

# **Diocese of Northern Indiana**

## **GUIDELINES ON DISCRETIONARY FUNDS**

RESOLVED that effective September 18, 2004 the following guidelines are approved for the handling of discretionary funds in the Diocese of Northern Indiana

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.

1. The discretionary fund is a fund of the parish or mission. It is normally administered by the Rector or Vicar of the church. The funds belong to the church and remain with the church once the priest ceases to be the rector/vicar. In the absence of a Rector or Priest in Charge, the Senior Warden should have the oversight of this fund.
2. Ordinarily the discretionary fund will exist as a separate checking account requiring the signature of the priest of the parish. All deposits made to this discretionary fund shall first be deposited in the regular parish accounts and then transferred to the discretionary account. On rare occasions, a direct deposit may be made, but then the parish treasurer should be made aware of it. The priest will keep detailed records of all money received and expended and the senior warden should periodically review these records. Never should the priest's personal funds be mingled with the discretionary funds. The discretionary account should be set up at a local bank by means of a vestry resolution, so that when the priest leaves, the account signature can be easily changed.
3. The discretionary fund should be audited annually along with the rest of the church's finances. This may be done internally by a committee of the vestry.
4. National Church guidelines permit the use of the discretionary fund for expenses "related to the exercise of ministry not otherwise provided in the church's budget" so long as the vestry/executive committee gives prior general approval for such a use of the fund. Ordinarily, however, discretionary funds are for the relief of the poor, in the parish or in the community. Occasionally they may be used for ministry needs not budgeted by the parish, especially for hospitality needs, but the priests personal ministry expenses should be reimbursed directly through a line item in the parish budget for that purpose.
5. Detailed records of all transactions of the discretionary fund should, of course, be kept—preferably on a computerized accounting program. Checks should be written to utility companies, landlords, and agencies, not to the individuals being aided. Ordinarily the use of cash is discouraged as a proper discretionary fund procedure, unless it is otherwise impossible to aid a person in need. If it is done, the expenditure must be carefully documented. Periodically the parish treasurer or Senior Warden shall inspect the discretionary fund records.

6. The Canons provide for funding for discretionary funds from the un-designated "alms and contributions" at one service per month throughout the calendar year. In practice this has traditionally meant the loose offering at one service. But parishes may instead provide funding through a restricted line item in the parish budget. Any appeal to the congregation for contributions to the discretionary fund either by written or public announcement must be approved by the vestry. It is also understood that special gifts for designated or general purposes may be made to the discretionary fund, as long as they are deposited in the parish accounts first and then transferred.
7. 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. The manner in which this is done must be determined and jointly agreed to by the responsible individual and the Vestry.
8. 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, 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 taxable income.
9. 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 them.