

Policy of the Diocese of Louisiana on Clergy Discretionary Funds

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Under the Authority of Diocese of Louisiana Canon 25.1.h

Clergy “Discretionary Funds” are church-owned funds utilized by clergy for pious and charitable purposes to relieve the indigent and to provide for parishioners in need. They are established by national canon (Title III Canon 9.5) for this purpose.

The source of these funds is alms provided by parishioners and other generous givers, as well as a portion of the offerings to the parish or mission *at least* equal to the unpledged offering at one Sunday a month in which a Eucharist is scheduled. Discretionary Funds are funds of the church and not the individual clergy person at whose discretion they are dispensed. Bank accounts for this purpose are to be entitled “(Clergy Position) Discretionary Fund” (e.g. “Rector's Discretionary Fund”).

As per The Manual of Business Methods in Church Affairs:

1. The “alms” canon cited above provides that gifts and “other offerings for the poor” collected in the parish are to be “applied to such pious and charitable uses as the Rector shall determine.” Pursuant to this canon, it has generally been recognized that the discretionary funds of a rector are to be used for aid to the poor and other purposes that the rector considers “pious and charitable,” and that these uses are regarded as consistent with the Church’s mission. It seems clear that the scope of permissible uses under the canon generally lies within the sound discretion of the rector.
2. The canon does indicate some limitations on the rector’s discretion. Since the alms are donated to the Church (the manner of holding the funds is discussed below), and the intended uses are to be “pious and charitable,” the funds may not be used as if they were gifts to the rector individually and personally. Thus, it would be improper for the rector to apply the funds for his or her personal use and benefit, that is, uses that are not intended to carry out the mission of the Church. Uses of the funds for personal or family clothing, entertainment, or basic living expenses may not be selected, whereas those same uses when intended to benefit other needy persons within or without the parish are commonly considered to be wholly appropriate.
3. Gray areas would include payments by the rector to institutions or causes that are charitable in nature but also inure to the benefit of the rector in some way. For example, a donation to the rector’s school or college may be considered inappropriate if there would otherwise be little or no reason for the parish to favor such an institution; donations to the rector’s seminary, on the other hand, may be regarded as appropriate if they are understood to be parish gifts in which the rector has joined.
4. To avoid potential confusion and criticism, the rector should inform the vestry when gifts from the discretionary fund are made about which there could be any question, particularly gifts to institutions as opposed to gifts to private individuals where pastoral sensitivity may well warrant confidentiality.
5. A further limitation on the rector’s discretion can be seen in the canon’s directive that gifts to the parish intended as alms be used at the rector’s discretion. The inference to be drawn from this direction is that the canonical discretionary funds are not intended to be used for types of

expenditures that are routinely made from a vestry's budget. Thus, it would seem to be inappropriate for the rector to use the funds on parish maintenance or projects, or even expenditures for the rector's liturgical ministry, such as vestments, that are generally funded through the parish budget. Expenditure for a purpose that the vestry has declined to fund, for example, would not seem to be an appropriate use of discretionary funds.

The following business practices will be used in the Diocese of Louisiana to account for clergy Discretionary Funds:

- Receipts and disbursements from these funds must be recorded in the official financial records of the church, including the balance sheet.
- Discretionary Funds must be audited in conjunction with the annual audit of the church. Any separate bank account must be approved by the Vestry and opened in the name of the church using the tax identification number of the church.
- Discretionary Funds are to be independently reviewed on a quarterly basis in such a way as to insure both the proper use and confidentiality of monies. Said review is to be reported to the Vestry. Names of assisted individuals do not have to be disclosed to the vestry if an acceptable method of coding such payments is established.
- Personal funds of the clergy person must never be commingled with the funds in a Discretionary Fund, though the clergy may donate to the fund.
- Checks to a Discretionary Fund must be made payable to the "(Clergy Position) Discretionary Fund" and not made payable to the member of the clergy individually. Checks to a member of the clergy individually are personal, taxable gifts to the member. This is so even if the member of the clergy deposits a check payable to him or her by name into the Discretionary Fund account.
- Payments to church employees including bonuses are generally considered wages by the Internal Revenue Code and should not be made from Discretionary Funds.
- The Discretionary Fund of a departing clergy person must be turned over to the vestry and must be audited immediately.
- Funds for specific mission related expenses, such as those related to overseas mission travel or disaster relief (such as Katrina or Hurricane Relief Funds), should be accounted for in a separate fund on the church financial records and not co-mingled with clergy Discretionary Funds.
- During the Bishop's annual visit to the Parish or Mission the balance and uses of all clergy Discretionary Fund accounts will be provided for the Bishop's review, along with other required documentation.

Canon 25.1(h): Funds available to be used at the discretion of the clergy and other employees of the Diocese or any of its Ecclesiastical Units or institutions, in carrying out their ministry, including those funds collected in accordance with National Canons III, Section 9.5(b)(6) and sometimes referred to as discretionary funds, are assets of the Diocese, the Ecclesiastical Unit or institution, as the case may be. Such funds shall be held in accounts in the name of the entity and shall use the entity's Federal Taxpayer Identification Number. The use, management and oversight of these accounts shall be in accordance with Diocesan accounting policies on such Discretionary Funds.