



## Clergy Discretionary Fund Expectations

The existence and appropriate use of clergy discretionary funds in The Episcopal Church largely rest on Church Canon, III.9.6(b)(6), originally adopted in 1814, provides as follows:

“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 Rector or Priest-in-Charge or with such Church officer as the Rector or Priest-in-Charge shall appoint to be applied to such pious and charitable uses as the Rector or Priest-in-Charge shall determine. When a Parish is without a Rector or Priest-in-Charge, the Vestry shall designate a member of the Parish to fulfill this function.”

The “alms” canon quoted above provides that gifts and “other offerings for the poor” collected in the church are to be “applied to such pious and charitable uses as the priest shall determine.” Therefore, the priest’s discretionary fund is to be used for aid to the poor and needy and other purposes that the priest considers “pious and charitable,” uses that are consistent with the church’s mission to aid and assist the poor and needy. While discretion is given to the priest, it is not given without limitations, accountability, and the expectation to use best practices to avoid misuse and to protect responsible persons from allegations of abuse .

**Appropriate Uses:** The Clergy Discretionary Fund should never be used for anything that personally benefits the priest- that is, uses that are not charitable and intended to carry out the mission of the Church with respect to aid and assistance to the poor and needy.

Clergy Discretionary Funds are not intended to be used for expenditures that are rightly covered by a church’s operations budget. It is inappropriate for the priest to use the funds for the church’s maintenance, building projects, or for the priest’s liturgical ministry (e.g. vestments, and other church furnishings). Likewise, hospitality and thank you gifts for volunteers, continuing education expenses or professional expenses are also excluded . It is also not appropriate to use Clergy Discretionary fund to pay for church expenses that the Vestry/Bishop’s Committee has declined to fund through the operational budget.

The priest is charged with dispersing funds belonging to and on behalf of the church. Therefore, it is inappropriate for a priest to disbursing funds from the Clergy Discretionary Fund for members of his/her/their family, close friends, or colleagues. In cases where a clergy family or colleague is in need, assistance should be sought from the Bishop.

Clergy are encouraged to inform the Vestry/Bishop’s Committee in advance of any gift made from the Clergy Discretionary Fund about which there could be any question (e.g. gifts to institutions). Clergy are expected to manage gifts to individuals in need with pastoral sensitivity and confidentiality. Gifts made to the Discretionary Fund may not be earmarked for specific individuals and the clergy has the option to refuse any gift if it has “strings attached.”

Whenever possible, clergy should avoid writing checks to individuals receiving assistance, but instead, endeavor to make direct payments to vendors or landlords. Cash disbursements should only be made for small amounts or in an emergency where a check cannot meet the needs.

**Funding:** The Vestry/Bishop's Committee will ensure that funds for the Clergy Discretionary Fund are at a minimum equal to the loose offering that is, gifts exclusive of payments toward a member's annual pledge- for one average Sunday each month. This may be funded from the budget of the church or from gifts given to the church for the purposes of the Clergy Discretionary Fund. Such gifts may also be received at any time from individuals or at baptisms, marriages, and funerals. Checks should be made to the church and then transferred to the Clergy Discretionary Fund. This will ensure the donor's gift will be tax deductible.

**Accounting:** There are two common practices for the administration of Clergy Discretionary Funds: 1) All gifts received may be deposited in the church's general operating account, with disbursements made by checks drawn on the general operating account upon written request of the priest or other authorized lay person. 2) The Vestry/Bishop's Committee may approve the use of a separate checking account for the Clergy Discretionary Fund.

In the case of a separate account, the account must be opened using the church's name and federal identification number or EIN. The account title should not be in an individual's name and will, ideally, have an additional authorized signer.

The Vestry/Bishop's Committee shall establish review procedures for the Clergy Discretionary Fund, ideally at the beginning of a priest's tenure. A journal of expenditures from the Clergy Discretionary Fund will be maintained by the clergy or designated trusted individual, showing the nature, date, and amount of each transaction, confidential identity of recipient, and noting the ministerial purpose thereof. If the discretionary fund is maintained as a separate account, the priest should keep detailed records of the fund's transactions for transparency and audit purposes.

Monthly bank statements for a separate checking account should be mailed directly to a person of trust other than the priest. The treasurer normally fulfills this role, but the Vestry/Bishop's Committee may designate another person to receive the statements. The treasurer, or designated person, should verify that all payments from the general account of the church have been deposited into the account; review all checks to payees and who endorsed them, as well as the purposes noted in the check register or on the cancelled checks; reconcile the checking account; and review all invoices. After review, the designated individual will confirm in writing that all verifications were made and file the bank statements with the other financial records of the church.

Such notes along with complete bank statements will be required as a part of the annual audit. An annual audit report shall be given to the entire Vestry/Bishop's Committee summarizing (to maintain confidentiality) the activity of the fund for the year.

As a church account, the Clergy Discretionary Fund's assets remain with the parish or mission upon the departure of the priest who has been administering it.

*Source: Chapter V of the "Manual of Business Methods in Church Affairs"*