



**Canadian
Pacific
District**

Guide to Writing Church Bylaws

Organized Churches

June 2024



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Introduction

Bylaws govern the operation of the church so that everything is done decently and in order, as the Apostle Paul instructs in 1 Corinthians 14:40. The culture of The Christian and Missionary Alliance in Canada (C&MA) places a high value on the balance between the authority of the leadership (Lead Pastor and Board of Elders) and the authority of the members. In practical terms of church government, we are between the Presbyterian (elder-led) and the Congregational (democratic, member-led) models of governance.

The *Local Church Constitution* (LCC) contained in the C&MA Manual and church bylaws are designed to maintain the balance of governance authority between the members and the elders.

This Guide has been prepared to assist churches in the Canadian Pacific District (CPD) with preparing, updating, or amending their bylaws. This Guide and the *Model Church Bylaws* are based on the legal requirements of the LCC, the *Societies Act* of BC, and the CPD Bylaws, as well as consulting the Canadian Council of Christian Charities and legal advice among others for best practices. The *Model Church Bylaws* conform to provincial and federal requirements.

The LCC was adopted and is amended from time to time by the General Assembly of the C&MA, the denomination's highest governing body.

The CPD is registered as incorporated as a society in BC, and the vast majority of individual churches are unincorporated. The *Canada Not-for-profit Corporations Act* and the *Societies Act* of BC provide many best practices for church bylaws. Hence, the District Executive Committee (DEXCOM) encourages CPD churches to act, wherever appropriate, as if they are a society and follow the provisions of the *Societies Act* of BC.

Your church's bylaws must be consistent with the C&MA *General Operating Bylaw No.3*, the *Policy on District Organization*, the LCC, and the CPD Bylaws. Churches are permitted to adopt bylaws that are not in conflict with these documents.

Bylaws may include rules the members want, however, as one cannot make a rule for every eventuality, the challenge is to create "just enough" rules versus having so many that they are unworkable. All church bylaws and amendments are required to be approved by DEXCOM before they are adopted by the church members and come into effect.

One final note of caution: bylaws are a legal document and may be challenged in a court of law. This provides another source of motivation for preparing them well and wisely.



Abbreviations

ASNPO	<i>Accounting Standards for Not-for-Profit Organizations</i>
C&MA	The Christian and Missionary Alliance in Canada
CPA	Chartered Professional Accountant
CPD	Canadian Pacific District
DEXCOM	District Executive Committee
LCC	<i>Local Church Constitution</i>

Notes

- The titles Lead Pastor and Senior Pastor are used synonymously in this document.
- All biblical references in this document are New International Version (NIV) unless otherwise stated.
- The name “Board” means the Board of Elders of the local church.

The Process of Writing and Approving Bylaws

1. The Board appoints an ad-hoc committee of approximately three (3) Active Members who are interested in this kind of work – perhaps a pastor, Board member, and church member.
2. The Bylaws Committee advises Erin Knott, Assistant District Superintendent of Executive Administration and Governance (ADS) that the process of drafting new bylaws or amending existing bylaws is beginning and identifies the contact person for the church’s Bylaws Committee.
3. The Bylaws Committee is provided with the current *Model Church Bylaws* and the *Guide to Writing Church Bylaws*.
4. The Bylaws Committee drafts the new bylaws or proposes amendments to the existing bylaws using the *Model Church Bylaws* in conjunction with the *Local Church Constitution of The Christian and Missionary Alliance in Canada (C&MA)* and the *Guide to Writing Church Bylaws*. Much discussion may take place during this step, and the ADS may be consulted regarding any questions regarding the draft bylaws.
5. The draft bylaws go to the Board of Elders for approval and further refinement may be needed.
6. The Board-approved draft bylaws are sent to the ADS, which facilitates a review by the District Bylaws Committee. Feedback is provided to the church once the review is complete, including whether any revisions are encouraged, recommended, or required.



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7. The church then completes another revision of the draft bylaws, and the process reverts to step 4.
 8. Once the review process is complete and the District Bylaws Committee has signed off on the draft bylaws, they are sent to the District Executive Committee (DEXCOM) for approval at the next opportunity.
 9. DEXCOM considers the recommendation of the District Bylaws Committee and may approve the draft bylaws or request specific changes be made.
 - 9.1 If DEXCOM requests changes to the draft bylaws, the ADS will advise the church with an explanation and the process may revert to step 4.
 10. If DEXCOM approves the draft bylaws, the ADS advises the church of the approval. The draft bylaws are then presented along with a Board recommendation for adoption by the members of the church at a duly called meeting.
 - 10.1 If the members do not adopt the proposed bylaws or propose amendments, the process reverts to step 4.
 - 10.2 If the bylaws are adopted, the Board Secretary forwards a copy of the dated adopted bylaws along with a copy of the minutes showing the adoption to the ADS. The bylaws come into effect once they are adopted.

Note:

To adopt the bylaws initially (a new church's first bylaws), a simple majority vote of the members eligible to vote is required. To amend bylaws on any subsequent occasion, a special resolution (which requires a 2/3 majority of members eligible to vote or higher according to the bylaws), is required.



Bylaw Provisions

There are only a few categories of topics to be included in the church bylaws. The bylaws need to contain provisions for:

Members

- Qualification
- Classes and Rights
- Procedure for becoming a member
- Procedure for ceasing to be a member
- Discipline

Government

- Meetings of members
- Procedure for calling meetings
- Quorum
- Proceedings
- Voting

Board of Elders

- Responsibilities
- Eligibility
- Procedure for election and removal
- Meetings
- Committees

Officers

- Duties

Finances

- Borrowing
- Property Matters
- Fiscal Year
- Financial Reporting

Records

- Minutes
- Finances

Elections

- Elders
- Nominating Committee
- Additional nominations

General (Miscellaneous)

- Preamble
- Precedence documents
- Interpretation
- Amending the bylaws

Each of these categories is discussed in the following sections. Questions for consideration are noted by 'Q'. These questions should be considered along with the questions in the Bylaws Worksheet.



Membership

Membership in a local church is a privilege and gives recognition that a person belongs to the local body of Christ. It implies a commitment that surpasses that of an adherent. It comes with certain rights and legal obligations. Members voluntarily place themselves under the oversight (accountability and discipline) of the church.

The church takes care of its members. If a member comes under church discipline it is the goal of the church to restore him or her to full fellowship and participation in the ministry of the church. During this period of discipline and restoration, the person is a 'member not in good standing'.

Eligibility and Qualification

A person who is eligible meets the basic criteria for the position. A person who is qualified meets the basic criteria and also has additional experience, skills, and wisdom. In church terms, every person is *eligible* to be a member of the one, holy, universal, and apostolic Church, but only those who have accepted Jesus Christ as Saviour and Lord are *qualified*.

Qualification

The basic qualification for membership is stipulated in the LCC in Article 6.1. Reference to it should be included or it may be copied in its entirety.

The qualifications for membership include a credible testimony of faith in the Lord Jesus Christ before members of the Board; believer's baptism; a commitment to the principles of the Preamble; a commitment to the Purpose and Objective (Article 2), and statement of faith (Article 3) of this church; submission to the Policy on Discipline and Restoration for Members of Local Churches of The Christian and Missionary Alliance in Canada and the Policy and Procedures on Sexual Misconduct for Official Workers and Churches; and such further qualifications as may be specified in the bylaws.

While affirming the above as normative, the Board of Elders of the local church may discern on a case-by-case basis whether to extend membership to individuals who were baptized as infants and who now present a credible testimony of faith in the Lord Jesus Christ before members of the Board; a commitment to the principles of the Preamble; a commitment to the Purpose (Article 2), and statement of faith (Article 3) of this church; submission to the Policy on Discipline and Restoration for Members of Local Churches of The Christian and Missionary Alliance in Canada and the Policy and Procedures on Sexual Misconduct for Official Workers and Churches; and such further qualifications as may be specified in the bylaws.

Q. Do you want any additional qualifications for membership?



Classes of Membership and their Rights

There may be different classes of members and the rights and obligations of each need to be stipulated. For example:

Active Member – A member who regularly attends the services and participates in the life of the church and who may vote and participate in leadership.

Note: Please also refer to the information on p. 7 under **Eligibility and Qualification** regarding allowing women to serve as elders.

Associate Member – A member who, for legitimate reasons, cannot attend regularly but wants to be identified with the church (e.g., International Workers, members away due to temporary employment assignment/location, etc.). They maintain their identity with the church but do not vote or participate in church leadership.

Member not in Good Standing – A member who comes under the discipline of the church and is not eligible to vote and participate in leadership. They may be restored to Active or Associate membership following the period of discipline and restoration.

Procedure for Becoming a Member

The implication of the LCC is that the Board must approve the application for membership and the applicant must sign a covenant of commitment.

Q. Should the applicant attend a membership class led by an elder or pastor?

Discipline

The *Discipline and Restoration Policy for Members of Local Churches* of the C&MA (part of the Manual of the C&MA, see **References**, p. 22) provides the reasons for requiring discipline and the process of restoration. For members that are Official Workers (ex. pastors, chaplains, etc.), the *Policy on Discipline, Restoration, and Appeal for Official Workers* provides the reasons for discipline and the process of restoration. The bylaws need to reference these policies but do not necessarily need to quote them.



Government

Meetings

The highest authority of the local church is exercised during a meeting of the members. There are two types of business meetings: Annual General Meetings with a prescribed agenda and special meetings for other business. A third category of meetings is the informational meeting, where church leadership provides information on programs and ministries and consults with members and adherents, but business is not conducted.

The Board calls the meetings. The bylaws stipulate when to give notice, the amount of time required between when the notice is given and the meeting is held, and the methods of giving notice. This protects the members in exercising their authority.

- Q. What threshold is appropriate for members to call a meeting?
- Q. What will your procedure be for planning meetings called by members?

Proceedings

The LCC stipulates the required items to be included on the agenda of the Annual General Meeting. Other items, of course, may be considered. It is recommended that an authority on parliamentary procedure, such as Roberts Rules of Order, be stipulated to ensure an orderly process.

The bylaws need to stipulate the quorum (the number of Active Members present) required to conduct business and what happens if a quorum is not present.

- Q. Since not all the Active Members will be interested in the business of the church, what is a reasonable number needed?
- Q. Since the Annual General Meeting is legislated by the LCC, what is a practical method of ensuring quorum?

The bylaws need to stipulate when a larger majority is required. For example, this may be to ensure the members support undertaking an extraordinary project. Unless specified in legislation (e.g., in the bylaws or the LCC), the Board determines when a special resolution is required. However, if the bylaws allow, when any resolution is presented to the members for consideration, opportunity is available to amend the requirement for adoption (special or ordinary resolution). The *Societies Act* requires that a special resolution be adopted by a 2/3 majority vote of the eligible members present.



Elections

The LCC stipulates that the members of the Board be elected at the Annual General Meeting. It is likely the most important decision made by the members in exercising their authority and should not be taken lightly. There may be other leadership positions requiring election.

Board of Elders

Responsibility and Duties

The Board is responsible on behalf of the members and along with the Lead Pastor for the operation of the church between annual general meetings. A vital responsibility is to support and encourage the pastors in their ministry.

Board Composition

There are at least two major positions regarding Board leadership in our churches:

- 1) The **egalitarian** position views men and women as equal before God in value and in their roles in the church. They view both men and women as eligible to participate in leadership in the church as elders.
- 2) The **complementarian** position views men and women as equal in value before God but performing different or complementary roles in the church. They view only men as eligible to participate in leadership in the church as elders.

For more information on egalitarian and complementarian positions in our churches, please review the documents in the Manual of the Christian and Missionary Alliance in Canada titled *Statement on the Roles of Men and Women in Ministry* and *The Roles of Men and Women in Ministry: Complementarian and Egalitarian Guidelines*.

In 2000, the General Assembly passed an amendment to the LCC that states, “The church may, by a two-thirds majority of the members present at a duly called meeting of the membership, choose to have women serve on the Board.” (8.1) This means that women are not able to serve as elders unless your church has successfully passed a motion to change to the egalitarian position or your church became a member C&MA church having already been egalitarian. Newly established churches will need to determine their starting position regarding the election of elders.

Churches must understand their position when writing bylaws as this may affect two sections:

- a) Membership – Classes of Membership and their Rights
- b) Board of Elders – Eligibility and Qualifications



The Model Church Bylaws are neutral towards the position taken in the church. However, for clarity for complementarian churches, it is suggested that you consider including information on the restriction to only having male active members be eligible to serve as elders by including clause 4.1.2 in your bylaws with appropriate wording.

If you are a complementarian church, you should avoid phrases that indicate that all members are eligible to be elected to the Board. This will be considered to conflict with the LCC and likely limit the probability of your church bylaws being approved by DEXCOM.

Eligibility and Qualifications

The essential qualifications of an elder are clearly stated in 1 Timothy 3:1-13 and Titus 1:6-9, however, the church may have additional eligibility requirements.

- Q.** Does the church permit women to serve on the Board? General Assembly ruled that it is the local church that determines eligibility for the Board. Note that the LCC (8.1) stipulates that this decision requires a two-thirds (2/3) majority vote of the members eligible to vote in a duly called meeting of members.
- Q.** Are there other rules that would exclude any Active Member from serving on the Board? For example, is membership on the Board limited to members who have attained the age of 18 or 19 (note that the age of majority in Canada is 18 and in BC it is 19)?

In addition to the biblical qualifications for elders, there is also a legal eligibility requirement. The *Income Tax Act* of Canada (which allows you to issue donation receipts for income tax purposes) stipulates who is ineligible to be an elder and the penalty for a church having ineligible elders:

The Income Tax Act 149.1

ineligible individual, at any time, means an individual who has been

- (a) convicted of a relevant criminal offence unless it is a conviction for which
 - (i) a pardon has been granted and the pardon has not been revoked or ceased to have effect, or
 - (ii) a record suspension has been ordered under the Criminal Records Act and the record suspension has not been revoked or ceased to have effect,
- (b) convicted of a relevant offence in the five-year period preceding that time

The penalty for an elder being ineligible for the office is described as follows:

149.1 (4.1) The Minister may, in the manner described in section 168, revoke the registration



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- (e) of a registered charity, if an ineligible individual is a director, trustee, officer or like official of the charity, or controls or manages the charity, directly or indirectly, in any manner whatever

The Canadian Council of Christian Charities (CCCC) recommends that each elder annually sign a declaration of not being ineligible. The CPD has a template for Boards to use if desired.

Number of Members and Term of Office

The LCC (8.1) stipulates that the Board have, as a minimum, four (4) members including the Lead Pastor (ex-officio), and a maximum set by the bylaws. There should be enough members to adequately represent the membership but not too many as to inhibit discussion.

The Board may appoint committees to do some of its work. Committees need to be chaired by a Board member and other committee members may be members of the church with a particular interest or expertise.

Q. How many members are needed to serve on the Board?

Time is required to develop new Board members and the first year is usually a learning period. On the other hand, it is not good to have the same members serving for open-ended periods of time as this:

- a) prevents new members with new energy and contributions from being elected
- b) can also lead to a perception or reality of too much influence in the same hands

A set maximum term allows for healthy turnover and a graceful retirement of a member.

For example, a term may be two years with the option of serving three consecutive terms (for a total of six years), or a term may be three years with the option of serving two consecutive terms. After a break of one year, the member may again be eligible for election. Terms should be arranged so that there is a continuity of experience.

Removal from Office

The bylaws stipulate the reasons and process for removing a Board member from office. Generally, the Board follows the same C&MA discipline policy as for members but there may be other reasons why a Board member should be removed, and they need to be stated. A vote to remove an elder requires a special resolution, which requires a 2/3 majority vote.



Meetings of the Board

The LCC (8.1) stipulates that the Board meets regularly.

Q. Should the bylaws stipulate when and how often the Board should meet?

Board Committees

The Board may delegate some, but not all, of its responsibilities to smaller committees composed of Board members. Committees assist the Board in doing its work. There may be committees for finance, membership, missions, etc. Some committees may be appointed for a specific time period or task (e.g., a building committee). These are known as ad hoc committees. Legislated committees (Nominating Committee and the Finance Committee) have their mandate stipulated in the bylaws.

A recommended committee is the Finance Committee. This committee assists the Board in discharging its fiduciary responsibilities.

Q. Does the church want to have other legislated committees?

Officers

The LCC (8.2) stipulates the officers of the church and their duties. They are the Chair, Vice-Chair, Secretary, and Treasurer of the Board. The LCC also stipulates that the Lead Pastor is the Chair of the Board, however, the Lead Pastor may appoint a member to be the Chair or may ask the Board to nominate a Chair from its members for the Lead Pastor's consideration. The nominated Chairperson then has the option to accept the nomination. In this case, the Lead Pastor retains the position as an officer of the church. There may be others, stipulated in the bylaws, which are appointed by the Board.

Q. Does the church want other officers?

Finances

The stewardship of financial and other resources entrusted to the church is an extremely important earthly Board responsibility, so much so that the *Income Tax Act* of Canada provides the law for charities regarding the proper handling of donations, disbursements, and assets.

Borrowing

In order for the church to be able to incur debt, the bylaws need to make provision to allow for this. Churches are also reminded that in accordance with the CPD Bylaws (10.3), DEXCOM's approval is required before any debt is incurred.



Q. Understanding that membership approval is already required in cases where real property will be encumbered, does the church also want members to approve any borrowing of funds when real property is not going to be encumbered (e.g., an unsecured line of credit or loan)?

Property

The LCC contains specific provisions regarding church use of assets, including real property. Church bylaws need to be congruent with these provisions. Real property includes land and any buildings or improvements to buildings and other improvements attached to the land. It also encompasses the rights of use and enjoyment of the land, as well as any of its improvements.

It is important to note that the LCC includes improvements to real property in 12.1. Under ASNPO, an improvement is a cost that is incurred to enhance the service potential of the real property. Expenditures that extend the useful life of real property or improve it beyond its original condition are usually improvements. If an improvement will be capitalized for financial reporting purposes, then it is also an improvement for the purposes outlined in the LCC, 12.1.

For Unincorporated Churches

The LCC contains the following provision in 12.1:

Real property may be acquired, disposed of, improved or encumbered by order of the Board, subject to the approval of the membership and the District Executive Committee. Except as otherwise provided herein, all real property shall be registered in the name of the district in which the property is situated and the district shall be deemed to be the legal and beneficial owner of all real property, appurtenances and effects. The district shall be entitled and authorized to mortgage, hypothecate, pledge, or otherwise create a security interest in, or charge on, all or any part of such property to secure payment of debt or performance of any other obligation of either the church or the district.

The foregoing means that the Board must obtain approval from both the church's membership and DEXCOM before the church acquires, disposes of, improves, or encumbers any real property.

For Incorporated Churches

The LCC contains the following regarding the above provision:



The above requirements may be waived by an incorporated church by a two-thirds majority of the members present at a duly called meeting of the membership and with the approval of the District Executive Committee. In such cases, the church shall have a clause in its bylaws which states that, should the church cease to exist as a corporate body, or cease to be subject to the Manual, which includes the Statement of Faith of the C&MA, all of its real property, appurtenances, and effects then owned or held by it shall inure to the benefit of, and become the property of, qualified donee as described in current legislation, with priority given to the district corporation of the C&MA, within which jurisdiction this church is located or with which it is affiliated by law, and then the national corporation of the C&MA with which it is affiliated. Further, the church will assume full responsibility for all encumbrances with respect to the subject property and will obtain a full release for the district of any security interest provided by the district for the benefit of the local church.

The foregoing means that so long as an appropriately worded special resolution regarding real property is approved by the members and with DEXCOM approval, real property can be registered in the name of the incorporated church. Further, it means that the incorporated church can then acquire, dispose of, improve, or encumber real property registered in its name.

Both unincorporated and incorporated churches must include the appropriate version of clause 8.3 of the *Model Church Bylaws* in their bylaws to reflect these obligations.

Q. While membership approval via a special resolution is not required before a church can acquire, dispose of, improve, or encumber any real property, given the likelihood that such an action may be viewed by the church members to be a major decision, does the church want its members to approve such an action through an ordinary resolution or the higher approval threshold of a special resolution?

Church Financial Reporting

The bylaws specify the requirements for handling church finances and must be congruent with Article 12.2 of the LCC.

The Board is accountable to the members, and this includes presenting the annual financial statements to the Annual General Meeting.

The bylaws stipulate the dates of the fiscal year. The bylaws also stipulate that there must be a formal annual accounting of the church's finances. Annual financial statements are the formal record of the financial activities of the church.

Regarding financial records and annual financial statements, per LCC, Article 12.2:



All financial records shall be prepared and maintained according to Accounting Standards for Not-For-Profit Organizations [ASNPO], and shall be subject to an independent audit, review, or compilation by a Chartered Professional Accountant [CPA] annually as prescribed by the bylaws. Only churches with an annual revenue not exceeding \$250,000, if permitted by federal, provincial, or territorial regulations, may by special resolution of the membership, choose a compilation annually on an accounting basis that is acceptable to their district that may be other than Accounting Standards for Not-For-Profit Organizations. To remain in effect until such time as annual revenue exceeds \$250,000 or is revoked by a special resolution of the membership.

In accordance with the LCC, the church's financial statements are to be reviewed or audited annually when annual revenue is higher than \$250,000.

Also, in accordance with the LCC, Article 12.2, a church's annual reviewed or audited financial statements must always be prepared in accordance with the Canadian general-purpose financial reporting framework, ASNPO and only a duly licensed CPA can report on the church's financial statements.

Churches with annual revenue of \$250,000 or less may have the annual financial statements compiled rather than reviewed or audited subject to the following specific conditions:

- the Active Members, by special resolution, may choose a compilation annually,
- the financial statements must always be prepared in accordance with ASNPO as this is a district requirement.
- only a duly licensed CPA can report on the church's financial statements, and
- the special resolution remains in effect only until such time as annual revenue exceeds \$250,000 or is revoked by a special resolution of the Active Members.

It is important to note that in the case of reviewed or audited financial statements, the CPA reporting on the financial statements evaluates and assesses the financial information provided by the church and provides an assurance report about the resulting financial statements and notes to the financial statements.

In the case of compiled financial statements, the CPA compiling the financial statements is not required to perform any procedures to verify the accuracy or completeness of the financial information provided by the church or to evaluate the financial statements. On account of this, the CPA cannot provide any form of assurance about the financial statements.



To assist you with better understanding the primary differences between compilations, reviews, and audits, the following is a comparison chart sourced from the very helpful CPA Canada publication, *Understanding Reports on Financial Statements*.

Comparing Compilations, Reviews, and Audits

	Compilation (see Note 1)	Review	Audit
Nature of CPA's Involvement	Application of other Canadian standards for compilations	Application of Canadian generally accepted standards for reviews	Application of Canadian generally accepted auditing standards
Objective (of the CPA)	To compile financial information in accordance with the described basis of accounting applied (CSRS 4200)	To form a conclusion on whether anything has come to the CPA's attention to cause the CPA to believe the financial statements were not prepared, in all material respects, in accordance with ASNPO	To form an opinion on whether the financial statements were prepared, in all material respects, in accordance with ASNPO
Communication Provided	A compilation engagement report	A conclusion about the financial statements	An opinion about the financial statements
Level of Assurance (Note 2)	None	Limited	Reasonable
Benefits	<ul style="list-style-type: none"> CPA can assist management with the preparation and presentation of financial information 	<ul style="list-style-type: none"> enhances confidence the financial statements have been prepared in accordance with ASNPO can identify material misstatements or non-compliance with ASNPO 	<ul style="list-style-type: none"> strongest indicator of the credibility of the financial statements can help detect deficiencies in internal controls, which may highlight areas susceptible to fraud, and/or identify potential process improvements can identify material misstatements or non-compliance with ASNPO
Types of Procedures Performed by the CPA	<ul style="list-style-type: none"> obtain knowledge related to the church's business and operations, accounting system and records and the basis of accounting used discuss with management significant judgments for which assistance has been provided by the CPA 	<ul style="list-style-type: none"> primarily inquiry and analytical procedures to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole 	<ul style="list-style-type: none"> risk assessment and audit procedures that respond to the risks identified obtain sufficient appropriate audit evidence as the basis for the opinion procedures are more extensive, will include substantive procedures and may include tests of controls
Cost Comparison	<ul style="list-style-type: none"> low 	<ul style="list-style-type: none"> medium 	<ul style="list-style-type: none"> high



Note 1: This compilation standard (CSRS 4200, CPA Handbook – Assurance) was published in late February 2020 and is effective for compiled financial information for periods ending on or after December 14, 2021. Early adoption of CSRS 4200 is permitted. Under CSRS 4200, the LCC’s ASNPO financial statements reporting requirement can be met. Should your church choose a compilation engagement, you will need to ensure that the compiled financial statements are prepared under this new standard (CSRS 4200) and that the compiled financial statements and notes to the financial statements are in complete compliance with ASNPO.

Note 2: Assurance is what the CPA aims to obtain in order to express a conclusion designed to enhance the degree of confidence of the intended users that the financial statements are free from material misstatement due to fraud or error. It is not possible to obtain absolute assurance because the inherent limitations to an audit or a review make most of the evidence on which the CPA’s conclusion is based persuasive rather than conclusive. The CPA should in theory be able to vary infinitely the level of assurance obtained in an engagement. However, in order to help users understand the level of assurance obtained, the standards limit assurance to two distinct levels: reasonable assurance (which is a high level of assurance) and limited assurance. The level of assurance also determines the appropriateness of audit evidence/supporting documentation (e.g., quality, relevance and reliability) and the extent of procedures required to be performed by the CPA.

Q. For churches with annual revenue exceeding \$250,000, does the church want to specify in its bylaws that there be an audit each year or instead, does the church want to specify in its bylaws that there be a review each year? Alternately, if the church wants its members to decide between an audit or review every year, the church’s bylaws effectively provide for this when the language in the bylaws is left as “audit or review” concerning the annual financial statements.

Q. For churches with annual revenue historically not exceeding \$250,000 or that may not exceed \$250,000 in future, does the church want to allow the compilation of its annual financial statements in its bylaws? If the church is considering including this provision in its bylaws, please refer to the document *Use of Compilation Engagements in Church Bylaws* as it contains important information in this regard.

An independent CPA to compile, review, or audit the financial statements is appointed at the Annual General Meeting, usually on the recommendation of the Board. It must be stipulated in the bylaws.

Finance Committee

The bylaws suggest as a best practice that there is to be a Finance Committee. A Finance Committee is a committee to which the Board delegates responsibility for oversight of the financial reporting process. Typically, the role of the Finance Committee is to review the annual financial statements that the church’s external independent CPA has reported on.

Some finance committees have broader roles, including the review of larger projects or purchases, review of significant financial policies, and review of the adequacy of insurance.



The Finance Committee provides an important communication link between the Board and the external independent CPA. The process of a more detailed, in-depth Board review allows more time to evaluate the financial statements of the church. This increases the level of credibility and objectivity of financial reports. Having a Finance Committee does not indicate a lack of trust between staff and the Board. The committee merely allows the Board to better fulfill its fiduciary duty.

Either the Board as a whole may function as the Finance Committee, or the Board may designate a separate committee for this function, like an existing finance committee. The committee should consist of at least three members, one of whom is a Board member as is recommended as a best practice in the *Model Church Bylaws* in clause 5.9 b). It is recommended that the majority of this committee be comprised of non-Board members to provide accountability on financial matters and transparency for members.

It is important to have Terms of Reference for the Finance Committee that guides its work and functioning. The Terms of Reference must be congruent with any Finance Committee requirements in the bylaws and with the type of financial reporting your church has (see the templates and worksheets for church Finance Committees [on myCPD](#)).

Records

The minutes of the meetings of the members, the Board and committees, and the financial records serve two purposes. They provide a historical record of the ministry and, more importantly, they are legal documents that can be subpoenaed by the courts. The LCC (12.2) stipulates the requirements for keeping and storing records.

Q. Does the church want to keep paper and/or electronic records?

It is strongly encouraged that churches ensure that their records are complete, comprehensive, and secure (backups are essential!).

Elections

The LCC (Article 13) stipulates the process of selecting candidates and putting them into office. There is a Nominating Committee to ensure that a suitable candidate for each position is presented.

The Nominating Committee is not a committee of the Board, rather it is accountable to the Annual General Meeting of the members.



The LCC stipulates the minimum number and composition of the Nominating Committee. The Lead Pastor or their designate serves as the Chair of the Committee with equal representation from the Board and the Active Members (who are elected by the members). A good practice is that the membership representatives be elected at the Annual General Meeting to serve for one year.

This precludes the necessity to have a duly called meeting later in the year to elect representatives of the membership. The bylaws stipulate the mandate and reporting requirement of the Nominating Committee.

A word about process: Paul wrote, “Here is a trustworthy saying: ‘Whoever *aspires* to be an overseer desires a noble task.’” (1 Timothy 3:1, emphasis added) It may be useful for the Nominating Committee to ask the church if there are those who would like to, or feel called to, serve on the Board. This may encourage a cross-generational Board and the training of younger members.

The Nominating Committee does not preclude the members from nominating other candidates. It has no more authority than any individual Active Member. It cannot prevent an eligible member from being nominated. It is up to the members to decide the best qualified members through the use of the ballot. The bylaws stipulate the process for members to nominate candidates.

It is recommended that a form be used. A nomination form ensures due diligence in making a nomination. The form includes:

- the name and contact information of the nominee
- the names and contact information of at least 3 eligible nominators (Active Members)
- the signature of the nominee certifying consent
- the signatures of the nominators

With the form, a short biography of the nominee should also be submitted in order to assist those in the membership who may not be personally acquainted with all nominees. It is useful to have an information package for nominators that is easily accessible to members. In addition to a nomination form, the information would include the biblical qualifications of an elder and an elder’s job description.

Note that the Lead Pastor does not have the right to forbid a nomination except for the nominee being ineligible. The qualifications of the nominees are judged by the members through the ballot. The Lead Pastor may, of course, counsel the nominators.



General or Miscellaneous Articles

Finally, there are miscellaneous topics that need to be considered.

Preamble

The preamble sets out the church's relationship to the C&MA and stipulates the governing documents and their precedence.

Interpretation

This section provides a definition of terms as used in the bylaws. Some examples are Board, church, Constitution, ordinary resolution, special resolution, etc.

Inspection of Records

Consideration should be given to the level of inspection of church records that the bylaws allow. It is recommended that inspection of Board minutes be restricted to allow the Board to freely discuss matters of the church and protect the privacy of church members. It is also recommended that individual donor records, apart from a member's own, be restricted to protect the privacy of other donors. Churches should refer to and rely on their Privacy Policy for the use, access, and disclosure of any personal information.

Amending the Bylaws

The bylaws provide the governing rules of the church as decided by the members. Circumstances in the life of the church change and on occasion they need to be amended. Usually, a request for an amendment resulting from a practical issue will come from the Board. However, bylaws should not be easily changed without careful consideration. The LCC (Article 15) stipulates the requirements to amend the bylaws.

For an example of how amendments are listed in bylaws, see page 18 of the [CPD Bylaws](#).

Conclusion

This guide will assist you in preparing or updating your church's bylaws. The *Model Church Bylaws* provide requirements and best practices for most situations; however, each church has unique circumstances and the bylaws must be workable. We recommend that you start with the *Model Church Bylaws* and modify it to become your church's bylaws.

The CPD has expertise and access to consultants. Please do not hesitate to ask for assistance.



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Church Finance Committee Terms of Reference Template – Review or Audit

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<https://www.cpacanada.ca/-/media/site/operational/rg-research-guidance-and-support/docs/01878-rg-understanding-reports-on-financial-statements-jan-2020.pdf?la=en&hash=BE02C8C0BDC4B7FB908004C113D9538AE266FBB9>

Use of Compilation Engagements in Church Bylaws

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