writing to the members with or before notice of the next meeting of the members.

## **ARTICLE XI. AMENDMENTS**

**Section 11.01.** These Bylaws may be amended by the affirmative vote of not less than two-thirds of members of the Board then in office at any meeting of the Board, provided that the notice of such meeting is given in writing at least five days prior to such meeting, states that the purpose or one of the purposes of such meeting is to consider a proposed amendment to these Bylaws, and contains or is accompanied by a copy or summary of the proposed amendment or states the general nature of the proposed amendment.

\* \* \* \* \*

These Bylaws are current and complete as of \_\_\_\_\_.

## Section V

Note that as a Corporation, there are specific issues relating to Church property that must be addressed. The following information will help you fulfill those concerns.

### *Conveyance of Real Property*

The deeds for conveyance of all real property to the new corporation must include the following language from 2503.5 below:

**In trust, that said premises shall be held, kept, maintained, and disposed of for the benefit of The United Methodist Church and subject to the usages and the Discipline of The United Methodist Church.**

The following paragraphs are an excerpt from the 2004 Book of Discipline of The United Methodist Church.

#### 2503. Trust Clauses in Deeds

1. Except in conveyances that require that the real property so conveyed shall revert to the grantor if and when its use as a place of divine worship has been terminated, all written instruments of conveyance by which premises are held or hereafter acquired for use as a place of divine worship or other activities for members of The United Methodist Church shall contain the following trust clause:<sup>1</sup>

**In trust, that said premises shall be used, kept, and maintained as a place of divine worship of the United Methodist ministry and members of The United Methodist Church; subject to the Discipline, usage, and ministerial appointments of said Church as from time to time authorized and declared by the General Conference and by the annual conference within whose bounds the said premises are situated. This provision is solely for the benefit of the grantee, and the grantor reserves no right or interest in said premises.**

2. All written instruments by which premises are held or hereafter acquired as a parsonage for the use and occupancy of the ministers of The United Methodist Church shall contain the following trust clause:

**In trust, that such premises shall be held, kept, and maintained as a place of residence for the use and occupancy of the ordained ministers of The United Methodist Church who may from time to time be entitled to occupy the same by appointment; subject to the Discipline and usage of said Church as from time to time authorized and declared by the General Conference and by the annual conference within whose bounds the said premises are situated. This provision is solely for the benefit of the grantee, and the grantor reserves no right or interest in said premises.**

3. In case the property so acquired is to be used for both a house of worship and a parsonage, the provisions of both trust clauses specified in §§ 1 and 2 above shall be inserted in the conveyance.

4. In case the property so acquired is not to be used exclusively for a place of worship, or a parsonage, or both, all written instruments by which such premises are held or hereafter acquired shall contain the following trust clause:

**In trust, that said premises shall be kept, maintained, and disposed of for the benefit of The United Methodist Church and subject to the usages and the Discipline of The United Methodist Church. This provision is solely for the benefit of the grantee, and the grantor reserves no right or interest in said premises.**

5. When property is acquired from another United Methodist entity or organization, whether it is to be used as a place of divine worship, parsonage, or other use, all written instruments by which such premises are held or hereafter acquired shall contain the following trust clause:

**In trust, that said premises shall be held, kept, maintained, and disposed of for the benefit of The United Methodist Church and subject to the usages and the Discipline of The United Methodist Church.**

6. However, the absence of a trust clause stipulated in §§ 1, 2, 3, 4, or 5 above in deeds and conveyances executed previously or in the future shall in no way exclude a local church or church agency, or the board of trustees of either, from or relieve it of its connectional responsibilities to The United Methodist Church. Nor shall it absolve a local church or church agency or the board of trustees of either, of its responsibility and accountability to The United Methodist Church, including the responsibility to hold all of its property in trust for The United Methodist Church; provided that the intent of the founders and/or a later local church or church agency, or the board of trustees of either, is shown by any or all of the following:

a) the conveyance of the property to a local church or church agency (or the board of trustees of either) of The United Methodist Church or any predecessor to The United Methodist Church;

b) the use of the name, customs, and polity of The United Methodist Church or any predecessor to The United Methodist Church in such a way as to be thus known to the community as a part of such denomination; or

c) the acceptance of the pastorate of ordained ministers appointed by a bishop or employed by the superintendent of the district or annual conference of The United Methodist Church or any predecessor to The United Methodist Church.

## Section VI

Note that as a Corporation, there are specific tax issues relating to your Church that must be addressed to assure your tax-exempt status and tax requirements for your employees. The following information will help you meet this obligation.

### *Federal and State Tax ID Numbers*

#### **Federal Tax Identification Number**

Apply for new EIN using the document link below.

Form SS-4  
Application for Employer Identification Number (Federal)

<http://www.irs.gov/pub/irs-pdf/fss4.pdf>

#### **North Carolina State Tax Identification Number**

Once the Articles of Incorporation have been sent to the Secretary of State's office in Raleigh and the corporation is formed, the Sec. Of State's office will issue a state ID number. No form is needed for this.

## Section VII

A Corporation provides significant safeguards for your Church's assets. The following information will help you take full advantage of these corporate safeguards.

### ***Transfer Bank Accounts, other assets, insurance policies and liabilities***

Charge Conference Resolution No. 2 provides "all property...real and personal, of whatever kind and description whatsoever, shall pass to, vest in, and be the property...of the corporation"

Therefore, all bank accounts and other securities must be conveyed to the corporation. The Charge Conference resolution and the new Tax ID number can be supplied to banks and other financial institutions to facilitate the creation of new accounts in the name of the Corporation.

The local Church Treasurer and Trustee Chairperson can provide documentation for these assets. Also, several official documents of the prior year Charge Conference may assist in the collection of information. Those documents are:

1. Annual Report of the Committee on Finance
2. Annual Report of the Trustees

These official records may detail Bank name, Account numbers and TIN/EIN used to open the accounts. Further, the Trustees report may detail income producing property and permanent funds as to Item, amount, where invested, and income. In addition, estimated value of other assets may be detailed.

Insurance policies must be re-written to include the new corporation as the Named Insured. The Trustees report may detail all policies owned by the church as to Item Insured, Company and expiration date.

Liabilities such as Notes Payable and Deeds of Trust may need to be re-drawn according to their provisions.

## Section VIII

Once you have completed the incorporation process, to assure your tax-exempt status with the IRS (Internal Revenue Services, you must submit the following letter to the General Council of the United Methodist Church. The GCFA form can be found at the following online link.

### ***Letter to General Council on Finance and Administration Requesting General Exemption letter for new corporation***

<http://www.gcfa.org/GroupRulReqForm.pdf>

Attorney Letterhead

Date

Mr. Jim Allen, General Council  
General Council on Finance and Administration  
The United Methodist Church  
P.O. Box 340029  
Nashville, Tennessee 37203-0029

Re: Corporate Name of Local Church  
Federal Tax ID Number

Dear Mr. Allen:

Enclosed is the Group Ruling Request Form for \_\_\_\_\_ United Methodist Church, Inc. This is a local church that has become incorporated.

The source and nature of the funding of this corporation is principally derived from financial support of United Methodist church members.

Please send your official acknowledgement that the corporation is included in the General Exemption Letter provided by the IRS for The United Methodist Church.

Sincerely,

Local Attorney

Enclosure: Group Ruling Request Form (<http://www.gcfa.org/GroupRulReqForm.pdf>)  
Copy to: New Church Corporation Registered Agent

## **Section IX**

### ***Corporation Maintenance***

During the life of the corporation certain items must be maintained in order to keep the corporation viable.

1. The minute book must be maintained. This minute book may consist of the records of the Annual Charge Conference or another Annual Meeting designated by the Corporation.
2. The Statutory Agent must be verified and updated with the State of North Carolina upon any change.
3. The street address of the Principal Office and the mailing address of the Statutory Agent or Registered Agent must be verified and updated with the State of North Carolina upon any change.
4. The Corporate Seal must be secured by the Corporate Officers.

These matters are essential if the corporation is to have viability overtime and provide the protection desired by the Incorporators.

# **Section X**

***Charge Conference Forms for use by Incorporated Churches***  
(reports available from The United Methodist Publishing House)

**Annual Report of the Committee on Finance**

**Annual Report of Trustees**

**Fund Balance Report**