

### **Clergy Discretionary Funds (Continued)**

In our last article, we discussed the canonical authority for clergy discretionary funds and some key points to know with regard these type funds. In this article, we discuss proper controls and accounting methods for clergy discretionary funds.

#### **Funding Clergy Discretionary Funds**

Most congregations open a separate Vestry-approved checking account for their clergy discretionary fund. All discretionary fund income from any source, i.e. designated plate collections, restricted donations, operating budget transfers, etc., should be deposited to the congregation's general operating account, recorded on the books of the congregation, and subsequently transferred by the treasurer to the separate checking account. No monies from any source should be deposited directly into the separate checking account. The co-mingling of personal funds of any kind with discretionary funds is always improper.

#### **Accountability**

Clergy who have been authorized to maintain and manage a separate checking account should record in writing, with appropriate receipts attached, the purpose of every check drawn on the account and any cash disbursement made. Monthly bank statements should be mailed directly to a person of trust other than the individual authorized to make disbursements. Normally, this is the congregation's treasurer, but the Vestry may ask that another person, such as the senior warden, receive the statements. The person receiving the statements should verify that all deposits made into the account correspond to disbursements from the general operating account to the separate checking account; review all checks as to payee and who endorsed them; reconcile the checking account, and review all back-up invoices and/or letters. This individual should state in writing on the monthly statement that all verifications were made and, finally, file the bank statements with the other financial records of the congregation. Checks made out to cash with subsequent cash disbursements are discouraged, and should only be made when there is a real emergency and a check cannot meet the needs. If cash is disbursed, full documentation must be maintained stating to whom the funds were given or a description of the person, such as a parishioner or street person, the date given, amount, and a full explanation for the expended funds.

Clergy discretionary funds are considered assets of the congregation and are subject to audit even if they are kept in a separate checking account. However, the member of clergy responsible for the fund may be permitted to maintain confidentiality over the expenditures of the fund disbursed for the direct assistance of named individuals. The review process described in the paragraph above is designed to maximize confidentiality while at the same time provide trustworthy accounting and stewardship of church funds, as well as to protect responsible persons from suspicion and mistrust. Clear records of deposits into the clergy discretionary fund and expenditures from it are essential to this process.

Please contact Terry Reimer, Diocesan Financial Officer, [treimer@episcopalmaine.org](mailto:treimer@episcopalmaine.org), if you have questions about this article or other financial or accounting issues impacting your congregation. A current copy of the *Manual of Business Methods in Church Affairs* can be downloaded for free at [http://www.episcopalchurch.org/finance\\_58218\\_ENG\\_HTML.htm?menupage=877](http://www.episcopalchurch.org/finance_58218_ENG_HTML.htm?menupage=877).