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“Dirty Dozen” addresses critical operational church issues

By Tom Hixson - An increasing number of Northwest Baptist congregations may face legal jeopardy due to inadequate attention to routine business matters, according to officials of the Northwest Baptist Foundation.

Since starting the Church Legacy program two years ago, Foundation staff members have discovered many such issues. The plan was developed to help churches develop a strategy to ensure, protect and enrich their longevity and legacy by assisting them with legal issues such as articles of incorporation, by-laws, non-profit tax-exempt status and other laws and regulations.

Through this project many Northwest Baptist churches have received needed help. Yet Foundation representatives consistently encounter churches with real problems.

For instance, one church's building was deeded in the name of another church in a town 65 miles away. According to the state of Washington, they didn't own their building. Another church had not maintained their corporate status and as a result has not been a corporation recognized by the state for over 20 years. Because the church was not incorporated, if something happened on the church property that resulted in a lawsuit, individual members of the church would be held liable.

Northwest Baptist Foundation staff met with another church who “got it right” - they had a “right of reversion clause” on the deed that stated the church building would always be used to support Southern Baptist causes. When their congregation size dwindled and the “wolf in sheep's clothing” tried to take the building for a church not affiliated with the Northwest Baptist Convention, that clause kept them from losing their property.

Foundation employees are passionate about helping Northwest Baptist churches stay on top of legal and tax issues. The Foundation has created the “Dirty Dozen” - 12 critical operational issues for your church to consider:

1. Maintain active corporate status for the church - Protect your members from potential personal liability. File your annual report with the state in which you currently are incorporated.
2. Maintain ownership in the exact name of the active corporation - Protect the church's ability to sell, transfer or encumber its property. If you are First Baptist Church of Portland, Oregon, then every piece of property should be titled in the name of First Baptist Church of Portland, Oregon. Do not use Portland First Baptist Church or just First Baptist Church. Details matter when dealing with property titles.
3. Protect the church's property from being transferred unintentionally to another church, entity or individual - Add a right of reversion clause to the deed, or consider placing the property in an irrevocable trust to ensure Southern Baptist work continues.

4. Maintain adequate property, liability and workers compensation insurance coverage - Minimize the risk of property loss due to casualty and personal injury claims. It is unfortunate when it takes an accident or claim to find out that the church is inadequately covered or not covered at all.
5. Maintain property tax exemption for the church's property - Maximize the funds available for ministry.
6. Protect your tax-exempt status - Avoid penalties, interest, and excise taxes and protect your member's ability to deduct contributions.
7. Avoid penalties, interest and unwanted problems with federal and state agencies – Obtain and use your own Federal Employer Identification Number and State Registration number(s). You cannot use the Northwest Baptist Convention's numbers.
8. Avoid penalties, interest and unwanted problems with federal and state agencies – Follow all applicable employment rules and regulations.
9. Minimize the risk of ministry related litigation and claims – Adopt adequate and reasonable policies (including background checks for workers) for the church's ministries, especially preschool, children and youth ministries.
10. Minimize the opportunity for theft, embezzlement and/or fraud – Implement internal controls and other measures designed to safeguard the church's assets.
11. Strengthen the church's ability to continue its ministries throughout tough economic times – Build and maintain financial reserves and endowment funds.
12. Be able to tell your story and preserve your heritage – Maintain complete and adequate records.

While many churches may not have the manpower or time to look at these issues, there is help available. Contact the Foundation at 1.800.594.2981 for advice on how you might consider “The Dirty Dozen” and ensure that your church will leave a legacy for future generations.