

Memorial Lutheran Preschool

Notes Regarding Separate Incorporation

September 2020

We have been exploring the possibility of making the preschool a separate registered legal entity with the state. Today the preschool is a separate nonprofit organization with a separate IRS EIN (Employer Identification Number) from the church, but the preschool is not a separate registered legal entity with the state. There are several reasons why we have been exploring this, none of which have to do with any desire to separate the preschool ministry from the church. On the contrary, we want to continue to ensure that the church and preschool continue in its mission and ministry relationship with the church, but at the same time potentially offer other benefits to the preschool as we go forward.

Here are some of the reasons we have been exploring this path:

Employee Benefits – Today the preschool is under that same benefits programs as the church. The current benefits plans used by the church are very expensive and with the number of staff within the preschool this could become very expensive and difficult to manage in the future. The Concordia Benefits plans are well suited for fulltime called church workers, but not necessarily so for the preschool where the majority of our staff are part time hourly workers. In order to become a separate benefits entity within the Concordia Benefits system the preschool must be a separately incorporated entity with the state.

Bank Account Change – The preschool currently banks with Wells Fargo and we have not been happy with their service, so we have been trying to move away from Wells Fargo and go the Amegy Bank where the church has its accounts. In order to do this Amegy requires that in order to set up a business account you have to be an incorporated entity with the state which the preschool is not.

Staff Inefficiencies and Compensation Inequity – Managing staff working hours within the current Concordia Benefits plans to keep individual weekly hours below the benefits eligibility level can create staffing ~~level~~ inefficiencies. Also, the cost of the current benefits structure of the Concordia Benefits plans have created some compensation equity issues that need to be resolved, and as long as the preschool is bound by the current benefits plans, we are not able to resolve these under our current cost structure.

The goal here will be to structure the by-laws of the new preschool entity to mirror that which is currently set forth in the church by-laws. However, there will be one change that should be

noted. Today, the preschool recruits and recommends who should be hired as the director of the preschool, but the church actually hires the director. The future approach would be that the preschool would recruit and hire the preschool director, but only with the approval of the Church Leadership Team. Also, under the new arrangement of the preschool being a separate legal entity, the preschool will still maintain its responsibility for meeting its commitment to make the mortgage payment of the new preschool/fellowship building as it has in the past.

As we have researched this path, we have found that there are pros and cons with making a change like this, as well as staying within the structure we are in today. Again, our goal is not to make the preschool a separate self-governed entity, but to leverage structural changes if we can to better position the preschool for future operation without jeopardizing the ministry and mission relationship between the church and preschool. The preschool has grown significantly in the number of children and staff operational requirements since 1994, and the Preschool Board feels it may be time to make some of these changes to provide better overall management structure for the preschool going forward.

If we cannot accomplish maintaining a mission and ministry governance relationship between the preschool and church within this separate legal entity structure that the Church Leadership Team would approve, then we will not move forward with this change.