



YOUR MINISTRY'S GUIDE FOR A **HEALTHY BOARD**

ChurchWest Insurance Services strives to provide informative and helpful risk management resources to your ministry.

Inside, you will find a special edition of The Deacon's Bench® from Brotherhood Mutual Insurance Company. This newsletter covers the key leadership ingredients you need, your board's role in protecting the well being of your pastor, and considerations to protect your volunteer leaders.

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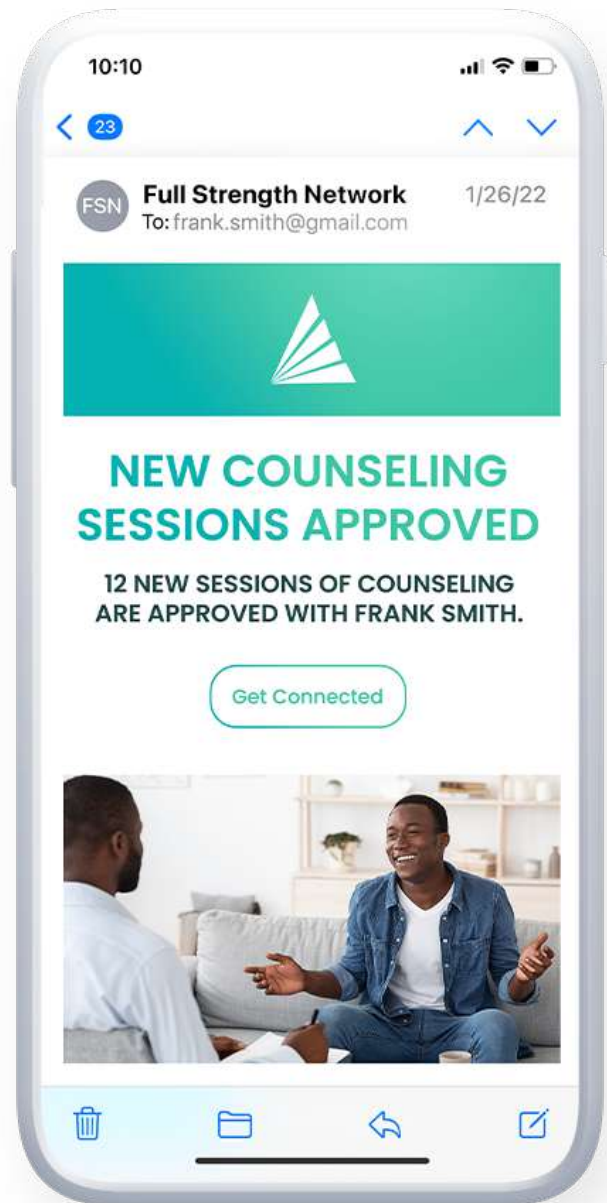
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THE DEACON'S BENCH



Practical risk management guidance
to help today's Christian ministries thrive

RECIPE *for a* **HEALTHY** *Church Board*

FOR BEST RESULTS:

1. USE 7 KEY INGREDIENTS
2. ADD EQUAL PARTS WORK AND REST
3. SERVE WITH MINISTRY ASSET PROTECTION



THIS ISSUE

OF THE DEACON'S BENCH

helps your leadership team do a quick self-assessment. We'll take a look at best practices for boards to keep your ministry thriving, as well as flaws that could lead to consequences, if unchecked. Explore your impact on the well-being of your pastoral staff and learn about resources that promote a healthy work-life balance.

7 KEY INGREDIENTS OF A HEALTHY CHURCH BOARD

Church boards are the often-overlooked teams working behind the scenes to help the church run smoothly. From paying bills to scheduling repairs to negotiating complex legal issues, boards and officers provide support and direction to pastoral leadership and staff.

Healthy church boards share several important characteristics, such as engaging in positive dialogue, implementing robust checks and balances, sharing burdens, and seeking experienced counsel. Conversely, there are red flags that can spell trouble for a church. Poor direction, ignoring bylaws, and a lack of sound financial controls can lead to a church's ruin.

"Healthy church boards have checks and balances. Someone to back up and check on the treasurer, for example," says Ron Troyer, attorney and claims manager for Brotherhood Mutual.

So, what are the seven ingredients for a healthy church board?

1 IN TUNE WITH GOALS AND BYLAWS

A church board that has clear direction and goals is likely to succeed. Goals are unifying, helping everyone have a clear focus on the mission and vision of the church. Church bylaws give direction to the board, providing specific guidelines for how a board should function. It's important for board members to know the bylaws and to follow what's in them.

"Update your bylaws and governing documents to match what's happening in your organization. Look at your bylaws every three to five years, unless you experience a substantial change in your ministry," advises Troyer. "For example, if you go from a church of 300 to 1,000 very quickly, it's time to review and update your bylaws."

Legal Assist, a service of Brotherhood Mutual, can review your ministry's bylaws and provide risk management guidance with a focus on loss protection and belief-based decisions of the ministry.

2 OPEN & HONEST COMMUNICATION

Healthy church boards regularly communicate with each other, leadership, and the congregation to ensure everyone is aware of important decisions in the life of the church. Additionally, healthy boards resolve conflict quickly, keeping issues from growing into major stumbling blocks.

3 ENSURE CONFIDENTIALITY

From time to time, church leaders will need to discuss sensitive topics or disclose confidential information to board members. This may involve pending legal action, ideas about policy changes, or staff issues. Healthy boards should be entrusted with confidential information and should be trusted to make wise decisions based on a solid understanding of biblical principles.

Equally important is the handling and storage of sensitive information. Make sure important records and confidential information are stored in locked filing cabinets. Limit access by giving the key to either the treasurer or pastor, depending on the information. When storing electronic files, make sure the computer is password-protected and stored in a secure area.

4 EXPERIENCED COUNSEL

“When making decisions that involve large sums of money or major ministry decisions, it’s wise to use the experience, counsel, and wisdom of other ministries to help guide you,” emphasizes Troyer.

There’s a good chance that someone local has been through a similar situation. Healthy boards draw from this experience to inform their decisions.



**BEWARE: SIGNS OF A
POTENTIALLY HARMFUL
CHURCH BOARD PATH**

- Pastor uses power to oust board members, replacing them with friends or family.
- Church treasurer is very protective of the position, blocking all attempts to assist or audit records.
- Elders ignore or misuse donor-directed funds.
- Board has lax financial controls and provides little oversight.

5 LARGE FINANCIAL DECISIONS ARE SAFEGUARDED

Large financial decisions can have a major impact on a church, both positive and negative. Troyer explains, “If you’re going to make big financial decisions, talk to an attorney or an accountant. Spend the money to speak with your attorney to make sure your church is protected.”

Large projects, like a building expansion, are not without potential pitfalls. For example, if members have committed money specifically for the building project, what happens if you decide not to build or if your priorities change? Do donors get their money back? Addressing these issues in advance and speaking with legal counsel to set up appropriate safeguards can prevent a possible lawsuit later.

6 IMPLEMENT FINANCIAL CONTROLS

Healthy church boards implement solid financial controls to protect the church and to protect members from temptation. Mishandled church finances can quickly lead to financial ruin for a ministry.

The first step to reducing this risk is to put safety measures in place that can help prevent financial crimes from ever being committed.

The risk for embezzlement increases when financial controls are absent or weak. “There have been many churches where a single person was trusted with the finances and they ended up taking money for personal use. And it’s often someone you’d never suspect of embezzlement,” said Troyer.

Developing strong financial control practices can protect your church from exposure to theft from within:

- Put the church’s financial controls policy in writing. This keeps expectations consistent and clear. Access to the policy will remove the option of a plea of ignorance from a dishonest member.
- Perform annual background checks on those who have access to church funds. Don’t feel bad about doing this; their positions require them to be above reproach.
- Require annual external audits. Hiring an auditor unaffiliated with your ministry gives an unbiased perspective on your finances.
- Require all checks above a certain amount to be endorsed by two signatures.
- Have someone who is not responsible for handling cash review the monthly bank statements.
- Have church leaders meet often to examine financial statements. The more informed people are, the less likely irregularities will go unnoticed.
- Protect tithes and offerings, which face the greatest threat of loss.
 - Encourage the congregation to place financial gifts in envelopes marked with their information and the amount given. This makes it more difficult to take cash out of the offering plate.
 - Always have two people collect the offering and two (different) people present when the offering is counted. Rotate money-counting teams. No team should count money more than once a month. Make sure the individuals collecting and counting are not related or married.



HEALTHY CHURCH BOARD, HEALTHY CHURCH

With sound, guiding documents and strong checks and balances, board members and church leaders can faithfully fulfill their duty to protect church finances and operations. With a mix of business-minded realists and ministry dreamers, healthy church boards can strike the right balance of risk management and risk-taking evangelism.

- Stamp checks “For Deposit Only” with colored ink when endorsing them. This makes it harder to copy or redirect checks anywhere but the church’s account.
- Deposit offerings immediately.
- Reconcile offering counts and bank deposit slips often. This encourages accountability and exposes any discrepancies soon after they occur.

7 CONSIDER TERM LIMITS

Healthy boards have good onboarding practices and may choose to set term limits. While not right for every church, setting term limits can enable continuity so no person has sole knowledge of a procedure or practice. Term limits also offer opportunity to share the burden and help other church members feel their talents are being utilized. 🙏



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Learn more about our Legal Assist services:
brotherhoodmutual.com/legalassist

MIX EQUAL PARTS WORK & REST

THE BOARD'S ROLE IN PREVENTING PASTOR BURNOUT

A pastor's 24/7 reality doesn't always allow for a balance between work and rest. The stress, struggles, and structure of an emotionally challenging and physically demanding schedule often win out.



THE BOARD'S ROLE IN PREVENTING PASTOR BURNOUT

Similar to financial accountability, knowing how to keep your pastoral staff healthy is a risk management issue. Pastors at risk for burnout can suffer job performance issues, jeopardize relationships, and experience a spiritual crisis—any of which can lead to behavior that exposes the church to liability.

Scott Davis, lead care pastor for Pathway Community Church, explains that the relationship between the board and its pastoral team is dynamic. "It's the responsibility of the board to monitor the health of its pastor," Davis says. "But a pastor should take the lead and let the board know what he or she needs to stay healthy."

THREE BARRIERS TO COMMUNICATION

A board may be in the dark about a pastor's emotional and spiritual health issues, because pastors don't want to appear weak. Pride becomes an obstacle. A board member often may hear, "I'm fine" when inquiring about a pastor's well-being. "When a pastor does share with the board his struggles or challenges, you'll hear, 'Oh, we had no idea,'" Davis says. "Learn to be vulnerable and lean in to people who love you."

John Opalewski, founder and owner of Converge Coaching, emphasizes that pastors and boards need to communicate, but agrees pastors should take the lead. "Most board members have never served in a pastoral capacity," he says. "That puts them at a disadvantage." For example, a board may be unaware that its pastor often overestimates how much can get done in any given week. "I had one pastor tell me that he had 23 counseling appointments in one week. That's crazy."

Opalewski identifies three barriers boards experience when crafting a cohesive strategy designed to maintain its pastor's health:

BARRIER #1: LACK OF UNDERSTANDING/AWARENESS

Pastors inevitably try to do too much, which can lead to burnout. Education about burnout issues starts by raising awareness with the board, the pastor, and church members. "It's going to take effort to understand why something like this is so valuable in the long run, not only to the pastor, but to the church," Opalewski says.

BARRIER #2: BUDGET CONCERNS

Opalewski advises boards to get creative. "It's easier and more cost effective to prevent burnout and depression than to cure it," he says. This is especially true if a pastor's bad choices, due to burnout, expose the church to legal issues. Ask your pastor about his or her interests, then work that into the written contract. "Some things don't cost the church any more money than it's already spending, like giving your pastor time away with family," he says. Depending on your pastor's interests, other low-cost options may include purchasing a state or national parks pass for spiritual or family time, collecting donated tickets to a sporting event, or finding financial support for a pastor's peer-leaning group.

BARRIER #3: LACK OF COHERENT STRATEGY

Boards can and should implement policies that create favorable conditions for pastors to create a healthy work-rest rhythm. Work with your pastor to build an infrastructure that includes a scheduled day off, mandatory vacations, and sabbaticals. Include time set aside daily for prayer. Ensure that this is non-negotiable. Then put it in writing. "The board's charter is to hold frank discussions with the pastor, create the infrastructure, and budget the time and money to implement it," Opalewski says. "But when it's all said and done, the pastor has to take primary ownership and live within that agreed-upon infrastructure for his or her long-term health."

UPON ENTERING MINISTRY, PASTORS WISH THEY HAD BEEN BETTER PREPARED FOR:

29% ADMINISTRATIVE
BURDENS

21% BALANCING MINISTRY
AND ADMINISTRATION

19% CHALLENGES IN
LEADERSHIP

Source: Barna Group and Pepperdine University. The State of Pastors. Barna Group, 2017.

The neglect of prayer within leader teams is a red flag. Just one-third of pastors engage in “frequent prayer together” with their elders.

—*The State of Pastors*

OUTSIDE THE OFFICE, IN EACH OTHER’S LIVES

Healthy communication and relationship-building between the board and pastoral staff doesn’t happen by accident. Opalewski suggests that you set up parameters for how you’re going to speak to each other. “It’s all about ground rules,” he says. “It’s the most important conversation, and it needs to happen up front.” He suggests putting the following rules in writing:

- **Assume positive intent from each other.** Assume the best about each other when a board member challenges the status quo or embraces change.

- **Commit to each other’s success.** Work to resolve conflicts with facts rather than assumptions.
- **Put what’s best for the church first,** above personal interests. Behave constructively and objectively.
- **Support decisions in public** once they’ve been made in private.

Boards and their pastors need to work together during the ebb and flow of good and bad times. To build trust, Davis says, you need to create opportunities to do life together and to give others the right to speak into your life. It’s a strategy, he says, that makes what happens inside the board room more comfortable. “Take time to be in each other’s homes, to love each other, to pray together, apart from the business,” Davis says. “Be in the word and on your own. Get outside of the board room and in each other’s lives.” 🙏



Learn more about Converge Coaching at:
convergecoach.com



Smaller Church?
Read how you can scale these ideas at:
brotherhoodmutual.com/db/churchboards

THE DEACON’S BENCH ONLINE

Learn more online at: brotherhoodmutual.com/db/churchboards

GUEST EDITORIAL

A message to pastors struggling with stress, burnout, and relationship challenges: You are not alone. Read how Full Strength Network is accomplishing their vision to make every pastor a thriving pastor.



VIDEO

Who Helps the Helpers?

In this candid video, pastors explore why they entered ministry, where it started to go wrong, and how to reconnect to a Christ-centered purpose.

RESOURCES

Coverage Checkup

For the financial health, reputation, and long-term

outlook of your church, it’s time for board members to start asking: Are we covered?

The Risk of Leadership: 5 Problem Areas That Threaten Personal Assets

Ministry senior staff members and board members ask: “Can I be held personally responsible for liabilities of the ministry?” The short answer is yes.

Scale it Down: How Boards of Small Churches Prevent Pastor Burnout

Is your pastor a one-person show? Learn about solutions church boards can implement to help the pastor who does it all.

NEW RESOURCE

FOR PASTORS AND THEIR FAMILIES

MinistryPulse™ is an easy-to-use app for your phone, powered by Full Strength Network. This tool strengthens and encourages pastors, ministry leaders, and their families. It was created to help sensitize you to the issues and events in everyday pastoral life that deplete leadership vitality and erode your ability to thrive and flourish under the heavy pressures of ministry life.

The simplicity of the app is what makes it so effective. By taking a minute or two each day, and two minutes once per week, you can improve your wellbeing awareness by 50 percent or more, over time.

The app includes a **Daily Life Survey** to reflect on the quality of the day just completed by clicking one of three icons that you feel best characterizes your day.

You'll be prompted for a **Weekly Check-in**, a quick self-evaluation on how you feel you are doing in six critical domains of wellbeing: spiritual, emotional, relational, physical, intellectual, and financial. When your weekly check-in evaluations indicate struggles in a wellbeing domain, the app routes you to wisdom resources where self-help strengthening content—written by ministry leaders for ministry leaders—is available.

Within the app you also can request help from a prequalified professional from Full Strength Network with expertise and a passion to serve pastors.



At Full Strength Network, our vision is every pastor thriving in ministry leadership.

We offer a series of tools designed to help you join with thousands of other pastors around the world who are just like you, pastors who desire to lead healthy churches from a place of personal wellbeing.



Visit us for more resources
at: www.fullstrength.org

Serve
with



The volunteers who serve on your church board strive to put the ministry's interests first and manage the church well.

But they're human. They can make mistakes, use poor judgment, or fail to act. This can lead to lawsuits alleging wrongful acts by your ministry and its leaders. General liability insurance doesn't cover these types of claims. Without directors and officers (D&O) insurance, your church and its leaders could find their bank accounts drained by legal defense costs, even if they ultimately win. Healthy boards take steps to understand and manage the risks they face. In some cases, this may mean buying special insurance coverage to protect the ministry and its leaders.

WHAT RISKS DO BOARDS FACE?

Some of a church board's top responsibilities include approving budgets, buying and selling property, and borrowing money. It stands to reason that many lawsuits filed against ministry boards question how they manage church resources. Claims of fraud, breach of fiduciary duty, misuse of funds, and waste of an organization's assets are among the most common complaints boards face.

Let's say that a church member donated \$5,000 at the start of a stewardship campaign to fund a new building. Years passed, but the church never raised enough money to build it. Eventually, the board decided to use the building fund for other purposes. Imagine board members' surprise when the church member sued them for misallocation of funds. Since his donation had been intended for the new building, and it was never built, he wanted his \$5,000 back, with interest. While people don't sue church boards frequently, this type of claim seems to be happening more often.

"As churches are being treated more like businesses, both operationally and legally, you're seeing more business-related claims," says Joshua Lederman, senior litigation specialist for Brotherhood Mutual. "I think there's less reluctance to sue a church than there used to be."

D&O claims can hit close to home. "Unless a ministry has been incorporated, its leaders may be sued individually, putting their personal savings—and reputations—on the line," he says.

THINK LONG-TERM

It's true that ministries can save money by not buying insurance for every risk.

But when you compare the cost of insurance to the average cost of a claim for defending a director or officer, it may be worth the investment to protect your ministry and its leaders.

So, take the time to find out what your church insurance policy covers, as well as what it excludes. That way, you don't have to feel the pain of learning that your board is uninsured the day after you file a claim.

KNOW WHAT YOU'RE GETTING

While general liability policies are pretty similar to one another, D&O policies can differ significantly in what they cover. Be sure to talk to your agent, who can help you evaluate your current policy and determine if you have any potential gaps in coverage. No one should have to experience the pain of learning that their insurance policy won't cover a claim when they thought they had full protection.

When evaluating coverage, look closely at how the policy defines an "insured." Standard D&O policies for companies cover only the directors and officers. Look for coverage that also will protect employees or volunteers who make decisions on your ministry's behalf.

Furthermore, make sure that the policy protects the ministry and its employees. Some policies are written so narrowly that they cover only the board of directors.

Brotherhood Mutual's D&O policy defines the term "insured" broadly. It protects your ministry, its leaders, and their spouses, in relation to any leadership activity they undertake on your ministry's behalf. The policy describes a leader as being any person serving as a member of your governing board, as well as any administrator, director, officer, or trustee acting on your ministry's behalf and within the scope of their delegated authority. Coverage applies, regardless of whether the person is a ministry director or officer. 🏡



Time for a Coverage Checkup?

See the checklist at:

brotherhoodmutual.com/db/churchboards



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Ministry Routing List

- ☐ Pastor
- ☐ Administrators
- ☐ Office Staff
- ☐ Board Members
- ☐ Other

What's inside



Pg. 3 **7 KEY INGREDIENTS OF A HEALTHY CHURCH BOARD**

How a healthy board impacts your mission's success—plus signs you're on the wrong path.

Pg. 6 **BALANCING WORK AND REST**

Can a board prevent pastor burnout? Yes! Start by addressing these three barriers.

Pg. 10 **MINISTRY ASSET PROTECTION**

Points to consider before a lawsuit challenges your board's decisions.

The Deacon's Bench is a newsletter created for churches and related ministries.

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Brotherhood Mutual Insurance Company
6400 Brotherhood Way, P.O. Box 2227
Fort Wayne, IN 46801-2227
800.333.3735

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