

Organizational Stewardship for Church Boards

The purpose for this document is to orient church officers about their corporate and fiduciary obligations and help them plan how to properly steward their organization and manage risk.

Organization: The local church is a voluntary group of Christians who comprise a spiritual body and a corporate entity. It is subject to biblical, denominational, and legal authority, obligations and restrictions and governed by elected individuals/officers serving jointly as both elders and Board members.

Stewardship: Careful and responsible management, oversight, protection, and advancement of something entrusted to one's care and considered worth preserving, including the assets, reputation, and long-term viability and efficient/effective functioning of the organization.

Board responsibilities as organization steward:

- Ensure that there is sufficient planning and monitoring of strategies to promote and protect the organization's mission. Deliver tangible outcomes and measurable results for all to see the mission in action.
- Safeguard and ensure efficient use of the human and financial resources that are contributed and dedicated to the organization and ensure that they are used to achieve the organization's objectives.
- Exhibit and embody the organization's values and demonstrate high ethical standards.
- Ensure that operational processes and policies are robust and responsible, exemplify proper standards, and are accountable to stakeholders and beneficiaries.
- Install effective financial management and controls to achieve the right balance between costs and outcomes and provide financial transparency in and by the organization.
- Monitor financial performance to ensure funds are used economically, effectively and efficiently according to relevant restrictions or regulatory requirements.
- Maintain and regularly review the organization's system of internal controls, performance reporting, policies and procedures.
- Ensure that the organization complies with its own governing document, pertinent legislation, and any other compliance requirements.
- Identify and regularly review risks that might prevent the organization from achieving its purposes and ensure effective strategies and systems for risk management and mitigation.

Definition of Risk

- Risk is an uncertain or possible internal or external event that should it occur, could cause unwanted consequences, harm, or loss, or could affect the ability to achieve objectives, but that may be avoided or diminished through preemptive action. A risk is measured by a combination of 1) the probability of a perceived threat occurring, 2) the vulnerability of the organization to that threat, and 3) the magnitude of its impact on objectives if it occurs.

Risk exposures for a local church

- Moral/ethical – failure of duty to care, to adequately protect and biblically care for individuals.
- Liability risk: Corporate culpability as professional employees and/or church board members; (personal liability can arise from gross negligence).
- Financial risk: Subjecting the organization and its assets to monetary losses or fiscal insolvency due to defense expenses, damages, fines, and/or penalties.
- Reputational risk: Potential for negative publicity and/or unfavorable public perception to have an adverse impact on the organization's mission, standing or sustainability.

Organizational Stewardship for Church Boards

Sources of risk in the church

1. Confusion, disagreement, or conflicts about how the church is organized and led, property ownership, where identity and authority are derived, what roles and responsibilities are established, how business is conducted, what is reported and records are retained, liability of officers, and how the above can be changed.
2. Charges of improper "related party transactions; i.e. impropriety involving employees, officers, directors or trustees, where an individual's obligation to further the organization's charitable purposes is at odds with their own actual or potential financial interests.
3. Claims of negligence involving bodily injury, medical expenses, and property damage to person while on church property.
4. Cost to defend the organization and potential settlements or judgments
5. Claims of harm or wrongful acts committed as a result of governing decisions, acting on behalf of the church.
6. Claims of harm resulting from spiritual counseling by pastor or arising out of providing or failing to provide proper services in practice of a profession – i.e. clergy and counselors
7. Loss of or damage to building structure and church or personal contents due to natural disaster, fire, arson, theft, vandalism.
8. Allegations of wrongful acts by supervisors and violation of rights of employee's and job applicants. E.g. wrongful termination; ethnic, disability, gender, age discrimination; sexual harassment.
9. Allegations of sexual misconduct by employees or volunteers and/or purported abuse or harm to vulnerable or affected persons while on church property or at church-sponsored events.
10. Negligence, property damage and bodily injuries caused by employees while driving their own or rented vehicles for employer's purposes.
11. Misrepresentation of their background by employees or volunteers, potentially exposing the organization to high-risk persons serving on its behalf.
12. Allegation of unlawful or unsubstantiated use of tax-exempt compensation for pastor's housing.
13. Workplace violence by current or former employee. Expenses after onsite incident or during church-sponsored off-site activity.
14. Allegations or actual misuse of funds or lack of appropriate accountability or controls by those in authority and with stewardship of the church's financial resources.
15. Errors or omissions in the employer's administration of its employee benefit program (i.e. health, life, retirement, etc.); e.g. enrollment, beneficiaries, premium payments
16. Dishonesty or theft of cash or securities by employee or third parties (courier, bank, forgery).
17. Social engineering/impersonation/computer fraud: Tricking people into breaking standard security practices, enabling attackers to gain access to confidential information.
18. Employee medical, wage and rehabilitation expenses if injured or become ill on the job. Lawsuits by workers injured while working.
19. Expenses incurred to respond to data breach, cyber extortion, data and system restoration or re-creation, and identity recovery for qualified employees. Claims of damages, negligence and liability in such incidents.
20. Loss of or inaccessibility to organizational information when needed, as required for legal compliance and/or defense, audits, institutional memory, historical records, and analysis and decision-making.
21. Claims of illegal discrimination on request for use of church property by external organization or persons.
22. Claims of unlawful use of proprietary music in practice or public performance.
23. Accusation of unapproved use of personal images on a public website or social media site.
24. Hostile intruder or active shooter present during a public event like worship.
25. Non-member wants church, pastor or guest pastor to host or preside over a wedding.

Organizational Stewardship for Church Boards

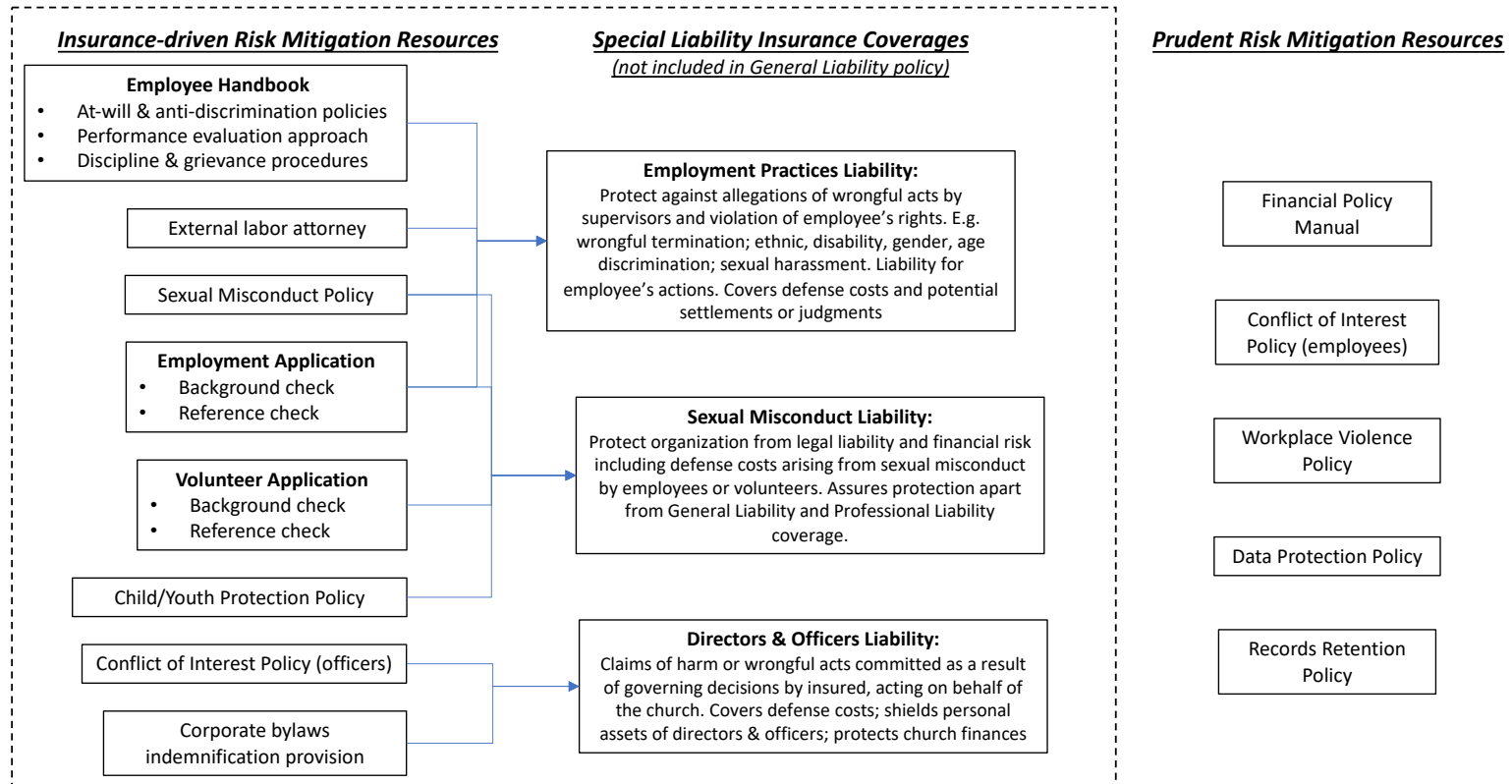
Church Leader Worksheet	Risk Mitigation Strategy			
Sources of Risk	Risk level	Church Policy	Insurance Coverage	Form / Procedure
1. Confusion, disagreement, or conflicts about how the church is organized and led, property ownership, where identity and authority are derived, what roles and responsibilities are established, how business is conducted, what is reported and records are retained, liability of officers, and how the above can be changed.		Denominational governance document; Corporate bylaws; Committee charters		Articles of Incorporation; Local legal counsel
2. Charges of improper “related party transactions;” i.e., impropriety involving employees, officers, directors or trustees, where an individual’s obligation to promote and protect the organization’s charitable purposes is at odds with their own actual or potential personal or financial interests.		Conflict of Interest Policy		Annual signed Conflict of Interest disclosure by officers and employees
3. Claims of negligence involving bodily injury, medical expenses, and property damage to a person while on church property.		Site safety manual	General Liability	Communication and compliance plan
4. Cost to defend the organization and potential settlements or judgments.			General Liability	Local legal counsel
5. Claims of harm or wrongful acts committed by officers as a result of governing decisions, acting on behalf of the church.			Directors’ and Officers’ liability	
6. Claims of harm resulting from spiritual counseling by pastor or arising out of providing or failing to provide proper services in practice of a profession – i.e. clergy and counselors.		Pastoral Counseling Policy	Professional Liability	Oversight of pastors’ compliance by officer(s)
7. Loss of or damage to building structure and church or personal contents due to natural disaster, fire, arson, theft, or vandalism.		Site safety manual	Property and Casualty	Emergency response and security plans
8. Allegations of wrongful acts by supervisors and violation of rights of employees and job applicants. E.g., wrongful termination; ethnic, disability, gender, age discrimination; sexual assault or harassment.		Employee Manual	Employment Practices Liability	Employment Letter; Position description; Performance mgt. plan; Legal counsel
9. Allegations of sexual misconduct by employees or volunteers and/or purported abuse or harm to vulnerable or affected persons while on church property or at church-sponsored events.		Child Protection & Sexual Misconduct Policies	Sexual abuse or misconduct liability coverage	Employment Application. Volunteer Application
10. Negligence, property damage and bodily injuries caused by employees while driving their own or rented vehicles for employer’s purposes.		Employee Manual	Coverage for hired & non-owned vehicles	
11. Misrepresentation of their background by employees or volunteers, potentially exposing the organization to high-risk persons serving on its behalf.		Employee Manual; Sexual misconduct policies		Employment and volunteer applications

Organizational Stewardship for Church Boards

12. Allegation of unlawful or unsubstantiated use of tax-exempt compensation for pastor's housing.		Employee Manual		Housing Allowance request form and Session Resolution
13. Workplace violence by current or former employee. Expenses after onsite incident or during church-sponsored off-site activity.		Employee Manual	Workplace Violence	Emergency response & preparedness plan
14. Allegations or actual misuse of funds or lack of appropriate accountability or controls by those in authority and with stewardship of the church's financial resources.		Financial Policy Manual	Crime Insurance	Cash receipt and disbursement plan
15. Errors or omissions in the employer's administration of its employee benefit program (i.e., health, life, retirement, etc.); e.g., enrollment, beneficiaries, premium payments		Financial Policy Manual	Employee Benefits Liability	Employee benefits administration procedures
16. Dishonesty or theft of cash or securities by employee or third parties (courier, bank, forgery).		Financial Policy Manual	Crime Insurance	Cash receipt and disbursement plan
17. Social engineering/impersonation/computer fraud: Tricking people into breaking standard security practices, enabling attackers to gain access to confidential information.		Employee Manual; Data Protection Policy	Crime Insurance	Computer and internet use procedures
18. Employee medical, wage and rehabilitation expenses if injured or become ill on the job. Lawsuits by workers injured while working.			Workers Compensation	Workplace safety standards
19. Expenses incurred to respond to data breach, cyber extortion, data and system restoration or re-creation, and identity recovery for qualified employees. Claims of damages, negligence and liability in such incidents.		Data Protection Policy	Cyber protection	Employee orientation and ongoing compliance plan
20. Loss of or inaccessibility to organizational information when needed, as required for legal compliance and/or defense, audits, institutional memory, historical records, and analysis and decisions.		Data Protection & Records Retention Policies		Employee orientation and ongoing compliance plan
21. Claims of illegal discrimination on request for use of church property by external organization or persons.		Facility Use and Wedding Policies	General Liability	Facility Use and Wedding Applications; Legal Counsel
22. Claims of unlawful use of proprietary music in practice, rehearsal, and/or public performance.		Music Copyright Policy		Compliance posting – public/musician view
23. Accusation of unapproved use of personal images on a public website or social media site.		Web & Social Media Policy		Image Release and Waiver Form
24. Hostile intruder or active shooter present during a public event like worship.		Active Shooter Policy; Emergency Response Policy	General Liability and Terrorism coverage	Church safety team and procedures; rapport with police
25. Non-member wants church, pastor, or guest pastor to host or preside over a wedding.		Membership, Wedding, and Facility Use Policies	Professional Liability and D&O coverage	Membership & pre-marital counseling procedures

Organizational Stewardship for Church Boards

Church Risk Mitigation / Insurance Linkages



Note to users: This is a resource that any church can quickly and easily use. It suggests best practices plus aims to balance legal accuracy with language understood by church lay and staff persons. It is for collaborative use with the preparer, thus autonomous users shall not hold the preparer liable for misuse. Users must consult with a church administration and legal/insurance professional to adapt, change, delete, and add to elements to meet a church's unique needs, standards, and preferences.