

DIOCESE OF COLORADO

CLERGY DISCRETIONARY FUND GUIDELINES

1. Clergy Discretionary Funds may be used in accordance with the Episcopal Church's Canons, for the poor and such pious and charitable uses as are deemed to be appropriate by the clergy. Obviously, gifts to the poor are the primary purpose. "Charitable and pious purposes" would certainly include gifts to any recognized charitable organization (the same ones to which an ordinary individual could make a deductible gift), to the church itself or for certain items such as vestments, books and other tools of the trade which will remain the property of the church when the priest leaves. (These are examples only and not intended as an exclusive list.) Books for the personal library of the priest or personal expenses clearly are not a proper use of Discretionary Funds. In short, Discretionary Funds may be used for any legitimate church purpose. The Discretionary Fund, therefore, should not be used for the priest's expense account or for the priest's petty cash needs.

2. Since the discretionary Fund is the property of the mission or parish, gifts to it should be made to the church rather than to the individual priest. A gift to the church is deductible; whereas, a gift to the priest is not. Therefore, checks should always be made payable to "St. \_\_\_\_\_, Clergy Discretionary Fund". If the check is made out to the priest and is then deposited to the fund, the priest may have both taxable income and a tax deduction (an obviously unintended result).

3. A gift to the Discretionary Fund may either be unrestricted or, if restricted, must be designated for one of the legitimate purposes of the church. In other words, a parishioner cannot run money through the Discretionary Fund to send children to school, to pay for Aunt Hattie's stay in the nursing home, or for any other specified individual, even though there may be a need. Such a gift would not be deductible to the donor, and the clergy should not look the other way if such an improper gift is made.

4. A gift to the priest personally, not payable to the church, is not deductible by the donor. If given in return for services rendered, such as for funerals, weddings, etc., it is taxable income to the priest.

5. Discretionary Funds, being the property of the church, must remain at the church when the priest is called elsewhere. This is also true for any articles purchased with Discretionary Funds.

DIOCESE OF COLORADO

CLERGY DISCRETIONARY FUND GUIDELINES

(Page 2)

6. A separate bank account should be set up for the Discretionary Fund. All gifts intended for the Discretionary Fund, whether delivered to the church or to the priest, should pass through this account, and appropriate receipts should be given to the donors. It is preferable that the checks written from this fund not be of a confidential nature. On the other hand, when money is to be used for financial aid to individuals in situations which should be kept confidential, then a check may be written to cash. The priest should keep a private record, however, of just what is done with the proceeds of such a check. This is to protect the clergy in case of an IRS audit and in case a question arises within the parish as to the use of these funds. Arrangements should be made for someone to check this bank account on a confidential basis a part of the annual audit. If the audit reveals irregularities, the auditor must report such irregularities to the parish treasurer and the Diocesan Director of Administration on a confidential basis. If further action is required, such a matter should be resolved pastorally between the Bishop and the priest.

7. Gifts to the Discretionary Fund in excess of \$250.00 must be reported promptly by the priest to the parish treasurer and a receipt issued to the donor stating the donor's name, the amount of the donation, and that no goods or services other than intangible religious benefits were provided.

8. The person administering a Discretionary Fund is in a position very similar to that of a trustee. He or she is handling funds which are not personal property. Such person is, therefore, obligated to do so with a high degree of care, not to waste the funds, not to let them be commingled with personal funds, and finally to use them for the purposes for which they were entrusted to his or her care.

9. Remember, always that the IRS can and does audit churches, clergy, and individual donors in situations involving such funds.