

Discretionary Fund Policy of Use Clergy of the Diocese of Fond du Lac

*As established by the Bishop and Finance Committee of the Diocese of Fond du Lac
January 2016*

A cleric's discretionary fund belongs to the church. They are not personal funds. The cleric is a trustee of the fund which must be used for appropriate uses. The following procedures are to be followed by all clergy canonically resident in the diocese.

1. Personal funds are not to be commingled with discretionary funds.
2. A separate account is to be established for each discretionary fund with at least two signatories. If held in a master account, a separate fund is to be established to maintain distinct and separate accounting.
3. The fund is to be authorized
 - a. by Vestry action for parochial clergy (priests serving or deacons assigned to a congregation). In this case it is to be in the name of the congregation, not the cleric (e.g. St. Swithin Discretionary Fund), with the congregational tax identification number (TIN).
 - b. by the Bishop for non-parochial clergy (priests and deacons not connected to a congregation). In this case it is to be titled with the cleric's name and adding "Discretionary Fund" (e.g. "The Rev. Smith Discretionary Fund"), with the diocesan tax identification number (TIN).
4. The fund is to be used primarily for the relief of the poor (e.g. payments for gas, food, rent, utilities, medical bills, etc...) and secondarily for clergy expense related to the exercise of ministry not provided for by the church budget (e.g. attendance at conferences, purchase of books and journals; entertainment of persons directly related to ministry, membership in groups related to the exercise of ministry, etc...).
5. The fund is NOT to be used for expenditures that directly benefit the cleric outside of their ecclesiastical role, (e.g. personal clothing, personal vestments, food outside of church travel, books unrelated to ministry, rents, utilities, insurance, automobile payments or expenses, medical bills, general purpose magazine subscriptions, club dues and travel.)
6. Distribution of funds (by check, cash withdrawal or electronic transfer) should not be made to any signatory on the account. In the rare case this needs to occur (e.g. reimbursing a cleric for a cash payment for gas for a needy traveler), the signatory is to make a written description of the circumstances and have such statement acknowledged by signature of a warden, vestry member, or another cleric. Such statement is to be kept with the ledger.
7. The fund should not be used to sustain the ongoing operations of a congregation. If such a situation should arise, the cleric is to consult with the bishop before expending such funds.

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8. Transactions are to be recorded in a ledger to identify its purpose. To maintain confidentiality, entries may be de-personalized but specific. For example, “Rent Aid to Ms. G.” would be better than “Aid”.
9. Income is to be made payable to the fund and not the cleric. This is to reinforce their charitable purpose and avoid an implication that they are personal gifts (which are subject to income tax and not tax deductible).
10. Contributions are to be acknowledged, in writing. The cleric is to make such acknowledgement if there is not a normal process for the church treasurer to do so. Such acknowledgement will include a note of thanks on behalf of the congregation (parochial clergy) or diocese (non-parochial clergy), date and amount of contribution, and the statement “This receipt is the contemporaneous acknowledgment required by the Internal Revenue Code. Further, and in accordance with Section 170(F)(8)(B), no goods or services were provided to you or consisted solely of intangible religious benefits.”
11. The fund is to be reconciled against bank statements on a monthly basis, with fund balance reported
 - a. monthly, for parochial clergy, to the church treasurer who in turn will include the balance on congregational reports, or
 - b. annually, for non-parochial clergy, to the diocesan treasurer who in turn will include the balance on diocesan reports.
12. A review of the fund is to be made annually by an authorized reviewer, such as the diocesan financial review team or another cleric. Such review is to verify the fund balance as compared to bank statements and ascertain the appropriate use of the fund. A reviewer who believes the fund may have been used inappropriately will discuss the matter with the Bishop. A written statement of review should be filed with the Diocesan Office and must include
 - a. account name of bank and account number with confirmation that the TIN on the account is correct;
 - b. list of signers authorized on the account;
 - c. reconciled balance at the end of the year;
 - d. statement of apparent appropriate use of funds (see #3, #4, #5 and #6 above)
 - e. statement of confirmation of appropriate bookkeeping (see #7, #8 and #9 above)
 - f. signature and contact information of the reviewer.
13. Parochial clergy leaving a congregation will provide the ledger and other account papers to the “almoner” of the congregation.
14. Non-parochial clergy leaving the diocese will close the fund with any remainder being deposited to the Bishop’s Discretionary Fund for appropriate use (which may include funding a new discretionary fund under the cleric’s care in the new diocese or position).