

UUA Policy on Congregational Life Cycle – Mergers & Dissolutions

June 10, 2024

Background & Context

The UUA, as the embodiment of the covenant between our member congregations and communities, plays an integral role in all major congregational transitions, from becoming a member congregation to major congregational milestones. In the past year, increasing numbers of congregations are considering mergers or dissolutions, a common part of the congregational life cycle. This policy is part of the UUA's initiative to provide tailored support for each stage of the life cycles of member congregations.

Whenever a congregation is considering winding down its formal business operations, we aim to ensure that its ministry lives on within our faith. While the congregation's own covenant may be concluded, the community's covenant with the wider UUA can be strengthened in these transitions. The UUA's purpose is to ensure that the long-term investments made across generations continue to feed our faith community, to help protect the integrity of Unitarian Universalism during a time of change, and to honor each congregation's ministry.

Framework for Mergers & Dissolutions

The transitions at the end of a congregation's life cycle are typically in the form of a merger or a dissolution. Both these processes have interwoven theological, legal, ethical, and fiduciary considerations.

In a merger, the congregation's identity and assets are combined with another congregation. This requires a vote of both merging congregations. Mergers often require consolidating buildings, assets, and accounts, but can take many forms depending on the congregations involved.

In a dissolution, the congregation ceases to legally exist, and any remaining assets are transferred to another entity. This requires a vote of the congregation, and approval from the appropriate state regulators that oversee charitable or nonprofit organizations.

Since congregations are usually incorporated in their state or territory, state regulators who are responsible for corporations and charities have a role in reviewing the plan for mergers or dissolutions and ultimately must legally approve them.¹ Regulators generally

¹ These regulatory entities vary considerably state to state, and may be the Attorney General, Secretary of State, the court system, Business & Commercial Commissions or Departments, or other such agencies.

seek to ensure that assets are being used in ways that are consistent with the original donor intent, protecting those donations since they were made tax-free.

The UUA has a unique responsibility to safeguard the long-term use of assets for the continuing purpose of the faith. While we have no direct authority over independent congregational decisions, our responsibility to extend and strengthen Unitarian Universalist institutions and implement its principles and values is rooted in our bylaws, in our covenantal faith, and in our role as the public voice of the faith and its reputation. We want to make sure our committed donors and volunteers know that their ministry will continue to be protected in Unitarian Universalism after they are gone, consistently across our Association. The UUA also serves as the anchor for the legal recognition of our member congregations, and thus must support our congregations in meeting their own tax-exempt obligations.² If the UUA were to believe that assets were being inappropriately used within a member congregation as a part of a merger or dissolution, we may have a duty to intervene.

Congregations should reach out to the UUA early and consistently in the process of discernment around mergers and dissolutions. Congregations are encouraged to consult a local attorney about what is required for corporate filings in their state or area.

Policy on Support for Mergers & Dissolutions

The UUA is committed to ensuring that the assets which have been invested in our faith communities over generations remain within the Association, in service of our shared covenant. We are establishing a policy so when congregations merge or dissolve their assets are treated consistently and fairly, and to guard the possibility that assets could be diverted to other groups or causes.

Mergers

The UUA fully supports congregations that choose to merge. Mergers can be an excellent option for congregations whose memberships are in proximity to one another, and when their combined efforts make their ministry more sustainable overall. By their nature, mergers continue the ministry of a congregation and thus honor the generations of preceding investment. Mergers may take the form of one congregation adding its members and assets into an existing congregation, or two congregations may join to form a new joint

² In the United States, churches and religious communities generally do not need to seek their own IRS determination as a nonprofit. Instead, they must meet a series of qualifications if their status were ever challenged. A key aspect of those qualifications is a current connection to a recognized religious community. UU congregations rely on their relationship “in good standing” with the UUA, who does have an IRS determination as a religious organization, to prove their status if questioned.

congregation. Congregations should work with their regional Congregational Life staff to help guide the process. The UUA will revise internal records to reflect the merger once it is complete.

Dissolutions

The UUA seeks to accompany congregations through their discernment on whether to dissolve. Should they choose to do so, in keeping with our long-standing policy, the UUA should receive congregational assets upon the completion of a dissolution (per the Association's rules and bylaws, and the policy below). This is a standard clause in congregational bylaws which is required for admission for new member congregations, and is based on a precedent that predates the UUA involving Unitarian conferences and Universalist conventions.³

Policy on Receipt and Distribution of Assets from Congregational Dissolutions

This policy streamlines the process for dissolving UU congregations in determining where their assets should go. Dissolution should not be considered an opportunity for congregations to distribute their assets to their members or to preferred causes of their members outside Unitarian Universalism; it is paramount that we protect the cross-generational investment made in UUism.

- This policy applies to dissolving congregations whose total assets, net of liabilities and dissolution costs, are at least \$25,000.
- Under this policy, all congregational net assets (i.e. net of liabilities and costs of dissolution, such as attorneys' fees), should be received by the UUA; these assets may be then distributed in accordance with this policy.
- Dissolving congregations should generally sell real estate or other physical assets as a part of the dissolution process; the UUA is not able to dispose of property.

The UUA Administration will establish procedures for receiving assets from dissolving congregations, which will ensure that the congregation's fiduciary obligations are completed. Once received by the UUA, assets from its dissolving member congregations should be distributed as follows:

³Rule 3.3.5, on Rules and Regulations for New Congregations - "A congregation shall include in its articles of incorporation or other organizing documents a clause providing that the assets of the congregation will be transferred upon dissolution to the Association. Notwithstanding the foregoing, if a congregation obtains the prior written consent of the Association's Board of Trustees, the congregation may name an organization that is affiliated with the Association (such as a district, camp, conference center or other congregation) as the recipient of the congregation's assets upon dissolution."

- A. On request of the congregation, up to 25% to outside nonprofit organizations whose missions are aligned with those of the congregation. The majority of this distribution must be to UU congregations or UUA related organizations; within this distribution, congregations may request distributions of up to 10% to non-UU entities.
- B. 25% to the UUA's New UU Communities Fund, supporting new ministries with underserved communities within our faith.
- C. 25% to the UUA held within the Unitarian Universalist Common Endowment Fund LLC,
- D. 25% flexible, based on congregational circumstance and the recommendation of Congregational Life staff, subject to approval from the UUA Administration.

UU congregations, associate member organizations, recognized related organizations, and other UU-supported organizations are a part of the UUA's framework for stewarding the resources of dissolving congregations, and the UUA will agree to distribute assets to them under this policy. Congregations, as part of their votes on dissolution, should clarify their intent for assets that would ultimately be distributed to other entities outside the UUA under items A and/or D. If congregations do not request these distributions, the remaining assets will be split between Items B and C.

Exceptions from this policy can be made by vote of the UUA Board of Trustees.