

## GUIDELINES FOR CLOSURE OF A LOCAL CHURCH

### A. General Principles:

1. **The power to close any local church belongs to the annual conference.** There are *ad interim* procedures that address property issues between sessions of the annual conference, but even under these *ad interim* procedures, the formal decision to close a church belongs to the annual conference. *Discipline ¶ 2549.3*
  - a. These procedures deal with the Closure of a Local Church in the normal course of business of the annual conference.
  - b. They are not intended to cover all possible closure scenarios (e.g. *ad interim* procedures or disaffiliations under *Discipline ¶ 2553*).
2. The formal closure of a local church requires the local church to engage in a discernment process with the district superintendent. If the process results in a decision to pursue closure the closure will require (a) the recommendation by the district superintendent and (b) the consent of (i) the presiding bishop, (ii) a majority of the district superintendents, and (iii) the appropriate district board of church location and building. *Discipline ¶ 2549.2(b)*. Because so many parties are involved in the process, communication and patience are crucial.
3. Upon the closure of a local church by the annual conference, all property of the local church (from personal property, to bank accounts, to real estate) vest immediately in the annual conference trustees, who are charged with holding and/or disposing of the property for the benefit of the annual conference. *Discipline ¶ 2549.2(b-c)* **It is the responsibility of the local church to care for and maintain the local church property until the Annual Conference votes to formally close the local church.**
4. The Book of Discipline is not the only governing authority with regard to the closure of a local church. Procedures under the PA Nonprofit Law or Unincorporated Association Law must also be complied with in order to properly terminate and wind up the affairs of a local church.

### B. Preparing for Closure:

1. The District Superintendent, pastor or laity initiate the conversation about a potential closure. **(This should be started 12 months before any annual conference vote to close the church.)**
2. The District Superintendent meets with the congregation to assess its potential as outlined in *Discipline ¶ 213* in consultation with the agency assigned the responsibility of the conference parish and community development. *Discipline ¶ 2549.2(a)(1)*.
  - a. **Once this process has started, the District Superintendent should notify the conference chancellor and the chair of the conference trustees of the potential closure.**
  - b. Once notified, Conference trustees appoint a trustee to be liaison for DS and local church leadership during the closure process.
  - c. Local Church begins to gather deeds to all church property and provide copies to the District Superintendent and conference chancellor; conference chancellor to provide opinion as to the existence of any reversion, possibility of reverter, right of requisition or similar restrictions for the benefit of any party. *Discipline ¶ 2549.2(a)(2)*

- d. Local Church provides district superintendent and trustee liaison with an inventory of all property of the local church including, but not limited to financial instruments, bank accounts, and real property. Such inventory shall include details on any known use restrictions.
3. If the ¶ 213 process results in the District Superintendent's recommendation for closure:
- a. The District Superintendent shall:
    - i. Develop a plan for the transfer of the membership of the local church. *Discipline ¶ 2549.2(a)(4).*
    - ii. Develop a plan for the future use of all property of local church in consultation with the appropriate district board of church location and building. *Discipline ¶ 2549.2(a)(3).* However, such plan is subject to the direction of the annual conference. *Discipline ¶ 2549.2(b-c).*
    - iii. Present recommendation to (i) the bishop, (ii) the district superintendents and (iii) the appropriate district board of church location and building. **The consent of each of these constituencies is necessary for closure.**
  - b. While the District Superintendent completes the requirements in "a" above the local church trustees and other leaders shall:
    - i. Establish a transition team made up of at least the pastor, a trustee (preferably the President or another officer), treasurer, financial secretary, and historian or other person to gather historical material.
    - ii. Begin the dissolution process. The use of an attorney is recommended for proper closure under State law. This process cannot be completed fully until after the Annual Conference vote to close.
    - iii. Photograph interior and exterior of church, including furnishings and all items of value and provide a copy to the trustee liaison.
    - iv. If there is a cemetery, work with the Trustee liaison to develop a plan for its future care.
    - v. Clean and remove personal property from the local church in preparation for sale/disposition.
  - c. District Superintendent, in consultation with the local church and trustee liaison, prepares closing resolution for annual conference. Such resolution shall include:
    - i. The last worship service date held in the local church;
    - ii. A recommendation as to the disposition of assets from the local church. This recommendation should comply with standing conference policy on the use of funds from closed churches as well as any disciplinary restrictions (e.g. *Discipline ¶ 2549.7*)
4. The resolution will be voted on at the next annual conference.
- C. Closure
- 1. Within 30 days of annual conference approval, local church transition team shall:

- a. Ensure that any real estate (church building, parsonage, etc.) is properly turned over to the conference trustees.
    - i. Utilities (electric, water and gas) remain on: DO NOT disconnect or discontinue service; update billing address to conference office.
    - ii. Ensure that the water supply line to the water heater is shut and that the water heater is turned off.
    - iii. Provide keys to the trustee liaison.
    - iv. Disclose to trustee liaison in writing any problems that require attention.
    - v. Identify items of particular value (e.g. paintings/portraits, architectural features or stained-glass windows).
    - vi. Create and provide a list to trustee liaison and conference treasurer of contact information of any service providers (e.g. lawn care, snow removal, oil company, gas company, organ tuner, plumber electrician, handyman).
  - b. Contact USPS and forward all mail to conference office.
  - c. In consultation with the District Superintendent, forward the following to Historic St. George's in accordance with the General Commission on Archives and History's publication "Guidelines for Retaining the Records of Closed United Methodist Churches":
    - i. Membership records (membership register, baptisms, marriages, transfers, funeral or death records)
    - ii. Administrative reports (charge conference reports, etc.)
    - iii. Deeds and other records of real property (easements, covenants, etc.)
    - iv. Bequests and Estate Papers.
    - v. Official Local church histories
    - vi. Benefit policies and procedures records
    - vii. Architectural Drawings, Blueprints and Maps
    - viii. Employment Policies and Procedures
    - ix. Annual Fiscal Reports / Audit Records/ Budget Records
    - x. Church Articles of Incorporation and Bylaws
    - xi. Contracts (repairs, maintenance, lease agreements, loans).
    - xii. Any Photographs that show the life of the church
    - xiii. Other items that may seem especially important.
2. In addition to steps outlined in C.1, above, the business of the local church must be properly "wound up" in accordance with State law.

***The winding up and dissolution of a corporation or unincorporated association is a complicated process. Local Church Trustees are strongly encouraged to engage legal***

***counsel to assist with the winding up of local church business and dissolving the corporate entity.***

- a. If local church is incorporated, follow procedures in 15 PaCS § 5975, summarized below:
  - i. Collect any and all debts owed to the local church.
  - ii. Publish notice of the winding-up proceedings. (Should be in BOTH the legal journal and newspaper of general circulation published in the county; if no legal journal exists, publish in two newspapers of general circulation).
  - iii. Send copy of the notice to all known creditors and the municipality where church is located.
  - iv. Discharge all liabilities of the corporation.
  - v. In consultation with conference treasurer, transfer all remaining financial assets to the conference trustees for disposition in accordance with instructions from the Annual Conference's Closing Resolution.
  - vi. Request tax clearances from the Department of Revenue and Department of Labor and Industry. ***Note: These clearances can take several months to receive. Local church should consider requesting clearances several months before filing Articles of Dissolution (next step).***
  - vii. File Articles of Dissolution with the Pennsylvania Department of State (form available online).<sup>1</sup>
- b. If local church is not incorporated, follow procedures in 15 PaCS § 9135, summarized below.
  - i. Collect any and all debts owed due to local church.
  - ii. Pay all known debts and liabilities owed by the church.
  - iii. Return any property that requires a reversion to donor upon closure of church.
  - iv. In consultation with conference treasurer, transfer all remaining financial assets to the conference trustees for disposition in accordance with instructions from the Annual Conference's Closing Resolution.

D. Disposition of Assets

1. Local Church Trustees and/or Transition Team draw up a list of church contents for disposal. In consultation with the district superintendent and trustee liaison a decision is made as to what may be given away and what needs to remain with the property. ***No items may be given away without the approval of the trustee liaison.***

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[https://www.dos.pa.gov/BusinessCharities/Business/RegistrationForms/Documents/Updated%202017%20Registration%20Forms/Domestic%20Business%20Corporation/15-1977\\_5977%20Art%20of%20Diss%20Dom%20Bus-NP%20Corp.pdf](https://www.dos.pa.gov/BusinessCharities/Business/RegistrationForms/Documents/Updated%202017%20Registration%20Forms/Domestic%20Business%20Corporation/15-1977_5977%20Art%20of%20Diss%20Dom%20Bus-NP%20Corp.pdf)

2. With few exception, once donors have given either money or an item to a congregation, they no longer have the right to designate disposition of it. The church Trustees or Board/Council remaining have that authority.
  3. Congregations have the right to agree to sell (at fair market value)/give some items to church members, using certain criteria. However, since church congregations have received IRS 501-c-(3) designation, no individual is permitted to share in property of said church except perhaps a memento with **no** value other than personal.
  4. If the facilities are being sold to or given to another congregation, it is best to leave as many furnishings as possible intact.
  5. Gift giving.
    - a. **Gift giving may occur only after *all* financial obligations are met.**
    - b. Any gift giving should be done in accordance with the Book of Discipline, Annual Conference Policy and Local Church governing documents (Articles of Incorporation, Bylaws and Standing Rules, etc.).
    - c. It is the responsibility of the District Superintendent to explain to the congregations that it is part of their stewardship to:
      - i. safeguard funds for the purpose for which they were originally donated;  
and
      - ii. comply with fiduciary obligations imposed by the Trust Clause.
    - d. District Superintendent will work with the church to explore the multitude of gift possibilities available within The United Methodist Church.
    - e. Gifts greater than \$1,000 may only be made to other United Methodist Churches, United Methodist Organizations and United Methodist related non-profit entities, but require approval by the Annual Conference and should be included in the closing resolution.
    - f. Financial gifts **may not** be given to individuals.
- E. These guidelines were prepared by the EPAUMC Conference Board of Trustees. They are to be reviewed as necessary or at least after every General Conference to insure they continue to comply with the Book of Discipline of the United Methodist Church.