

FEATURED ARTICLE

## When Outdated Bylaws Backfire

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# Before you do a new thing



As a ministry leader, you see your community and its needs in a way no one else does. Where some people see a gap or oversight in the community, you might see an opportunity to extend love and support to people in need. But it's important to set a strong foundation before you jump into a new project head-first. A lasting impact often relies on a well-built strategy and thoughtful implementation.

"I often work with leaders who have visionary ideas for serving their community — whether it's a low-cost laundromat for people struggling with hygiene poverty or mobile mission that offers free wellness services on wheels," said Kathy Bruce, director of the Brotherhood Mutual Foundation. "One thing all of these initiatives have in common is their dedication to creating a sustainable, strategic plan for their program's success."

## Nurturing an Idea

While it is easy to get caught up in the excitement of doing something new, Bruce emphasizes that long-term planning is the key to making a measurable impact and changing lives in the community.

"The elements of your strategic plan might be the most important piece of documentation you keep regarding your program," she said. "This document will show the research and planning you've done before launching your new program."

As you put together a strategic plan, consider these essential questions to help cultivate a strong, sustainable program:

### 1. *What is the problem you're trying to solve?*

Explaining the problem your program or organization wants to solve will help you create boundaries around your goals and offer a succinct summary to anyone who wants to learn more.

### 2. *Who are you serving?*

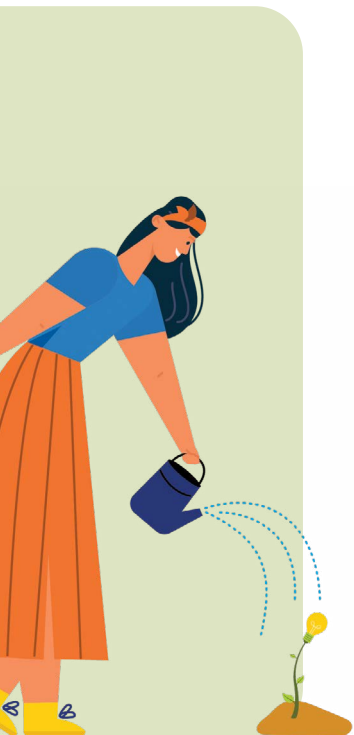
No program can benefit everyone—which means it's important to have a clear definition of who you are serving. The deeper you can narrow the profile, the better you'll be able to identify where those people are and how you can reach them.

### 3. *Are there other organizations that have a program like yours? Have you collaborated with them?*

It's important to make sure your new program isn't duplicating another organization's efforts. Do research into other programs similar to your ministry's so you can include details about them in your strategic plan. You can explain how you partner with other organizations in your community, or explain how your program differs from those that may be similar.

### 4. *How much will your program cost? What resources do you have? What are you missing?*

Look at the overall costs for your program (including staffing, labor hours, equipment, etc.), and set a predicted budget for your needs. Indicate where you've already been able to receive funding, where your gaps are, and how you plan to fill those gaps. If



you can itemize a list of your start-up and ongoing costs, you can provide clarity into your financial goals and the support you've already collected. Financial sustainability is an important element of a successful program, and taking a high-level view of your expenses and budgetary needs from the start will help you develop an effective plan.

#### 5. *What is your plan for sustainability?*

Share your vision for the future, including your plan for helping your program thrive beyond your immediate needs. Will you grow your donor base? Do you hope to make your program self-sustaining? Will you apply for grant funding? Including this information in your strategic plan will show that you've spent time thinking about the future.

#### 6. *What are your metrics and goals for your program?*

Set specific, measurable, achievable, relevant, and time-bound (SMART) goals. Explain why you've set certain goals and how you will track them.

#### 7. *How will you evaluate the results of your program?*

Explain how you'll know when your program or initiative has been successful. When you know what you want to accomplish—and how you'll know when you've accomplished it—it's easier to evaluate the goals you've set. It will also help you set new goals as needed.

### **Planting in Good Soil**

As your program gets off the ground, it's important to have clear financial records and documentation to show how you steward your resources and how the initiative aligns with your ministry's sincerely held beliefs. This will be especially useful as you look for funding opportunities because most granting organizations want to see that your program has evidence of a strong foundation and sustainable processes.

Grant applications often require financial statements and information about your mission and purpose. Records to keep on hand include your annual operating budget, expense reports, and designated responsibilities of financial decision makers. Additionally, keep your

statement of purpose, statement of faith, and bylaws readily available to include or reference in applications. To read more about the importance of defining statements and bylaws, check out the feature article in this edition of Resilient Ministry, "When Outdated Bylaws Backfire."

### **Reaping the Harvest**

Creating a strategic plan before you launch a new program can help you identify roadblocks and solidify your vision to make a long-term difference in your community. It's important to outline your specific goals, get ahead of challenges, and collect all your proper documentation before jumping into a program launch. When you check all the necessary boxes ahead of time, it will be easier to share your new initiative with the community and apply for funding to strengthen your program. 🙏





**You haven't  
reviewed  
your bylaws  
since *when?***



# When Outdated Bylaws Backfire

Over the course of a year, board members at ABC Church had been hearing rumblings from the congregation, suggesting that their pastor's beliefs and teachings had shifted away from the mission. The board spoke with the pastor, hoping that the situation would improve over time. The pastor's behavior remained unchanged and calls for his removal grew louder.

The board made the difficult decision to fire the pastor in response. The pastor sued, alleging wrongful termination. In the lawsuit, the pastor claimed that the board violated church bylaws by dismissing him for a reason not explicitly listed as an actionable offense. When the board reviewed the bylaws, they found that the bylaws had not been updated in 40 years – and that the pastor was right.

Church boards play a crucial role in maintaining a healthy church. But when things go awry, a board's decisions, planning missteps, or miscommunication can leave an organization and its leaders vulnerable to liability and lawsuits.

## Three Reasons a Ministry Leader Could Be Sued

A ministry leader is defined as a pastor, deacon, camp director, nonprofit board member, or any other individual that makes decisions on behalf of a ministry organization.

The most common reasons for a lawsuit against a ministry organization and its leaders are:

- *Negligence*—failure to provide reasonable care
- *Misrepresentation*—provides false or misleading information
- *Employment-related issues*—hiring, firing, wrongful termination

“We receive hundreds of queries each year through our Legal Assist<sup>SM</sup> response service about board governance and leadership,” said Charles Hedman, associate corporate counsel for Brotherhood Mutual and Legal Assist coordinator.

Hedman says that the problems boards and leadership encounter most often deal with leadership issues, communication problems, and liability exposure.

But there are remedies. To help ensure effective board governance, the Legal Assist team offers recommendations on the following five issues.

## Modernize Outdated Bylaws

**At issue:** Outdated bylaws can hinder progress.

What happens when your bylaws haven't been updated in 25, 50, or even 100 years? Rules, methods, and statements that were written at your ministry's founding may no longer be applicable.

Your bylaws are a legal document that sets rules and procedures for running your ministry. Hedman explains that ministries are bound by their governing documents. “If an audit uncovers issues in your bylaws, make the necessary changes to them,” he said. “Otherwise, you need to adhere strictly to existing documents. Ignoring this could lead to potential legal complications.” Issues can include personal liability, legal investigations, breach of fiduciary duties, and loss of tax-exempt status.

**Ace this:** Bylaws aren't static—they need to evolve with your organization and state laws. Discuss with a locally licensed attorney any edits you plan to make. Then, create a process to review your bylaws every three to five years, especially if you experience a substantial change in your ministry, such as church growth or board structure.



## Craft Clear Statements of Faith & Purpose

**At issue:** Ambiguous language can lead to misunderstandings...or a lawsuit.

If it's been a while since you've reviewed your written statements for biblical and creedal foundations, purpose, and core beliefs, a second look may reveal some gaps. Hedman explains that most churches don't define, or inaccurately define, terms for gender, marriage, or sexuality, creating language that can be misconstrued.

For example, some Statement of Faith documents the Legal Assist team has reviewed use the term sex and gender interchangeably. "These two terms have different meanings, leaving your ministry's use vulnerable to legal interpretation, especially in employment matters," he said. "In fact, some states have enacted narrow definitions of these terms."

**Ace this:** Biblical support for your beliefs and values provides clarity for people who engage with your organization. These documents also help safeguard your ministry in the event of legal challenges to your decisions, communications, and activities. A locally licensed attorney can instruct you about changes to state laws. Hedman also recommends that you require all board members to sign your statements of faith and purpose to ensure alignment with your beliefs.

## Free Review of Your Bylaws

Legal Assist, a free service of Brotherhood Mutual, offers free bylaw and handbook reviews to ministries, even if you aren't a customer of ours.

Ask your question at

[brotherhoodmutual.com/legalassist](http://brotherhoodmutual.com/legalassist)

Brotherhood Mutual is pleased to provide Legal Assist as a complimentary resource. The services we offer through Legal Assist are intended to provide general legal information to our current and prospective policyholders.

Do your due diligence; ask Legal Assist.

## Safeguard your ministry

### Shield Leaders with an Indemnification Clause

**At issue:** Uncertainty can strain relationships between leaders.

An indemnification clause, or "hold harmless" clause, in your bylaws is a statement of organizational intent to protect leaders from out-of-pocket costs if sued for decisions made on behalf of the ministry. An outdated, missing, or unartfully written clause can open the ministry to the same liability issues you were hoping to avoid.

**Ace this:** Your insurance agent can help you understand how your leadership is covered for civil lawsuits. Your clause should also give the governing board the right to decide when and if an individual will be indemnified. "Indemnification should not necessarily offer blanket protection," said Hedman. "The clause should not shield individuals whose conduct is criminal or if their decisions are misaligned with governing documents."

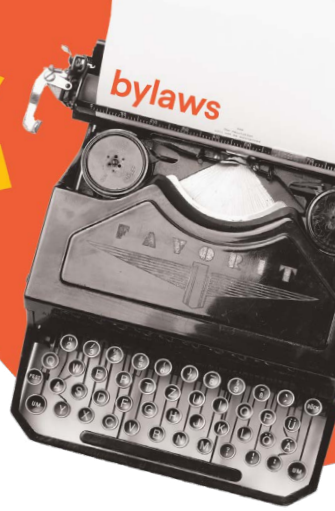
### Charitable Immunity & Good Samaritan Laws May Not Protect Personal Assets


**At issue:** Over-reliance and lack of clarity on these laws can leave gaps in protection.

Many states have enacted charitable immunity laws to help protect volunteer workers from being sued in connection with their volunteer service, including board service. But these laws vary widely on whether board members are immune from litigation.

Many common causes of litigation can fall outside of charitable immunity protection, such as employment-related claims, automobile accidents, and sexual misconduct allegations. Even if a church leader wasn't directly involved in any of these exempted activities, they can still be named in a lawsuit resulting from them.

**Ace this:** Ask your insurance agent how your insurance policy protects the personal assets of board members and leadership. Directors and Officers Liability (D&O)





coverage provides coverage for acts of ministry leaders that fall outside the protection of state or federal charitable immunity laws. D&O coverage, along with the ministry's general liability coverage, auto insurance, and other specialty coverages help fill the gaps left by these laws.\*

### Impose Term Limits on Board Members

**At issue:** Failure to cultivate new leaders often leads to board stagnation.

A board without term limits can result in an individual member having an outsized voice in church decisions, no plan for leadership succession, a lack of future planning, dysfunction, and more. Some members even feel a lack of ownership in decisions made by the board.

**Ace this:** Term limits help ensure that your board promotes new ideas, recruits new leaders, and recalibrates roles. Hedman says that term limits are a win for the organization. "New voices can bring objectivity, fresh opinions, and mentorship opportunities. Succession plans prevent burnout and keep a board healthy." 🏠

\*These coverage descriptions are intended to help ministry leaders better understand Brotherhood Mutual's MinistryFirst® insurance program. It does not provide insurance coverage of any kind, nor does it modify the terms of any Brotherhood Mutual policy. For complete insurance coverage details, please refer to actual policy documents. Coverage for actual claims will be based on applicable policy documents applied to the individual facts of an actual claim event. Some coverages may not be available in all states.

## General Liability vs D&O Insurance\*

**Before making decisions**, find out if your board members are financially protected. General Liability insurance and Directors & Officers Liability insurance serve different purposes and cover different types of risks.\*

**General Liability** insurance covers claims related to physical injury or property damage when caused by the acts or omissions of something the ministry did or didn't do. Example: During a parking lot carnival, a pothole causes a woman to fall and break her arm or the personal musical equipment of worship team members is stolen from the church.

**D&O insurance** protects the personal assets of directors and officers from lawsuits related to their management decisions. Example: A board member is sued for a decision they made that led to a financial loss for the ministry.

*NOTE: General Liability insurance does not typically cover directors, officers, and other leaders in their personal capacity.*

Term limits help prevent board stagnation.





# Fire Sprinkler System or Plumbing Nightmare?

**Sunday services conclude successfully. After you turn out the last light and lock the doors, your fire sprinkler system starts pouring down water—but there’s no fire in sight. For the next 24 hours, nearly 500,000 gallons of water flood your church.**

**All that water could throw a wrench in your ability to do ministry, not to mention the buckled floors, damaged HVAC equipment, ruined electronics, and water-logged pews. The flooding takes an expensive toll on your building. It’ll take months to repair the damage and replace all the destroyed equipment.**

## Preventing a Sea of Soggy Hymnals

The worst part is finding out that 10 minutes of routine visual inspection could have uncovered the issue that had been lurking undetected for months.

“That’s why it’s so important to take steps to make sure your system is free of wear and tear that can lead to catastrophic failure,” said David Barrueto, a senior risk control specialist with Brotherhood Mutual. It’s also important to protect pipes from freezing, a common cause of devastating water damage.

To maintain their effectiveness, it’s imperative to have a professional contractor perform an annual and five-year inspection. But there are several things your ministry can visually check in the meantime. The good news is that this doesn’t require a lot of time or skill.

Here are several things you can do today to catch small issues before they become major problems.

## What to Inspect Outside

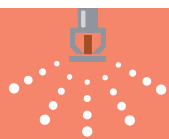
When performing a visual inspection of your fire suppression system, it’s important to start outdoors. Look at the pipes and valves outside your building for signs of leaks or rusting. “Sometimes rust on the outside can mean it’s rusting on the inside,” said Barrueto. Internal rust can eventually lead to leaks or valves that don’t work correctly.

An important piece of your sprinkler system is the backflow preventer. If you see leaks around this component, it could indicate that a seal is broken and should be repaired right away.

Make sure to walk along the ground where the water pipe is buried. If there is any sign of water such as a soggy spot, you could have a leak that would require immediate attention. Finally, many systems will have a bell located on the exterior of the building to alert firefighters that the sprinkler system has been activated. Make sure to clear the bell of birds’ nests or other debris so it’s audible if it goes off.

## What to Inspect Inside

**Riser Room** — The brains of a fire suppression system are in what’s commonly referred to as a riser room. It’s important to note that not every building will have a riser room. Your system’s main water supply pipes may be in a hallway, outside the building, or in another room.



Single Broken Sprinkler Head:

**15 gallons of water per minute or 900 gallons per hour**

Broken Pipe:

**20,000 – 40,000 gallons of water every hour**





When visually inspecting the riser pipes and valves, start at the bottom and work your way up. Pay particular attention to signs of leaks, which may indicate more serious problems.

Check riser gauges to make sure they are working properly. Take a second to look at the flow switches. These are switches that will have electrical connections, and they are responsible for detecting water flow and sending a signal to the alarm. Sometimes the wires can get disconnected by accident, especially if there's any work performed on the system. If you have a monitored system and the alarm doesn't get triggered, it's possible no one would know for hours or even days.

**Pump Room** – The pump that provides water to the system may be located outside, in the riser room, or in a separate space within the building. A quick visual inspection is all that's required to make sure it is free of bird nests or other obstructions. If your system has a water storage tank, make sure it's not leaking and is full of water.

If you have a leak anywhere in the system, it will cause a smaller pump, known as a jockey pump, to run more frequently to maintain pressure. "Eventually, the smaller, less expensive jockey pump can fail, which makes the larger, more expensive main pump run to maintain pressure," said Barrueto. Routine visual inspections can catch issues like these before they become expensive repairs.

"The first thing I do when I walk into a pump room is smell for indication of a frequently running pump," noted Barrueto. If the room has that familiar electrical smell, that's a good indicator that either the jockey pump or main pump have been running. This is something that should be inspected more closely by a licensed contractor.

### **Professional Inspections: Annual and Five-Year**

Fire sprinkler systems should be inspected annually. There is also a more involved five-year test.

The annual inspection tests the basic function of the system. It involves a visual inspection, but it also requires a contractor to test water flow and make sure the appropriate alarms are triggered.

The five-year test is much more comprehensive. It includes the same tests from the annual inspection but adds a complete drain of the system. This tests for any blockages or malfunctions in the system so they can be remedied. The contractor should also check the interior of the riser pipe to see if there is any built-up rust.

To verify if the annual or five-year testing is current, check the testing date sticker located on the riser.

If you don't currently have a contractor to work on your fire suppression system, it's important to hire a contractor with a C16 and C17 license. That means they are licensed to work on sprinkler systems and fire alarm systems.

Consider designating someone within your ministry to be present during the inspections. This helps familiarize the individual with the system so they are equipped to perform regular visual inspections between the professional inspections.

### **Prep Your Life Raft**

If a sprinkler head is ever accidentally activated, or if there is an obvious leak, it's important to know how to quickly turn off the water supply. The shutoff valve can be located either inside or outside the building, so make sure you know how your system is configured and where you can access the shutoff if necessary.

Does the room require a key for entry? Does the shutoff valve have a chain and padlock? Knowing how to access the main shutoff can save your ministry a significant amount of damage in the event of a leak. 🛡️





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## Pastor Your People. Avoid Payroll Perils.

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**When Pastor Jay was hired to lead at a new church, he didn't realize being in charge of payroll would become one of his "other duties as assigned." They didn't teach how to process payroll in seminary.**

Even for churches blessed with a CPA or tax specialist, payroll involving clergy can be tricky. "We see this a lot," said Tonya Miller, manager of MinistryWorks. "It seems like doing payroll for two or three staff should be easy, but when one is clergy, you run into a whole different set of rules. Our payroll specialists help clients daily with questions about everything from ministerial housing allowances to a clergy's tax status, and other nuances unique to Christian employers."

### **What Could Go Wrong?**

One of the consequences of getting payroll wrong is that ministry employees can be held personally accountable by the IRS for incorrectly filing payroll taxes, leaving individuals responsible for paying penalties out of pocket. Another issue that ministries often run into is determining who qualifies for a housing allowance. Miller shared some of the costly scenarios her staff have seen as they've worked with new clients:

A church bookkeeper, unaware that 941s had been mishandled, was personally fined \$4,000 by the IRS for filing quarterly tax returns incorrectly.

One volunteer church treasurer had incorrectly filed and processed the church's tax withholdings and payments for 10 years, including FICA taxes for their pastor, resulting in \$13,000 due in back taxes and penalties.

Church administrators were unaware that by withholding FICA taxes for their pastor, the IRS would consider the pastor a regular employee for tax purposes. As a result, the pastor was no longer eligible for a tax-free housing allowance.

A charitable organization, run by a church, withheld income and FICA taxes from employees' paychecks but failed to remit the taxes to the IRS. Four officers were ordered to pay more than \$200,000 in unpaid taxes because it was their duty to collect and pay the taxes.

Helping ministries solve payroll issues like these is part of why MinistryWorks was created by the team at Brotherhood Mutual.\* "The leadership at Brotherhood Mutual are really focused on providing as many tools as possible to keep ministries thriving. When they see a way to help, they do, even if that means creating a whole new company entirely focused on ministry payroll and tax services," said Miller. "And in keeping with that spirit, as we've grown to serve more than 7,000 ministries, we've expanded into HR solutions, such as time and attendance, healthcare reporting, and talent management and onboarding modules."

## Vetting Payroll Service Providers

"It's good risk management to work with someone experienced in payroll, and even better risk management to work with a company that knows ministry payroll inside and out," said Miller.

When choosing a payroll provider, here are some things to consider:

- How many ministries do you work with?
- How does your call center work?
- Will we have our own payroll specialist?
- What other tools do you offer along with payroll?
- What steps will you take to protect my ministry's information?
- What is your onboarding process like?
- How do you catch up on our payroll history?

Choosing the right company means you can rely on a payroll specialist who becomes an effective extension of your ministry's payroll or HR team. That's one less hat for you to wear, so you can focus on living out your mission, rather than worrying about the administrative burdens of payroll.

For more information about MinistryWorks, visit [ministryworks.com](https://ministryworks.com) 📄

\*MinistryWorks, LLC, is a subsidiary company of Brotherhood Mutual Insurance Company.



## Even More Articles Online

[brotherhoodmutual.com/rm/leadership](https://brotherhoodmutual.com/rm/leadership)

We couldn't fit everything in this one issue, so visit Resilient Ministry - Online for even more articles and resources designed to help your organization operate safely.

Check out a few of the other resources available to you online:

- **Worksheet:** New Initiative Launch
- **Article:** Are Board Members Personally Liable for Board Decisions?
- **Resource Page:** Boards and Leadership
- **Resource Page:** Water Damage Prevention
- **Checklist:** Fire Suppression System
- **Article:** Three Payroll Problems to Avoid





Brotherhood Mutual®

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**Resilient Ministry  
Routing List**

- Pastor
- Administrators
- Office Staff
- Board Members
- Facilities Team
- Other

**Same great content—new publication name.**  
Welcome to the first edition of Resilient Ministry magazine, formerly known as The Deacon's Bench.

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