

OFFICES OF THE BISHOP

1210 Locust Street

3rd Floor

St. Louis, Missouri 63103

tel: 314.231.1220

fax: 314.231.3373

DioceseMo.org



Diocese of Missouri
THE EPISCOPAL CHURCH

To: Diocese of Missouri Rectors, Senior Wardens, and Parish Treasurers
From: The Rev. Jerre Birdsong, Standing Committee President
Re: Requirement for Bishop/Standing Committee approval for (1) incurrence of debt and (2) purchase, sale, lease of property

Our mission as the church rightly keeps us primarily focused on ministry and worship. As such, we sometimes have a tendency to let our corporate governance slip. If left unchecked, this can lead to circumstances which detract from our ministry as we have to take the time to deal with the aftermath of ignoring good corporate governance.

In general, Canon IV.9, Section 3 requires that all indebtedness receive prior written approval by the Bishop by and with the advice and consent of the Standing Committee, with the following exceptions:

- Refinancing of existing, previously approved, indebtedness
- Indebtedness for capital expenditures, after which aggregate debt for such purposes is less than 150% of average annual revenues during the 3 previous years
- Indebtedness for operating expenditures, after which aggregate debt for such purposes is less than 20% of the total operating revenues during the preceding fiscal year

Section 4 requires similar approval for any acquisition, encumbrance, or alienation of any real property. While the lease of part of a church building would generally fall under Section 4, what is not always clear-cut is whether a property use agreement meets the standard of encumbrance or alienation. In general, an agreement giving someone the right to exclusive use and possession of a particular piece of property or the building would require approval under Section 4. If you have a lawyer in your congregation, I advise that you get them to review your property use agreements to obtain their opinion whether they meet the encumbrance or alienation standard requiring approval. Note that any debt secured by real property, even if it falls within one of the exceptions under Section 3 of Canon IV.9, will need to go before the Bishop and the Standing Committee for approval of the encumbrance.

Section 5 requires that a plan of amortization be submitted with the request for approval. The plan of amortization of indebtedness incurred for operational expenses must show repayment within three years.

I direct you to Canon IV.9 for the exact language of these requirements.

Also, it is very important to ensure that anyone who signs contracts on behalf of the parish have the legal authority to do so, typically via an authorizing resolution of the Vestry. As a general matter, the authorized person would be the Senior Warden, the Junior Warden or the Treasurer, depending on the nature of the contract.

With the availability of our Canons on-line, banks and title companies can very easily know these requirements. We have recently had an instance of a borrowing under a line of credit being denied by a bank because the bank found the requirement for approval, which had not been obtained. In another instance, a title company denied the sale of a property at closing, again because they found the requirement for approval, which had not been obtained.

For any questions regarding these requirements, please contact the Canon to the Ordinary.

A handwritten signature in blue ink that reads "Gene Birdsong". The signature is written in a cursive style with a large, looping initial "G".