

UMC 2021

Annual Conference Leadership Training

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The United Methodist Church

“Trust Clause”

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Topics

- **Overview and History**
- **Property Transactions**
- **Can The Trust Clause Be Released?**

Overview and History

All Titles – In Trust

- **“All properties of United Methodist local churches and other United Methodist agencies and institutions are held, in trust, for the benefit of the entire denomination, and ownership and usage of church property is subject to the *Discipline*.” (¶ 2501.1)**
- **The denomination’s trust interest is irrevocable:**
 - “The trust is and always has been irrevocable, except as provided in the *Discipline*. Property can be released from the trust, transferred free of trust or subordinated to the interests of creditors and other third parties only to the extent authority is given by the *Discipline*.” (¶ 2501.2)

Scope

- **“All” really means all:**
 - “[T]itles to all real and personal, tangible and intangible property held at jurisdictional, annual, or district conference levels, or by a local church or charge, or by an agency or institution of the Church, shall be held in trust for The United Methodist Church and subject to the provisions of its *Discipline*.” (§ 2501.1)
- **Not just the building and the land, but also bank accounts, furniture, office equipment, investments, hymnals, etc.**

History

“This trust requirement is an essential element of the historic polity of The United Methodist Church It reflects the connectional structure of the Church [It] is thus a fundamental expression of United Methodism whereby local churches and other agencies and institutions within the denomination are both held accountable to and benefit from their connection with the entire worldwide Church.” (¶ 2501.1)

History

- **The concept dates all the way back to John Wesley**
- **He understood that if the local church had unfettered control of the church property, that control would extend to the pulpit itself, giving the local church the ability to exclude the bishop's pastoral appointments**
 - In 1750, Wesley tasked three lawyers with crafting deeds for three Methodist preaching houses
 - Those deeds served as models and predecessors for the language adopted by the General Conference in 1796
 - That “trust clause” was first published in the *Discipline* in 1797

The Trust Clause(s)

- ¶ 2503: “...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:
 - 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.”

Annual Conferences and the Trust Clause

- **¶ 2503.4:**
 - “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”
- **¶ 2503.6 says the trust concept applies even if there is no trust clause:**

Annual Conferences and the Trust Clause

“However, the absence of a trust clause . . . 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 . . .

Annual Conferences and the Trust Clause

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.”

Property Transactions

(AKA, the Trust Clause in Action)

Local Church Property Restrictions

- **The *Discipline* sets forth detailed procedures that a local church must follow prior to taking most major actions affecting its property**
- **All of these rules are extensions of the trust concept expressed in ¶ 2501 and the trust clauses required by ¶ 2503**
 - United Methodist entities hold property not only for their own benefit, but for the benefit of all entities of the connection
 - These detailed procedures are specific ways of ensuring the connection is maintained and protected

Property Transactions – ¶¶ 2536-42

- **These paragraphs set forth requirements for the sale, transfer, mortgage, lease (of 30 days or more), or purchase of (incorporated and unincorporated) local church property**
- **Written consent of the pastor and the DS are required before any and all of these transactions can occur**

Mortgage/Sale Proceeds - ¶ 2543

- **Most likely will come up when a church sells its parsonage**
- **Mortgage or sale proceeds cannot be used for the current budget or operating expenses of the church**
 - May be used for capital improvements – if current and future congregational missional needs and pastoral housing needs are provided for, and if the pastor and DS consent

Building, Buying, or Remodeling - ¶ 2544

- **If a local church wants to:**
 - Build,
 - Buy, or
 - Remodel (if the remodeling costs more than 25% of the value of the structure or will require mortgage financing)
- **A church, educational building, or parsonage,**
- **Then the requirements of ¶ 2544 must be followed**

What About Annual Conference Property?

“No annual conference real property shall be sold, transferred, or leased for a term that exceeds twenty years, or mortgaged or purchased **without the consent of the annual conference** or, *ad interim*, (a) the consent of *the presiding bishop and of a majority of the district superintendents*, and, in the case of *discontinued or abandoned local church property or property to be purchased*, the consent of a *majority of the district board of church location and building* (see ¶ 2549), and, in case of a *discontinued Wesley Foundation or campus ministry property*, the consent of the *majority of the conference board of higher education and campus ministry*, and the consent of *the annual conference* (see ¶ 634.4d); and (b) *the bishop’s determination that such transfer or encumbrance conforms to the Discipline . . .*” (¶ 2515)

What About Annual Conference Property?

“Any required written instrument necessary to carry out the action so authorized shall be executed in the name of the conference corporation by any two of its officers or, *where the conference is unincorporated, by any two officers of its board of trustees*, and any written instrument so executed shall be binding and effective as the action of the conference.” (§ 2515)

¶ 2549

- **“Disposition of Property of a Closed Local Church”**
- **Rewritten by the 2016 General Conference**
- **No more “discontinuation” or “abandonment”**
 - “Closure” of church and what to do with property
- **Standard concepts remain**
 - Only annual conference can close a church
 - District Superintendent applies the same factors as before when recommending factors closure

¶ 2549

- **Procedures available between AC sessions**
- **Permits voluntary transfer of local church assets to annual conference BOT**
- **“Exigent circumstances”**
 - Removal of abandonment concept helpful when breakaway church still present
 - Same group must agree: Bishop; Majority of DSs; District Board of Church Location and Building

¶ 2549.7

- **Urban closed churches:**

“If a local church in an urban center with more than 50,000 population is closed, any proceeds of the sale of its property must be used for new and/or existing ministries with urban transitional communities, as described in Para. 212.”

¶ 2549.7

- **Non-urban closed churches:**

“If a local church in a non-urban center is closed, any proceeds of the sale of its property *may* be used for new churches, new faith communities, new missional initiatives, relocating churches, churches building multi-campus facilities for the purpose of evangelistic church extension, or an organization that is non-profit and has values consistent with The United Methodist Church’s values and is consistent with our Wesleyan heritage, theology, and United Methodist polity. In addition, the proceeds *may* be used to revitalize or enhance church ministry, or be given to an organization that is a vetted non-profit and has values consistent with The United Methodist Church’s values and is consistent with our Wesleyan heritage, theology, and United Methodist polity. In addition, the proceeds *may* be used to embrace or continue the work and vision of ministry with the poor in the community.”

Can the Trust Clause be Released?

Answer: Yes!

- **From ¶ 2501.2:**
 - “Property can be released from the trust, transferred free of trust or subordinated to the interests of creditors and other third parties only to the extent authority is given by the *Discipline*.”
- **Via the signature of a district superintendent approving a local church real estate transaction**
 - In the case of a mortgage, this signature would put the denomination’s trust interest at a lower priority than that of the mortgage holder
- **¶ 2553**
 - A limited-scope exception to ¶ 2501 created by the 2019 General Conference

¶ 2553

- **Limited in scope:**

- Allows churches to “disaffiliate from the denomination for reasons of conscience regarding a change in the requirements and provisions of the *Book of Discipline* related to the practice of homosexuality or the ordination or marriage of self-avowed practicing homosexuals as resolved and adopted by the 2019 General Conference, or the actions or inactions of its annual conference related to these issues which follow”

- **Limited in time:**

- “The choice by a local church to disaffiliate with The United Methodist Church under this paragraph shall be made in sufficient time for the process for exiting the denomination to be complete prior to December 31, 2023. The provisions of ¶ 2553 expire on December 31, 2023 and shall not be used after that date.”

¶ 2553

- **Process:**

- At least 2/3 of the professing members of the local church present at a church conference must vote to disaffiliate
- AC board of trustees establishes the “terms and conditions” of disaffiliation
- Negotiation of “Disaffiliation Agreement” between the conference and local church trustees
- Ratification of the Disaffiliation Agreement by the annual conference (required by Judicial Council Decision 1379)

¶ 2553

- **The Disaffiliation Agreement is based on a “standard form” approved by GCFA’s Board of Directors, which addresses the required provisions:**
 - Recognition of the validity of the trust clause
 - Payment of apportionments
 - Local church’s right to retain its property
 - Payment of pension liabilities
 - Payment of other debts
- **GCFA’s standard form is a starting point – ACs “may develop additional standard terms that are not inconsistent with the standard form”**

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FINANCE & ADMINISTRATION

General Council on Finance and Administration

THE UNITED METHODIST CHURCH

*thank
you*



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