

## **POLICY REGARDING CLERGY DISCRETIONARY FUNDS**

### **INTRODUCTION**

The Episcopal Church has developed guidelines for the benefit of clergy, dioceses, congregations, institutions, and others with authority over funds of the Church. The purpose of these guidelines is to provide information and guidance in the structure and use of a class of temporarily restricted or designated funds generally known as clergy discretionary funds. The Diocese of Eastern Michigan has no separate guidelines for use of discretionary funds. The following are the guidelines as they apply to St. Paul's Episcopal Church of Flint, Michigan.

### **SECTION A. AUTHORITY**

The existence and use of clergy discretionary funds rest on the canonical authority of the Almoner's fund described in Title III, Canon 14, Section 2(f), of the Canons of the Episcopal Church:

*"The Alms and Contributions, not otherwise specifically designated, at the Administration of the Holy Communion on one Sunday in each calendar month, and other offerings for the poor, shall be deposited with the Member of the Clergy in charge of the of the Parish or Mission or with such Church officer as shall be appointed by him, to be applied by him or under his superintendence, to such pious and charitable uses as shall by him be thought fit. During a vacancy, the Vestry shall appoint a responsible person to serve as Almoner."*

The Almoner's Funds, generally known as clergy discretionary funds, have a long history of customary use in the Episcopal Church. The member of the clergy in charge of a congregation customarily has a special fund made available by the Vestry, the expenditure of which is under the authority of the cleric. The member of the clergy in charge of the congregation also may grant assistant clergy, depending on local custom, permission to expend monies from the discretionary fund, or the Vestry may establish separate funds for the use of the assistant clergy.

### **SECTION B. SOURCES**

At the first Sunday of each month the loose offering, e.g. non-pledged income, at the Holy Eucharist is designated for the clergy discretionary fund. The Vestry may wish to set aside a budgeted amount for the discretionary fund in addition to the traditional source or as a substitute for it.

### **SECTION C. RECORDS**

All checking accounts must be opened using the congregation's Federal Employer's Identification Number. The bank accounts must be in the name of the congregation and not that of the individual member of the clergy. Discretionary funds remain with the congregation when the clergy departs. St. Paul's authorizes the use of a separate checking account for the discretionary fund.

All income from any source to the fund must be deposited to the congregation's general operating account, recorded on the books of the congregation, and subsequently transferred by the treasurer to the separate checking account. No monies from any source are to be deposited directly into the separate checking account. The co-mingling of personal funds of any kind with discretionary funds is always improper.

#### **SECTION D. ACCOUNTABILITY**

1. Clergy who have been authorized to maintain and manage a separate checking account must record in writing, with appropriate receipts attached, the purpose of every check drawn on the account and any cash disbursement made.
2. Monthly bank statements are to be mailed directly to a person of trust other than the individual authorized to make disbursements. The Director of Finance is this person at St. Paul's.
3. The Director of Finance will verify that all deposits made into the account correspond to disbursements from the general operating account to the separate checking account; review all checks as to payee and who endorsed them; reconcile the checking account, and review all back-up invoices and/or letters and will review this information with the Finance Chair. The Finance Chair shall bring to the attention of the Vestry such matters as he/she deems appropriate.
4. It is preferable that checks be written to vendors, such as a utility company or landlord, rather than to individuals requesting assistance. Cash disbursements are highly discouraged, and should only be made when there is a real emergency and a check cannot meet the needs. If cash is disbursed, full documentation must be maintained stating to whom the funds were given or a description of the person, such as a parishioner or nonmember, the date given, amount and a full explanation for the expended funds.
5. All clergy discretionary funds are classified as temporarily restricted funds of the congregation. As such, these funds are subject to audit even if they are kept in a separate checking account. However, the individual responsible may be permitted to maintain confidentiality over the expenditures of the fund disbursed for the direct assistance of named individuals. When an accounting firm is contracted by the parish, such firm will audit the Discretionary Fund and verify, without breaking clergy confidentiality, that the policies contained herein are followed. The accountant will issue a copy of the annual report to the Rector and the Finance Committee.

#### **SECTION E. USES**

1. Payments for food, rent, utilities, medical bills and the like for persons in need are typical uses of these funds.
2. An inappropriate use is to meet expenses which normally should be covered by the operating budget. However, we also authorize these expenditures: attendance at conferences or schools, purchases of books and journals, entertainment of individuals with a purpose directly related to the congregations' ministry and professional membership in organizations related to the ministry, such as a Clergy Association and reasonable gifts to employees or members of the parish. Discretionary funds should not be used to sustain the ongoing operations of the congregation, and must follow the guidelines of the Internal Revenue service for appropriate business expenses.

Any books, vestments, equipment, or other tangible business items purchased with discretionary funds, are the property of the congregation and, therefore, must stay with the congregation when the cleric leaves, unless the cleric pays the Fair Market Value for the item to own it.

3. Prohibited uses of discretionary funds are payments for anything that personally benefits the authorized clergy. Therefore, neither personal clothing, food, books, rent, utilities, insurance premiums, medical expenses of the cleric, are appropriate expenditures by or through discretionary fund accounts. This prohibition against personal use does not include items which might be routinely considered ordinary and customary business expenses associated with the business of the parish.

4. This fund is not to be used as a mechanism to be a conduit for the receipt of gifts to the church. Gifts to the parish are to be received by the Vestry, whose policy it is that any gift of real estate or having a value of over \$5000.00 shall first be examined by the Gifts Committee.

#### **SECTION F. TAX CONSEQUENCES**

Gifts for a properly established discretionary fund which is fully accountable to the Vestry, are deductible by donors as charitable contributions.

Contributions made to the discretionary fund for the direct benefit (pass through) of a named individual are not deductible contributions for income tax purposes, and should not be accepted.

When discretionary funds are used to provide a gift to an employee, the value of the gift may need to be reported on the individual's W-2 form.