

EPISCOPAL DIOCESE OF DALLAS

CLERGY MINISTRY FUNDS POLICY

The Customary of the Diocese of Dallas authorizes the Vestry of each congregation, at their discretion, to establish a Ministry Fund or Funds (formerly referred to as Discretionary Fund (s) or Clergy Fund (s)) to be administered by members of the clergy of the congregation¹ to further the mission of that congregation and are to be used for “missionary and charitable purposes of the congregation.”² It shall be the responsibility of the Vestry³ to establish specific procedures for the administration of and the accounting for Ministry Funds even as the funds may be dispensed by the clergy, as provided by the Customary and Canons, while observing these administrative procedures.

1. Identification of Ministry Funds. All Ministry Funds of a congregation must be recorded in the general accounts of the congregation and shall be clearly identified on an individual fund basis in the expanded consolidated balance sheet of the congregation. Every Ministry Fund shall have a “Ministry Fund Purpose Statement and Guidelines” that is prepared by the Rector⁴ and approved by the Senior Warden and the Treasurer. If a restricted purpose Ministry Fund is created as a result of a gift to the congregation whereby the donor requires confidentiality, the fund may be shown on the books under the generic title of “Restricted Ministry Fund I” provided that its purpose is disclosed to the Senior Warden and the Treasurer. No “off books” Ministry Funds will be permitted.

2. Ministry Funds versus “Business Expense Account” Funding, approval, reimbursement and accounting for clergy business related expenses is a process separate and apart from transactions related to Ministry Funds. Expenditures for business purposes or the acquisition of business equipment or supplies should not be made with monies taken from a Ministry Fund Account. Please see paragraph 1 above.

3. General Guidelines and Procedures for Deposits to Funds.

The Rector, with the approval of the Vestry, will determine methods for funding the Ministry Fund (s). Permitted sources of funding should be included in the procedures for administration established by the Vestry. These can include moneys from the Operating Budget in accordance with the congregation’s budgeting process; special donations by parishioners; funds raised in compliance with the congregation’s fund raising policy; designated Sunday plate offerings; or

¹ As used in this document, the term “Congregation” shall refer to a mission or a parish of the Diocese of Dallas. “Church” may be used interchangeably when referring to a congregation.

² Customary of the Diocese of Dallas, April, 2009, Page 4, (9.)

³ The term “Vestry,” as used in this document, is defined in Canons 14 and 15 of The Canons of the Diocese of Dallas.

⁴ The term “Rector,” as used in this document, is defined in Canons 14 and 15 of The Canons of the Diocese of Dallas. It is intended that Rector, Vicar and Priest-in-Charge be used interchangeably for the purpose of this Policy.

other such means approved by the Vestry. Grants provided by the Diocese may not be used for Ministry Funds.

Book Entries. All deposits and book entries will be made in a way that gives effect to the intent of the donor. Funds for a use other than the use set forth in the relevant Ministry Fund's Purpose Statement and Guidelines shall not be deposited or entered into the books for that Ministry Fund. Funds donated for general or undesignated Ministry Fund use will be deposited to one or more Ministry Funds as determined at the discretion of the Rector.

Reporting and Tax Deductibility. Donors who wish to contribute to a Ministry Fund and receive credit separate from their pledge on their acknowledgment from the congregation should make their checks payable to congregation, indicating on the "memo" line the name of the Ministry Fund to which they are contributing. Making the check payable in this manner allows the donor to list the donation as a charitable contribution on the donor's federal income tax return.

Donations for the Direct Benefit of an Individual are Prohibited. Donations that directly benefit an identified or identifiable individual, such as a donation to pay for "medical expenses for John Smith" (or "any relative of John Smith") cannot be placed in Ministry Fund accounts, as such donations are not tax deductible (whether made to congregation or to a Ministry Fund). The Chancellor and Treasurer of the congregation or of the Diocese should be consulted when any such donations are received.

4. Supervision and Administration.

Administrators. Ministry Funds, while subject to control by members of the Clergy, remain the property and funds of the congregation and must therefore be supervised and administered pursuant to that Church's governance documents and policies; the terms of the particular Ministry Fund's Statement of Purpose and Guidelines and applicable law. The Rector will administer or will appoint a member of the Church's staff to administer (the "Administrator") each Ministry Fund. (In the event there are multiple Ministry Funds, more than one Administrator is strongly recommended.) In order to help ensure that confidentiality of "persons in need" is maintained, when possible the Administrator of a Ministry Fund that benefits "persons in need" should be a member of the Clergy. The Rector may remove any Administrator at any time and appoint a replacement Administrator. In the event a Ministry Fund does not have an Administrator, the Rector will serve as Administrator. Any appointment of an Administrator or change of Administrator will be promptly reported to the Senior Warden, the Treasurer and the Vestry.

Upon termination of the Rector's employment with the congregation, the Rector shall present an accounting of any Ministry Funds administered by the Rector to the Senior Warden and Treasurer. The departing Rector may leave written instructions for disbursement of funds in the Ministry Funds administered by the Rector, along with appropriate supporting documentation, in instances in which disbursement of the funds would be inappropriate or premature prior to the date on which the Rector's employment terminates, subject to approval by the Treasurer and Senior Warden. During any time when a congregation has no Rector, for each Ministry Fund formerly administered by the Rector, the Vestry shall appoint either an appropriate person from

the parish staff or the Treasurer to act as the Administrator of such Ministry Fund, *provided, however,* that the Rector's Fund will be administered by either the Senior Warden or the Treasurer of the congregation as determined by the Vestry. The Rector may be removed without his consent as Administrator of any Ministry Fund only by the Bishop of the Diocese.

Duration. Each Ministry Fund will be an ongoing fund of the congregation with perpetual duration, *provided, however,* that a Ministry Fund may be terminated upon recommendation of the Rector to the Vestry and subsequent approval of the termination by Vestry. Upon the termination of a Ministry Fund, an accounting shall be made of the Ministry Fund and any monies remaining in the Ministry Fund shall be promptly (i) redistributed to another Ministry Fund of the congregation by the Treasurer, in consultation with the Vestry, in accordance with any restrictions that may apply to the monies remaining in the Ministry Fund, including but not limited to donor intent, or (ii) distributed by the Rector in accordance with the purpose, restrictions and procedures associated with Ministry Fund being terminated. The Statement of Purpose and Guidelines of each Ministry Fund will state whether funds remaining in an account will remain in the account after the end of the fiscal year, rolling over into the next fiscal year.

5. Use of Ministry Funds. Donations to Ministry Funds are tax deductible gifts to the congregation in the same way pledge payments and other donations are tax deductible gifts to the Church, if used for appropriate charitable or religious purposes. However, Ministry Funds are to be used at the direction of the Rector or Administrator for the purposes stated in the Statement of Purpose and Guidelines of the Ministry Fund, rather than at the direction of the Vestry.

*Authority of the Vestry.*⁵ Item 5 notwithstanding, the Rector or an Administrator may not use the proceeds from a Ministry Fund to cover the cost of an expenditure of any nature that the Vestry has previously declined to authorize or fund from the parish operating budget or otherwise.

No Personal Benefit. Under no circumstances may any person supervising or administering a Ministry Fund make a distribution that directly or indirectly benefits himself or herself, or his or her family. All such distributions are strictly prohibited.

Record Keeping. The Administrator of each Ministry Fund shall ensure that complete records of all deposits, withdrawals and transfers of monies are maintained and complete information is promptly given to the staff person responsible for recording the transactions on the books of Church. It is the responsibility of the Administrator to ensure that the donor's intent is properly transmitted to the Director of Accounting or the Director of Accounting's designee prior to deposit in any Church fund if a donation with a restriction or for a specific purpose is received. For example, if the Administrator of the ABC Ministry Fund receives a donation with the

⁵ Canons of the Diocese of Dallas Section 14.11 It shall be the duty of the Vestry to take charge of the property of the Parish and its endowments; to regulate all its temporal concerns; in accordance with the Constitution and Canons, to elect and call a Rector and to provide for his support; to provide for paying all Canonical Assessments on the Parish; and in general, to act as helpers to the Rector in whatever is appropriate to Lay persons for the furtherance of the Gospel--it being understood always that the spiritual concerns of the Church are under the exclusive direction of the Rector, subject to the Ecclesiastical Authority and Canons of the Diocese.

restriction that it be used for “[specified purpose]”, this purpose must be transmitted to the Director of Accounting or his/her designee prior to the deposit of the donation into any Church fund.

6. Independent Audit. Each year, a member of the independent outside accounting firm engaged by the congregation to audit its financial statements will also examine the records of Ministry Funds in accordance with the requirements of Canon 29.4 (or any successor provision) of the Diocese of Dallas, subject to obligations to keep certain information confidential pursuant to Section II.A.9 (or any successor provision) of the Customary of the Diocese of Dallas and the confidentiality standards recognized by The Episcopal Church and the State of Texas. This review protects both the Administrators and the congregation from any inadvertent practices that might not conform to the policies and standards established by the congregation. The audit must be carried out in a manner so as to protect the confidentiality of the individuals concerned but with sufficient information available for the auditor to determine whether the funds are being used in compliance with both congregation and IRS guidelines.

The accounting firm will provide the Treasurer with a written report each year of the findings of the audit, such report to be distributed to the Rector, Senior Warden, Junior Warden and the Treasurer. Matters of concern arising during the audit, if any, will be reviewed by this group. If necessary, the Treasurer will review any matters of concern with the Finance Committee, which will determine what action, if any, may be appropriate. The Treasurer and Senior Warden will discuss the matter with the Administrator, the Rector (or Priest in Charge); if such matters concern the Rector (or Priest in Charge), Senior Warden, Junior Warden and Treasurer. If required, appropriate corrective action will be taken.

Note that the annual audit does not satisfy the requirement for the preparation of the Wardens’ Report on the Rector’s Ministry Fund which requires the Senior Warden and the Junior Warden to certify that they have “reviewed each line item of the Rector’s Ministry Fund expenditures.”

7. Deviations from Policy. Any deviation from this Policy or of guidelines or procedures for specific Ministry Funds shall require prior consultation with the Rector and Wardens. In the event there is any potential question with respect to IRS or tax related issues or the legal propriety of a disbursement, the Chancellor of the congregation or the Diocese shall be consulted prior to any payment.

8. Compliance with Laws and Policies. All Ministry Funds shall be used and maintained in accordance with applicable law, the Constitutions and Canons of The Episcopal Church and of the Diocese of Dallas, any applicable governance documents or policies of the congregation, including but not limited to the Restricted Funds Policy.

EXHIBIT “A”
Models of “Ministry Fund Purpose Statement and Guidelines”
Sample Language Only

Distributions to Persons in Need.

Koinonia, Good Samaritan and Rector’s Funds. The Koinonia Fund and the Good Samaritan Fund have been formed for the assistance of persons in need. The Good Samaritan Fund may also provide funds to institutions or organizations to which a taxpayer’s contribution would be deductible under §170 of the Internal Revenue Code and that assist persons in need for purposes and in a manner consistent with the mission of Congregation (“Qualified Institutions”). In addition, one of the approved uses of the Rector’s Fund is to provide assistance to persons in need and Qualified Institutions. These Ministry Funds shall be funded as provided in Section 2. The Vestry, in its discretion, may designate additional Ministry Funds to provide for the assistance of persons in need or Qualified Institutions.

Employees in Need. The Koinonia Fund and Rector’s Fund may be used for assistance to employees of the Congregation in need, the standard being whether the use would be appropriate if made to a parishioner or other non-employee. Distributions from these Funds should not be used to compensate an employee for services rendered, overtime, special projects and other tasks, as these are properly covered by the employee's compensation package pursuant to Congregation’s budget, and payments made outside the budget must be approved by the Vestry. In addition, except as expressly provided in the Statement of Purpose and Guidelines of a Ministry Fund, monies from Ministry Funds should not be used to make loans to employees of congregation without prior approval of the Vestry. Payments of any type from any Ministry Fund to employees of congregation must often be treated as income to the employee and proper tax documentation should be prepared contemporaneously with any payments to employees; therefore, the Rector (if not the Administrator of the Fund to be used), Senior Warden, Treasurer and Director of Accounting must be consulted prior to any disbursement from any Ministry Fund to or on behalf of an employee of congregation for the purposes of assisting them in times of need; if there is any question or reservation as to the propriety of the disbursement the Treasurer and Chancellor shall be consulted.

Record-keeping and Guidelines. In addition to the record-keeping requirements set forth in Section 4 above, all distributions of monies to individuals from Ministry Funds for the assistance of persons in need will be made using the guidelines set forth on Exhibit A.

Rector’s Ministry Fund. The Rector’s Ministry Fund shall be funded as provided in Section 2. The Rector’s Ministry Fund shall be audited as provided in Section 11, provided, however, that upon the consent of the Chancellor of the Diocese, and in accordance with any terms or procedures requested by the Chancellor of the Diocese, the Fund may audited by the Wardens each year of the prior calendar year’s activity in the Fund, such audit to be completed no later than the date of the Annual Parish Meeting. Pursuant to such an audit the Wardens will certify that each line item has been spent in accordance with the Statement of Purpose and Guidelines of the Rector’s Ministry Fund and this Policy. Any disbursements made for human need as provided in Section 5 shall be made in accordance with Exhibit B.

EXHIBIT B

DISTRIBUTIONS TO PERSONS IN NEED RECOMMENDED PROCEDURES

If the reason for a distribution from an appropriate Ministry Fund is to assist an individual or family in need the following procedures and guidelines must be followed:⁶

1. Due Diligence and Documentation. The Administrator should perform adequate due diligence to determine that the intended use of the Ministry Fund meets the guidelines set forth in the Ministry Funds Policy and the Statement of Purpose and Guidelines of the Ministry Fund intended to be used. In addition the Administrator should determine whether the intended beneficiary has a genuine need, including obtaining proper documentation substantiating the need. Copies of all supporting documentation should be kept by the Administrator for 10 years after the disbursement. Examples of proper documentation include the following:

a. *Utility/Telephone Payments.* The Administrator should obtain the original utility or telephone bill. congregation will send the payment, along with any payment coupon or stub, directly to the utility or telephone company.

b. *Rent/Mortgage/Motel Payments.* The Administrator should contact the landlord, lender or motel to verify the amount owed and that the beneficiary is occupying the premises. In the case of a lease, the Administrator should request a copy of the lease. In the case of a motel, the Administrator should obtain an original bill or invoice. In the case of a mortgage payment, the Administrator should obtain the original bill, coupon or statement. The Church will send the payment, along with any payment coupon or stub, to the appropriate party.

c. *Medical, Dental or Counseling Bills.* The Administrator should obtain the original medical, dental or counseling bill or invoice. Church will send the payment, along with payment coupon or stub, to the service provider.

d. *Pharmacy.* The Administrator should obtain the original prescription if possible and make a copy of the prescription for Church's records. The Administrator should call the pharmacy to determine the cost of the medication. Church will draft a check payable to the pharmacy.

e. *Gift Certificates.* Gift certificates should be used rarely for individuals who are not members of the Church because experience has shown that gift certificates are often

⁶ These procedures and guidelines may be amended or updated by the Rector, Senior Warden, Treasurer and Chancellor solely for the purpose of ensuring that the procedures and guidelines conform to the procedures and guidelines promulgated by the Episcopal Church, the Diocese of Dallas, the Internal Revenue Service or other appropriate authority without prior approval of the Vestry; *provided, however*, that the Vestry, Clergy and Director of Operations shall be promptly informed of any changes made to this Exhibit.

sold on the street by the beneficiary and the money used for purposes not intended by the Administrator. In certain instances, however, gift certificates may be appropriate. The Administrator should draft a memo describing the reason for the gift certificate, amount and intended use. The Church will purchase the gift certificate and give it to the Administrator for delivery to the beneficiary.

f. *Bus Passes/Other Vouchers.* The Administrator should draft a short memo describing the reason for the pass or voucher (e.g., to send a parishioner to a medical facility or a homeless person to a downtown shelter).

g. *Cash Payments.* Cash payments may be made upon occasion in small amounts (generally not more than \$20) when it is not feasible to draft a check (e.g., an immediate need for a meal). The Administrator should request that the proper amount be transferred out of the Ministry Fund to reimburse to source of the cash (e.g., cash on hand at Church). A memo describing the amount of and reason for the payment should be drafted for Church's records. Cash payments should be distributed rarely because of liability issues.

It is recognized that the protocol for cash payments may, for practical reasons, need to vary from parish to parish, particular those congregations at locations that a subject to a significant amount of "walk-in traffic" seeking aid for a meal and the gifts are in the amount of \$5.00 to \$10.00. A ledger should still be maintained recording each gift much in the way an office would handle its petty cash fund.

2. *Payments.* The general rule is that payments should not be made directly to the beneficiary, but rather to the utility, landlord, healthcare provider, etc. If the payment cannot be made directly to the creditor and confidentiality considerations dictate that a check cannot be drafted to the beneficiary, the Administrator may have the check drafted to payable the Administrator or in some other fashion approved by the Chancellor and make the payment in an appropriate manner. Such circumstances should be rare.

3. *Maximum Payments.* Disbursements for the benefit of an individual in need, including amounts paid to or for the benefit of the members of that individual's family living together as a family unit, shall not exceed the amount provided in the Statement of Purpose and Guidelines of the relevant Ministry Fund. An Administrator may determine in his or her discretion that a lower maximum amount should apply to any individual or family unit requesting assistance.

3. *Confidentiality.* Administrators should always ensure that proper confidentiality be maintained. When the Administrator deems it appropriate that confidentiality should be maintained, the name of the beneficiary and other identifying information should be "blacked out" in any supporting documentation presented to the accounting staff of the Church with the check request or shared with anyone other than the Administrator. In such instances, however, the Administrator should retain a copy of the complete supporting documentation in confidential files accessible only to the Administrator, with the name and identifying information remaining intact. The Fund's records should indicate that the Administrator is maintaining the supporting documentation for reasons of confidentiality.

EXHIBIT C

[SHORT NAME OF CHURCH]

**WARDENS' REPORT ON THE
RECTOR'S MINISTRY FUND**

YEAR _____

To: [Short Name of Church] Vestry

We, the undersigned Senior Warden and Junior Warden, hereby certify that we have reviewed each line item of the expenditures of Rector's Ministry Fund for the calendar year 20__ and that all expenditures were made in accordance with the [Short Name of Church] Ministry Funds Policy and the Statement of Purpose and Guidelines of the Rector's Ministry Fund. In doing so, we report that the total contributions made to the Fund were \$ _____ and that the total disbursements were \$ _____.
At as of December 31, _____, the balance on hand in the Fund was \$ _____.

[name of Senior Warden], Senior Warden

Date

[name of Junior Warden], Junior Warden

Date

This certification is to be completed and presented to the Vestry prior to the date of the Annual Parish Meeting in the year following the calendar year reviewed.