

Discretionary Fund Policy

Introduction

The Vestry has developed discretionary fund guidelines for the benefit of clergy and our congregation. The guidelines are based upon and closely follow the guidelines of the Episcopal Church found in the Manual of Business Practices. The purpose of these guidelines is to provide information and guidance in the structure and use of a class of restricted funds known as clergy discretionary funds.

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 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.

Sources

The loose offering that is given at the Holy Eucharist on the first Sunday of the month is designated for the discretionary fund. Individuals may also contribute to the fund with occasional gifts.

Records

The checking account for the clergy discretionary fund must be approved by the Vestry, and be opened using Zion Church's Federal Employer's Identification Number (FEIN). The bank account must be in the name of Zion and not that of the individual member of the clergy. The co-mingling of personal funds of any kind with discretionary funds is always improper. The discretionary fund is subject to audit and is included in financial reports following standard accounting procedures. Discretionary funds will remain with Zion when the clergy departs.

Accountability

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. Monthly bank statements are to be mailed directly to the treasurer, or a designee that is without signatory status on the account, unless otherwise directed by the Vestry. The Treasurer or a designee will verify the source of all deposits made into the clergy discretionary fund account; review all checks as to payee and who endorsed them/reconcile the checking account, and review all back-up invoices and/or letters. The treasurer or assignee will state in writing on the monthly statement that all

verifications were made and, finally, file the bank statements with the other financial records of the congregation. 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 discouraged, and should only be made where 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 street person, the date given, amount, and a full explanation for the expended funds. 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 clergy may be permitted to maintain confidentiality over the expenditures of the monies disbursed for the direct assistance of named individuals. The manner in which this is done must be determined and jointly agreed to by the clergy and the Vestry. The clergy must follow the record keeping methods detailed in the Episcopal Manual for Business Practices. These methods are designed to provide trustworthy accounting and stewardship of church funds, as well as to protect the clergy from suspicion and mistrust. Clear records of deposits into the fund and expenditures from it are essential to this process.

Uses

The appropriate and traditional use of clergy discretionary funds is to address needs among the congregation and community members. Payments for food, rent, utilities, medical bills, and the like for persons in need are typical uses of these funds. It is considered inappropriate to use discretionary funds to meet expenses which normally should be covered by the operating budget including such things as attendance at conferences, purchases of books and journals, entertainment of individuals with a purpose directly related to Zion Church ministry, and professional membership in organizations related to the ministry, such as the Clergy Association. Prohibited uses of discretionary funds are payments for anything that personally benefits the clergy. Therefore, neither personal clothing, food, books, rent, utilities, insurance premiums, nor medical expenses of the cleric, are appropriate expenditures by or through discretionary fund accounts. If any portion of a discretionary fund is used for personal use, that portion will be added to the taxable income of the individual receiving the benefit. The individual misusing the funds may be exposed to civil and/or criminal liability.

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. NO discretionary funds are used to provide a gift to an employee.

Discretionary Fund in Absence of Rector

During periods of transition, when no permanent rector is available, the Sr. Warden will control disbursements from the discretionary fund. Few, if any disbursements, should occur during this time. Since the Sr. Warden is not typically at the church, the office staff will be instructed to refer walk-in persons who have a need for assistance to local organizations such as JCCM. Monthly allotments into the discretionary fund will cease during any extended absence of the rector.

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