

## **Checklist for Dissolution of a Congregation in Pennsylvania**

Prepared by attorney Elvin Kraybill for Lancaster Mennonite Conference  
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*This checklist is a resource for a dissolving congregation's attorney and other advisors, on whom the congregation should rely for counsel. This checklist does not provide legal advice to any particular congregation.*

### ***Determine Identities of Members and Leaders***

1. Obtain the current membership list. Determine if any membership status is unclear.
2. Determine officers and church board members or other leaders with authority regarding dissolution.

### ***Determine Assets and Liabilities of the Congregation***

3. Review and plan for termination of all bank accounts, lines of credit, credit cards, brokerage accounts, signature card authorizations and similar arrangements.
4. Determine whether audit of any congregational financial records should be arranged.
5. Review deeds and any other real estate documents to determine ownership, any related obligations, and whether disposition of real estate is restricted. If needed, order a title search.
6. Determine arrangements for any cemetery related to the congregation.
7. List all known legal obligations of the congregation.

### ***Review with Bishop the Governing Documents' Requirements for Dissolution***

8. With congregation's bishop, review the organizational documents of the congregation, particularly to determine whether the documents set forth requirements for voting or for disposition of assets on dissolution.
  - a. If the congregation is incorporated, review its articles of incorporation and bylaws; Review minute book to identify any matters that should be addressed.
  - b. If the congregation is not incorporated, review any constitution, bylaws and minute book to identify any matters that should be addressed.

### ***Consult with Congregation's Advisors***

9. Consult with the congregation's attorney to determine requirements for dissolution under the congregation's governing documents and any applicable state laws regarding disposition of assets of a dissolving charitable organization.
10. Consult with the congregation's accountant regarding assets and liabilities of the congregation, withholding of taxes, and whether the congregation has made all required payments.
11. Consult with representatives of the congregation's health insurance plan, retirement plan and other benefit plans.

***Review any Trust Requirements or other Restrictions on Disposition of Assets***

12. Determine whether the congregation holds any asset in trust or under an obligation that restricts disposition.
13. Consult with attorney to determine whether it is necessary or advisable to petition the court for approval of the plan for any assets held in trust or under other restriction.

***Address Outstanding Obligations***

14. Review any contracts to which the congregation is a party, and arrange to fulfill any outstanding obligations. Determine whether the congregation may have contingent liabilities, such as tax assessments, unresolved claims under a contract or for injury, or any other claim of undetermined amount or unresolved status.
15. Consult with the congregation's commercial insurance agent regarding any existing or potential claim that is identified.
16. Consult with congregation's attorney regarding any existing or contingent liability that will not be paid in full.
17. Determine if any release of liability is needed.
18. Determine whether a contingency fund should be established to pay any taxes or other obligations that may be owed after dissolution. Determine time limits for liability exposure under any applicable statute of limitation.

***Arrange for Retention of Records and a Contact Person after Dissolution***

19. Determine where and how long congregational records will be retained.
20. Determine who will be the congregation's contact person for any matters which must be addressed after dissolution.
21. Determine whether any congregational documents should be given to historical archives.

***Adopt a Plan and File Articles of Dissolution***

22. Arrange for the congregation's attorney to prepare a plan of dissolution, including plans for liquidation and disposition of assets.
23. Consult with attorney to determine whether it is necessary or advisable to petition the court for approval of the plan of distribution.
24. Prepare a resolution for adoption by the church board, proposing the plan of dissolution and giving notice as required by law of a meeting of members to approve the plan.
25. After the members have approved the plan, if the congregation is incorporated, officers file articles of dissolution with the Pennsylvania Corporation Bureau.
26. Liquidate or distribute assets pursuant to the plan of dissolution.

***Reports to Bishop and Lancaster Mennonite Conference***

27. Give the congregation's bishop a copy of the plan of liquidation and articles of dissolution, as well as the address and phone number of the continuing contact person for the congregation.
28. The bishop reports to Lancaster Mennonite Conference regarding dissolution and the contact person.

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## **Statutory Provisions for Court Approval**

### **15 Pa.C.S. § 5976 Judicial supervision of proceedings**

(a) **GENERAL RULE.**-- A nonprofit corporation that has elected to proceed under section 1975 (relating to predissolution provision for liabilities), at any time during the winding up proceedings, may apply to the court to have the proceedings continued under the supervision of the court and thereafter the proceedings shall continue under the supervision of the court as provided in Subchapter G (relating to involuntary liquidation and dissolution).

(b) **DISTRIBUTION OF PROPERTY COMMITTED TO CHARITABLE PURPOSES.**-- If the assets of the corporation include any property committed to charitable purposes, the board of directors or other body shall apply to the court for an order pursuant to section 5547(b) (relating to nondiversion of certain property) specifying the disposition of the property.

(c) **RELIGIOUS ASSETS.**-- In entering a decree providing for the distribution of the assets of a corporation organized for the support of public worship, the court shall, by its decree, provide for the disposition of the assets of the corporation, either by:

(1) vesting title thereto in such other corporation as may, by its articles, be organized for the purpose of holding title to the real estate held for public worship, according to the formularies of the church or religious organization to which the dissolved corporation was in allegiance;

(2) authorizing the sale of such assets by a master or trustee appointed for that purpose and the vesting of the proceeds, upon the confirmation of such sale, in such body as may be directed by the court, to be held in trust for carrying out the intent and purpose of public worship; or

(3) vesting the title to such assets in any incorporated or unincorporated body designated by the petitioners for the same uses and trusts as the assets were theretofore held by the dissolved corporation.

### **15 Pa.C.S. § 5547 Authority to take and hold trust property**

(a) **GENERAL RULE.**-- Every nonprofit corporation incorporated for a charitable purpose or purposes may take, receive and hold such real and personal property as may be given, devised to, or otherwise vested in such corporation, in trust, for the purpose or purposes set forth in its articles. The board of directors or other body of the corporation shall, as trustees of such property, be held to the same degree of responsibility and accountability as if not incorporated, unless a less degree or a particular degree of responsibility and accountability is prescribed in the trust instrument, or unless the board of directors or such other body remain under the control of the members of the corporation or third persons who retain the right to direct, and do direct, the actions of the board or other body as to the use of the trust property from time to time.

(b) **NONDIVERSION OF CERTAIN PROPERTY.**-- Property committed to charitable purposes shall not, by any proceeding under Chapter 59 (relating to fundamental changes) or otherwise, be diverted from the objects to which it was donated, granted or devised, unless and until the board of directors or other body obtains from the court an order under 20 Pa.C.S. Ch. 61 (relating to estates) specifying the disposition of the property.