

# UNDERSTANDING CORPORATE STRUCTURE IN THE SEVENTH-DAY ADVENTIST CHURCH

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# Corporation-Definition

- ◆ A company or group of people authorized to act as a single entity (legally a person) and recognized as such in law
- ◆ Unlike Associations, partnerships or sole proprietorships



# Corporation

- ◆ In Law, treated like person
- ◆ Perpetual life
- ◆ Empowered to enter contracts, leases, borrow money buy property, goods and services without imposing personal liability on individuals who carry out those activities
- ◆ Can sue or be sued
- ◆ Recourse only against legal entity not individuals
- ◆ Liability limited to assets





# For Profit

- ◆ Can sell shares to raise funds
- ◆ Entitled to make profits
  - ◆ Owners
  - ◆ Shareholders
- ◆ Profit driven
- ◆ Distribution of assets to owners
- ◆ Can be sold
- ◆ Directors can be compensated for serving on Boards



# Non-Profit/Charity

- ◆ Usually started by a group or individual for particular purpose
- ◆ Members
- ◆ Mission driven
- ◆ Can't be sold, can only be dissolved
- ◆ Who owns non profit?
  - ◆ No one
  - ◆ Everyone
  - ◆ Charities Exist for the public good-Public Purpose (religious, educational, scientific, charitable)

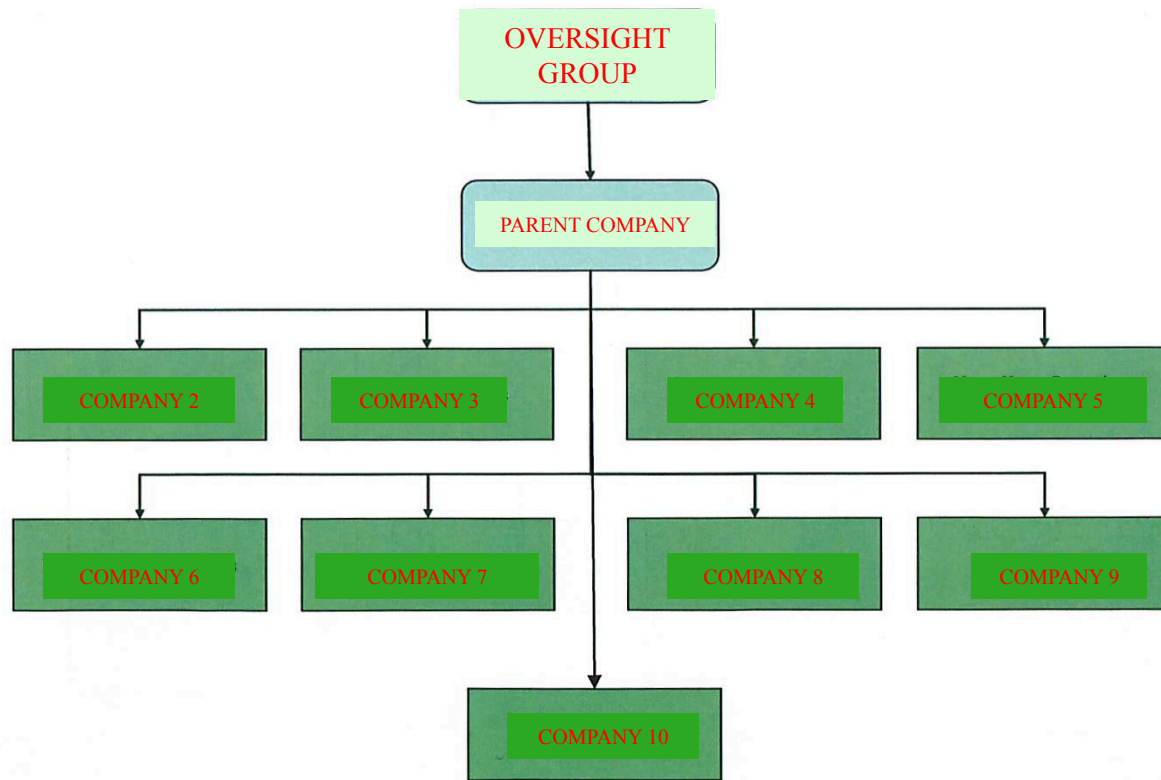


# Non-Profit/Charity

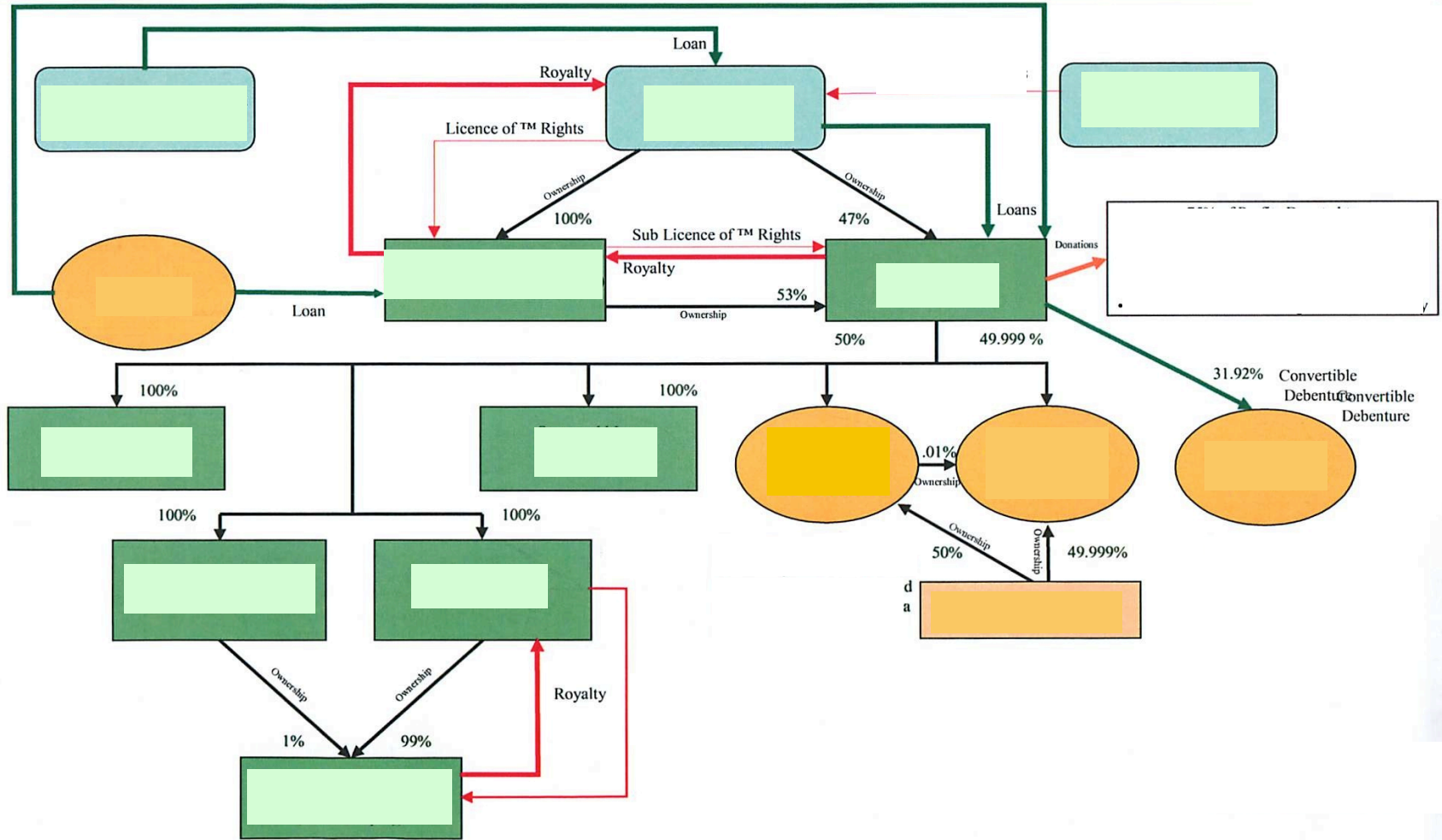
- ◆ Directors cannot be compensated for serving on Board
- ◆ On dissolution assets turned over to another charity
- ◆ In some instances greater scrutiny/oversight



# GROUP CORPORATE ORGANIZATION







# Who are the Persons in the SDA Church

- Conference/Mission Corporations
- Union Conference (Missions & Union of Churches)
- General Conference Corporation
- Institutional Corporations
- **Who Owns The Above “Legal Persons”?**
  - ◆ Constituent Members & Stockholders
- ◆ What about unincorporated Associations?



# How Corporations Are formed in the SDA Church

- ◆ Corporations to serve General Conference must be authorized by Executive Committee (GC Constitution)
- ◆ BA 25 05 GC WP The incorporation or registration of legal entities of the Church, other than at the General Conference level, is subject to division policy which takes into consideration the principles of denominational organization and representation, laws of jurisdictions, and the specific needs of the Church in the geographic areas served. Unless local laws require otherwise, the local church operates under the legal structure of the local conference, mission, or union of churches and not as a separate legal entity.



# Establishment of Corporations

- ◆ Prior Consultation and Permission (GC WP 25 10)
- ◆ Divisions have own process
  - ◆ NAD Requires NADCOM Approval and also approves Denominational Status
- ◆ Conference Corporations serve as trustees, hold property, invest trust funds, enter into contracts,
- ◆ Operate in situations where legal status is required





# GC Constituent Corporations

- ◆ Adventist Risk Management
- ◆ Adventist Development and Relief Agency
- ◆ Adventist University of Africa
- ◆ AIIAS
- ◆ Andrews University
- ◆ Oakwood University
- ◆ Pacific Press
- ◆ Review & Herald



# Historical Structure

## ◆ CONFERENCE

- ◆ Unincorporated nonprofit association
- ◆ All operational aspects of the Conference including employees
- ◆ Ecclesiastical organization

## ◆ ASSOCIATION-CORPORATION

- ◆ Nonprofit religious corporation
- ◆ All legal aspects of property ownership, trusts
- ◆ Legal organization



# Dual Structure Organizations

- ◆ Some entities have merged the Association-Corporation and the Conference into one
- ◆ Reasons
  - ◆ Reduce liability
  - ◆ Local legal requirements
  - ◆ Confusion between dual structure



# Best Distinction

- ◆ Corporate
  - ◆ Bound by local corporate law
  - ◆ Constitution and Bylaws
  - ◆ Board has fiduciary responsibility to members
- ◆ Ecclesiastical
  - ◆ Held together by Working Policy and Church Manual
  - ◆ Unincorporated Association
  - ◆ Perhaps different set of laws depending on jurisdiction dealing with unincorporated associations





# Church Polity

- ◆ There are four generally recognized forms of church polity (government), to which group does the Adventist Church belong
  - ◆ Episcopal
  - ◆ Papal
  - ◆ Congregational
  - ◆ Representative



# Constituency-based organization:

- ◆ Local Church
- ◆ Local Conference
- ◆ Union Conference
- ◆ General Conference



# Basic operating principles:

1. Representative democracy process
  - ♦ In a direct democracy every member can vote on each decision—particularly in the choice of leaders
  - ♦ Representative democracy involves the selection of representatives who then vote in the decision-making process





# Basic operating principles:

## 2. Defined membership

- ◆ A person can only be a member of one church at a time
- ◆ Must be a member in order to hold office or to participate in the business meetings of the local church
- ◆ Boards and committees also have defined memberships





# How to become a member:

- ◆ By vote of members in an official local church upon:
  - ◆ baptism by immersion
  - ◆ profession of faith
  - ◆ transfer of membership from some other SDA congregation



# Basic operating principles:

## 3. Conferred status

- ◆ Membership in a church is always a privilege that is granted by a group (e.g. no one can baptize himself/herself);
- ◆ Organizational status is never self-proclaimed nor self-derived nor automatically perpetual, it is always conferred/entrusted by others
- ◆ Membership is not a right
- ◆ Membership can be withdrawn by the same group that granted it



# Basic operating principles:

4. Authority ascends to a group
  - ◆ Final authority is always in a group not in one individual
  - ◆ Every elected/appointed leader is accountable to a group
  - ◆ No group or committee has greater authority than the group that appointed it





# Basic operating principles:

5. Authority is distributed throughout the organization
  - ◆ Different types of authority reside at different places in the organization (i.e., membership, employment, ministerial ordination, doctrine)
  - ◆ Distribution of authority helps to unite the church—no one part complete in itself



# Basic operating principles:

## 6. Shared identity—concurrent elements of local and global identity

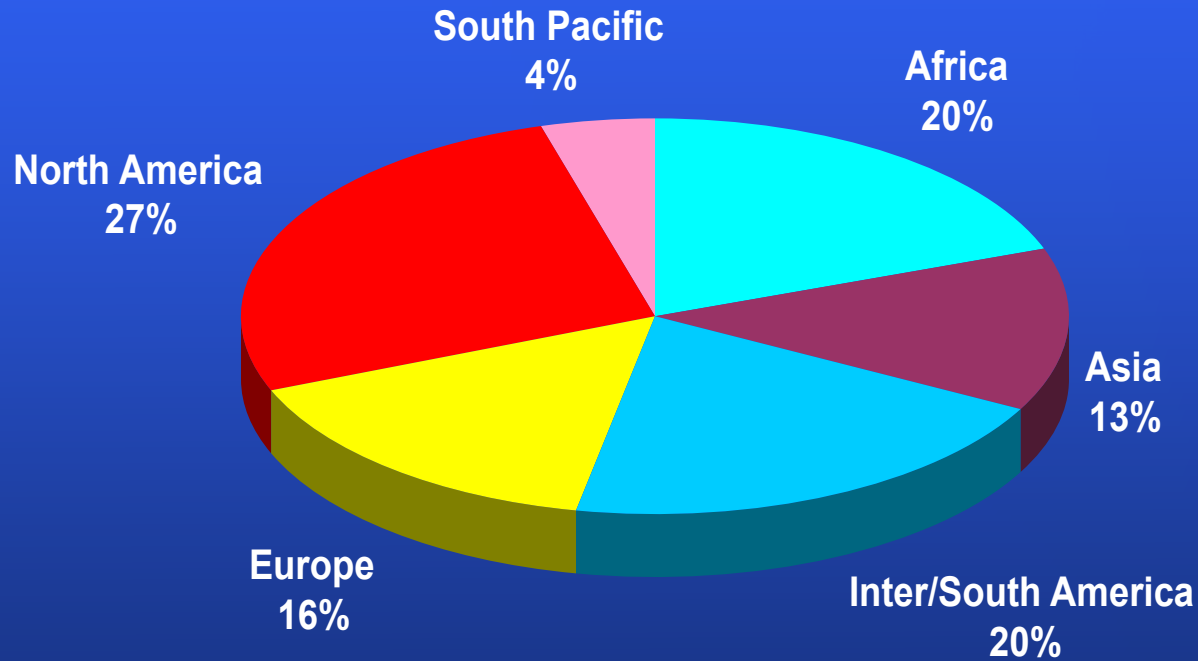
- ♦ a local SDA church is an official church but it is not the whole church
- ♦ the world church is more than merely the sum of local churches





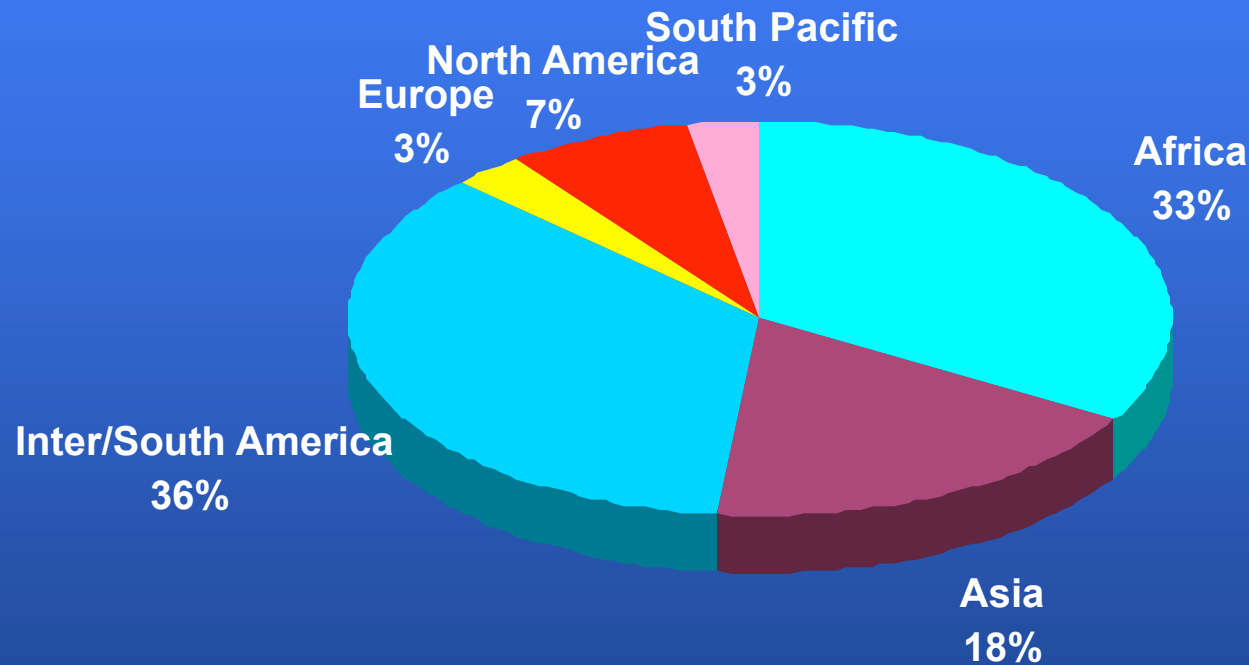
# World SDA Membership Distribution 1960

Total membership = 1,245,000



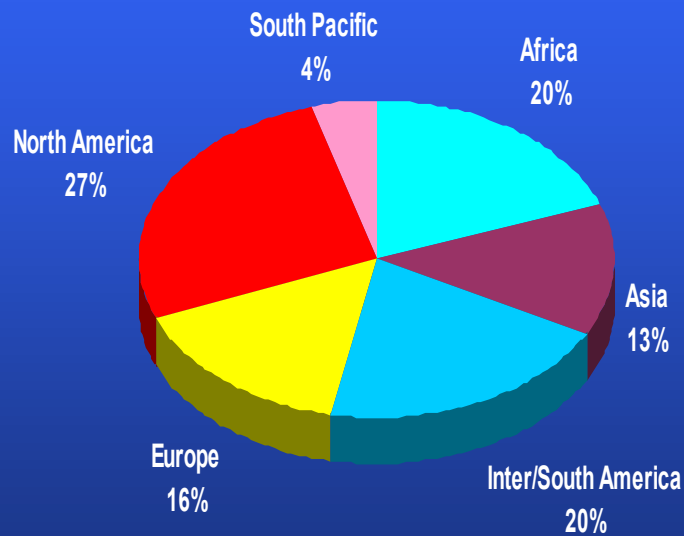
# World SDA Membership Distribution 2010

Total membership = 17,214,683

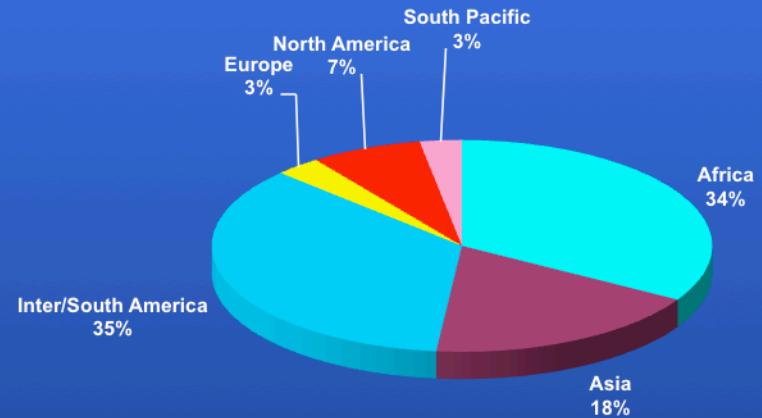


# World SDA Membership Distribution 50-year Change

1960 = 1,245,000



2010 = 17,214,683



**More than  
2,878  
members added daily  
during 2010!**



**A NEW CHURCH EVERY  
4.47 HOURS**





**About 20% of members  
less than 5 years in the  
Church**



# SDAs as a village of 100 people

- ◆ 36 are from South and Central America
- ◆ 33 are from Africa
- ◆ 18 are from Asia
- ◆ 7 are from USA and Canada
- ◆ 3 are from Europe
- ◆ 3 are from South Pacific



# What changed in 50 years?

- Growth rate and pattern
- Divergence of membership and resource base
- Giving patterns
- Supporting ministries
- Decreasing % of members with SDA education
- Increased cultural awareness which varies by region
- Mission field everywhere





# So How Do We Keep Together

## ◆ Working Policy

- ◆ GC Working Policy B 15 10 Adherence to Policy Required— 1.The General Conference *Working Policy* shall be strictly adhered to by all organizations in *every* part of the world field.
- ◆ **Model Bylaws:** All purposes, policies and procedures of \_\_\_\_\_ shall be in harmony with the working policies and procedures of the \_\_\_\_\_ and the General Conference.
- ◆ Consistency in Organizational Documents including Constitution & Bylaws-Models Provided in GC WP
- ◆ Corporation Constitution and Bylaws will have country specific sections depending on local requirements



# WP Model Constitution & Bylaws

- ◆ Many Sections appear in Bold Print
- ◆ Purpose of Bold Print?
- ◆ **D 10 05** Those sections of the model bylaws that appear in bold print are essential to the unity of the Church worldwide, and shall be included in the bylaws as adopted by each union or conference. Other sections of the model bylaws may be modified as set out in Bylaw Article XII, provided they continue to be in full harmony with the provisions of this model.  
Amendments to the Model Union Conference Constitution and Bylaws shall be made by action of the Executive Committee of the General Conference of Seventh-day Adventists at any Annual Council of that Committee.
- ◆ Constitution in general in bold print, bylaws allow for some variation





# Examples of Bold Print

## ◆ Bylaws

- ◆ Types of meetings
- ◆ Elections
- ◆ Delegates (elected and at large)
  - ◆ At large-Union-members of GC/Division Executive Committee
    - Conference-members of Union/Division Committee
- ◆ Executive Committee
- ◆ Officers and their Roles
- ◆ Finances and Budget
- ◆ Process for Amendments to Bylaws



# Church Manual

- ◆ **Church Manual** - The content of the *Church Manual* is the expression of the Seventh-day Adventist Church's understanding of Christian life and church governance and discipline based on biblical principles. It expresses the authority of a duly assembled General Conference session.
- ◆ **GC WP BA 15 10 Changes/Revisions Only by General Conference Session**—The *Church Manual* may be changed or revised only by the General Conference in session.



# 28 Fundamental Beliefs

- ◆ Seventh-day Adventists accept the Bible as their only creed and hold certain fundamental beliefs to be the teaching of the Holy Scriptures. These beliefs, as set forth here, constitute the church's understanding and expression of the teaching of Scripture. Revision of these statements may be expected at a General Conference session when the church is led by the Holy Spirit to a fuller understanding of Bible truth or finds better language in which to express the teachings of God's Holy Word.



# Understanding structure:

- ◆ Local church
- ◆ Local conference/mission
- ◆ Union conference/mission
- ◆ Division
- ◆ General Conference
- ◆ Institutions and agencies
- ◆ Constituency sessions
- ◆ Departments





# Local Church

- ◆ A “family” of SDA members who have been granted, by the constituency session of a local mission/conference, official status as a Seventh-day Adventist Church.



# Companies of Believers

- ◆ A preliminary stage of organization for individual members who, under the supervision of a person authorized by the local mission/conference, begin to function as a congregation or family of members. A company elects a **leader**, not officers. Membership is held in the mission/conference church.



# Conference Church

- ◆ A group of Seventh-day Adventist members who, for reasons of geographic isolation, are unable to have regular fellowship with a nearby local Seventh-day Adventist church. The conference/mission committee serves as **board** and business meeting of the conference church, president serves as head elder.



# Local Mission or Conference

- ◆ A family of churches, in a **specific geographic area**, which has been granted, by a division executive committee action, official status as a Seventh-day Adventist local mission/conference.





# Model Articles Conference

## Article V—Membership

The membership of this conference shall consist of such churches as have been or shall be properly organized in any part of the geographic territory under its jurisdiction and formally approved for membership by vote of the delegates at any regularly scheduled constituency meeting.



# Union Conference/Mission

- ◆ A family of local missions/conferences, in a specific geographic area, which has been granted, by a General Conference session, official status as a Seventh-day Adventist union mission/union conference.



# Union of Churches

- ◆ A group of local churches, within a defined geographic area, that has been organized in harmony with General Conference policy and granted, by action of the General Conference Executive Committee, official status as a Seventh-day Adventist union of churches. Newly organized unions of churches are accepted into the sisterhood of unions by formal action at the next General Conference Session.



# Model Articles Union

## Article V—Membership

The membership of this union conference shall consist of such local conferences and missions as have been or shall be organized in any part of the geographic territory under its jurisdiction and formally approved for membership by vote of the delegates at any regularly scheduled constituency meeting.





# Model Articles

## Article VII—Dissolution and Disposition of Assets

This conference may be dissolved only by a two-thirds majority vote of the delegates present and voting at any constituency meeting.

In the event of the dissolution of this conference, all assets remaining after all claims have been satisfied shall be transferred to a legal entity authorized by the \_\_\_\_\_ Division of the General Conference of Seventh-day Adventists.



# General Conference

- ◆ The worldwide “family” of all unions along with conferences, fields/missions directly attached to the GC and all GC Institutions. It serves as the global voice of the seventh-day Adventist Church.



# Divisions

- ◆ A **regional** office of the General Conference which has been assigned by action of the GC Executive Committee general administrative and supervisory responsibilities for designated groups of unions and other church units within specific geographic areas.



# Institutions/agencies/services

- ◆ Subsidiary organizations, with **defined administrative powers**, established and operated by local missions or conferences, unions, divisions or the General Conference.
- ◆ These may include educational, healthcare, publishing, food industries, media centers etc.,
- ◆ GC entities include ADRA, ARM, Pacific Press, R&H Publishing, Andrews, Oakwood, Hope Channel, AWR, AR, AIIAS, AUA





# Institutions

- ◆ To reflect the policies of organization that established the institution
- ◆ Constituency to be majority from the entity that established the institution
- ◆ Boards to be elected by constituency
- ◆ Board is granted authority to control and manage institution
- ◆ Institutional administrators to be elected by board and not the constituency



# Departments

- ◆ Groupings of specific **non-administrative** program functions supporting the general administration and leadership of churches, missions, conferences, unions, divisions, General Conference, institutions, services, agencies, etc.



# Denominational Status

- ◆ What is the purpose of being recognized or granted organizational/denominational status?
  - ◆ Listed in *Yearbook*
  - ◆ Participation in Retirement Plan (NAD)
  - ◆ IRS Group Exemption in USA
  - ◆ Use of Trademarks
  - ◆ Master Insurance Policies



# Constituency session:

- ◆ An official business meeting of the members of an official administrative level of church organization.
- ◆ The highest level of authority within the powers granted to each level of denominational organization resides in the constituency meeting.
- ◆ Boards are entrusted with authority to govern between constituency meetings but are ultimately accountable to the constituency





# Local church/school boards

- ◆ The local conference is the lowest level of legal identity recognized by the church
- ◆ The local congregation/school has representative delegated authority to conduct the local activities as part of the conference
- ◆ Local church/school boards are not legal entities
- ◆ Local board members/employees and volunteers are agents of the conference
- ◆ Local actions can and do have a direct legal impact on the conference
- ◆ Operational boards



# Board v. Executive Committee

- ◆ What is the difference between Executive Committee and Board of Directors
  - ◆ Board of Directors generally refers to a Corporate Entity, some conferences and unions have merged the unincorporated and incorporated entities into one. Some merged entities still refer to Board as Executive Committee.
- ◆ Institutions have governing boards



# SDA Governance System

- ◆ Governing Board
- ◆ (Institution)
  - ◆ Stand alone entity
  - ◆ One employee member
  - ◆ External chairperson
  - ◆ CFO accountable to Board
  - ◆ Limited hiring decisions by Board
  - ◆ Incorporated Status
- ◆ Executive Committee
- ◆ (Ecclesiastical Structure)
  - ◆ Part of Network (Conference, Union, Division)
  - ◆ Internal Chairman
  - ◆ More employees as Board Members
  - ◆ Multiple hiring decisions
  - ◆ Unincorporated status



# Ascending Liability

- ◆ The principal becomes liable for the acts of the agent.
- ◆ The “Parent” Organization becomes liable for the acts of the “Subordinate” Organization



# BA 35

## BA 35 Financial Consequences of Litigation

- ◆ When the General Conference/division is drawn into litigation as a result of a decision of another church entity and that decision has not been approved by the General Conference/Division Executive Committee, the other church entity shall reimburse the net amount of damages, court costs, fees of legal counsel, and fees of accountants or other experts paid by the General Conference/division.
- ◆ Similar provisions appear in Division Working Policies





# Trending Issues of Concern

- ◆ Conflict of Interest
- ◆ Theft, Affinity Fraud (Pyramid Schemes)
- ◆ Financial Consequences of Litigation
- Congregational Trends
  - ◆ Separate corporations for churches/schools/community service centers
- ◆ Contracting on Behalf of Organization
- ◆ Property Ownership & Rentals
- ◆ Employee Issues
- ◆ Working in harmony with Working Policy



