

THE DIOCESE OF RHODE ISLAND

MERGER PROCESS AND POLICY

The merging of two congregations is a complex process. There are pastoral, spiritual, legal and practical aspects to it. The goal is the creation of a new congregation where the combination of people and resources provides an increased capacity for spreading the Gospel and for spiritual growth.

Two distinct issues face the joining of two congregations -- people and resources.

The reality of diminishing numbers of both people and money usually places the possibility of a church merger on the table. Merger should be considered well before energy and endowments are exhausted. Before considering merger, a congregation needs to gather so that members can talk about their future in a realistic way and discuss all of the potential choices. This part of the process is clearly about people and relationships. It includes grieving the possibility of loss of a sacred place that has been significant in the lives of the members and must be navigated with considerable pastoral care and concern. It also includes opening a door to new possibilities and hope for a future unimagined before this time.

Once the church's leadership has the Bishop's blessing to informally explore merger, the process includes such steps as identifying needs of current congregants; selecting an appropriate committee of interested parishioners to deal with the various facets of merger; investigating possible partners to meet those needs; visiting and getting to know possible partners; selecting a compatible partner for merger; preparing the moving congregants by addressing loss and grief; making decisions and negotiating the details of combining two worshipping communities.

At the Diocesan Convention of 2010, the Canons of the Diocese of Rhode Island were amended to include in Canon X requirements for merger or dissolution which is appended to this document. The canon describes a mandatory process of approvals required by both Bishop and Standing Committee.

For the receiving church, there are considerations as well that require careful and open discussions among leaders and congregation. If a merger occurs, life will be different for everyone. The merging of two worshipping communities brings forth a lot of questions and requires considerable adjustments. Questions such as, "How will merging affect our plans for the future?" and "What are the significant changes to our practices if we become one community?" Careful and prayerful conversations about the need to merge traditions (But we've always done it this way!) as well as to surface unexpressed expectations are a must. Frank and open conversations are essential to make sure that the Rector will have sufficient support to take on the tasks of a larger congregation. New configurations of leadership to allow for representation of both congregations will require adjustments to governing documents and practices.

For both congregations, this time of discernment requires patience, vision and prayer. The joining of two congregations also includes the merger of resources. Disclosure about the assets and liabilities of both congregations is required on the part of both entities. Permission to sell or alienate real property from Bishop and Standing Committee must be secured. This part of the process is both time-consuming and complex.

We believe it to be in the best interest of the merging parishes to recognize two distinct tasks – merger of people and merger of resources – and make plans to handle them concurrently but independently because both parts require considerable energy and time. Our experience tells us that the preparation to sell a church property – to get required appraisals, secure sales representation, review title and zoning requirements, assess environmental requirements, negotiate insurance continuation and gain approvals from the Bishop and Standing Committee – often takes far longer than preparing a congregation to move to another church both tangibly and emotionally. Researching and reviewing any endowment documents requires both time and expertise. While both merger tasks may overlap, we believe that viewing them distinctly will allow for energy to be expended where it is most needed.

In addition, the continuing parish needs time to blend so that it can begin the process of discerning the life of this new entity and discovering the new directions or new ministries into which God may be inviting them. Time is also required for developing a strategic plan for the use of the assets, both real and people. In most cases, a strategic plan cannot be fully developed before the congregations are merged as all people need to have a stake in the future. Since the goal of the merger is congregational development, the plan to utilize the resources of the merger needs to address future growth and parish development. The Commission on Congregational Development is ready to assist the newly formed parish in creating a plan.

In the meantime, the process to sell any church property can continue once written approval of Bishop and Standing Committee has been secured.

The following policy relates to the distribution of assets at the time of merger and applies to mergers where the total assets of the merged parish are valued at less than \$3 million in the aggregate.

The disposition of assets is as follows:

- All parish endowments (restricted, unrestricted and reserves) belong to the continuing parish subject to the wishes of the donors.
- The following are costs of the merger and are deductible from the gross proceeds of the sale. They include:

- legal expenses associated with the merger;
 - brokers fees associated with the sale of property;
 - other appropriate costs associated with preparing building for sale;
 - reasonable expenses incidental to the merger approved by the Bishop.
- 25% of the net proceeds of the sale of real property is ceded to the Diocese of Rhode Island for the specific purpose of congregational development, especially for acquisition of property and/or development of church facilities. The continuing parish may apply for a grant from the Commission on Congregational Development for up to 10% of the whole net proceeds for the above purpose to support their development plan.
 - The net remaining proceeds of the sale of property are retained by the continuing parish. The principal of this fund is restricted to congregational development and may be expended only in accordance with a plan for congregational development created in consultation with the Commission on Congregational Development.
 - The merged parish owes monthly apportionment payments through the month in which the merger legally occurs (i.e. the Bishop and Standing Committee have approved and State of RI filings are complete).

For purposes of this policy, the following terms have the meanings indicated below:

“Merge”, “merger” and variations of those terms include any transaction or reorganization whereby the assets of a parish become subject to the control of another parish, whether by legal merger, adoption of an amendment to the articles of incorporation of the parish naming another parish as its sole member, or otherwise.

“Merged parish” means a parish that loses its separate existence through a merger.

“Continuing parish” means the parish that continues following a merger.

As partners in this process, the Diocese desires to be helpful and supportive of congregations as they discern the possibility of merger. Because of the polity of the Church, the Bishop and Standing Committee have canonical jurisdiction which they must execute. However, our goal is to facilitate this process while allowing for as much autonomy as is possible.

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MERGER CHECKLIST

EXPLORING THE POSSIBILITY OF MERGER

- Keep the Bishop apprised at all times.
- Vestry explores options of closure or merger.
- Inform parish by letter and meeting about current situation and possible outcomes – merger or closing.
- Vestry decides to explore merger and identifies suitable parishes by reviewing information about parishes, location, size, vitality, financial health. *NOTE: Choose a parish that is currently vital so that you do not repeat this experience in a few years!*
- Vestry members visit various parishes informally for worship.
- Vestry reviews options and decides the church to approach about possibility of merger.
- Wardens and clergy meet with selected church's clergy and wardens.
- Vestries of both parishes agree to pursue conversation about potential merger. Choose a tentative date to make it real.
- If the Vestries approve merger in concept, written authorization from both Bishop and Standing Committee to proceed with formal exploration must be obtained.
- Vestry prepares recommendation for the parish.
- Vestry invites congregation into discussion via letter/newsletter with invitation to a parish meeting.
- Vestry presents options and recommendation to parishioners at a parish meeting.

COURTSHIP

- Form a Merger Exploration Team with 3 Vestry members and clergy from both parishes to explore commonalities and differences – what each brings to the table.
- Plan joint opportunities for congregations to get to know one another. Focus needs to be on the future not the past.
- Arrange a pulpit exchange, if applicable.
- Hold tours of prospective church for interested parishioners.
- Get key leaders together (Altar Guild, Church School, Music Directors, etc.)

MERGING THE COMMUNITIES

- Legal counsel should be engaged to address the appropriate form of merger, assist in drafting appropriate plan of merger or reorganization, and prepare appropriate votes to be taken by the vestries and congregations.
- The Vestry shall present to the Bishop and Standing Committee a plan of merger or affiliation. Written consent of both the Bishop and Standing

Committee is required before the Parish adopts or implements the approved plan. Please see Canon 10.28 on page 6 of this document.

- Establish timeline for process including approvals of Bishop, Standing Committee and formal votes of both parishes. Discuss pending merger with chancellor.
- Form three committees reporting to the Vestries to facilitate move: Building, Blending (ministries, leaders, vision) Memorials (what to take, what to return to donors, what to sell, give to diocese). Make decisions about Prayer Books, Hymnals, etc. Move appropriate parish records to new parish.
- Set a date to move.
- Celebrate new parish – Call the Bishop Office for date for liturgy to celebrate new parish.
- Plan for a year of blending activities - events to bring congregation together.
- Designate group to begin process to envision future direction, create goals and plans for development.

MERGER OF RESOURCES

- Vestries vote to approve plan of merger or reorganization.
- Members of the Congregation vote to approve plan of merger or reorganization.
- Seek formal approval of Bishop and Standing Committee to sell any property.
- Get two appraisals of property, one of which is done by a certified appraiser.
- Provide required documents to Bishop and Standing Committee (See Alienation or Encumbrance of Church Property).
- Make an appointment to discuss above with Standing Committee and Bishop.
- Prepare building(s) for sale.
- Get necessary papers (deeds) and clear environmental screens, etc. in preparation for sale of property.
- Upon receipt of all approvals, file articles of merger (or amendment to articles of organization) with Rhode Island Secretary of State and provide a copy of the document to the Bishop's Office for file.
- Note: The merged parish owes monthly apportionment payments through the month in which the merger legally occurs (i.e. the Bishop and Standing Committee have approved and State of RI filings are complete).

PLANNING FOR YOUR FUTURE

- Expand conversation around future direction to include utilization of proceeds from sale of real property in accordance with the Diocesan Merger Policy.
- Explore possible congregational development opportunities and decide on a direction.
- Create a strategic plan for parish development.
- Present plan to the Commission on Congregational Development for their recommendation and approval.
- Apply for development grant in accordance with the Merger Policy within a five-year window.

PARISHES

10.28 Merger or Dissolution

- (a) With the written consent of both the Bishop and the Standing Committee, a Parish may dissolve or merge.
- (b) Any Parish considering dissolution shall prepare and present to the Bishop and Standing Committee a plan of dissolution. Following written consent by the Bishop and Standing Committee, the Parish may implement an approved plan of dissolution. Unless otherwise specifically provided in the approved plan of dissolution, all right, title and interest in and to the property of the Parish shall be transferred and conveyed promptly to the Diocese. In connection with any dissolution, if a Parish does not authorize an individual to act on behalf of the Parish, then appropriate officers of the Diocese shall have the authority to act in the name and on behalf of such Parish.
- (c) Any Parish considering merger or affiliation shall consult the Bishop and Standing Committee. If the Bishop and the Standing Committee provide written authorization to proceed with formal exploration of a merger or affiliation, the Parish shall prepare and present to the Bishop and the Standing Committee a plan of merger or affiliation. Following written consent by the Bishop and the Standing Committee, the Parish may adopt and implement the approved plan of merger or affiliation. The plan of merger or affiliation shall address both pastoral and property issues of all congregations included in the plan of merger or affiliation, including a process of integration for parishioners and a plan for use or disposition of real property, tangible personal property and restricted funds.