

Guidelines for the Bishop’s Discretionary Fund of the Episcopal Diocese of Western New York

Section A: Authority; account requirements

1. The existence and use of clergy discretionary funds rest on the canonical authority of the Almoner’s Fund, which sets aside funds to be used for the poor and for other “charitable and pious purposes” according to National Canon.¹ Discretionary funds are funds of the church which are disbursed by the Almoner.
2. The Bishop’s Discretionary Fund of the Episcopal Diocese of Western New York is to be a FDIC-insured checking account in the name of the diocese and not in the individual name of the bishop. An acceptable title is “Discretionary Fund of the Bishop of the Episcopal Diocese of Western New York”. The Federal Employer Identification Number of the Diocese is used in connection with the account.
3. The Discretionary Fund is to be a separate account used for no other purpose.
4. The Bishop is to be a signer. The Bishop may authorize additional signers.
5. The discretionary fund is subject to annual audit. If material, its transactions and balance are to be included in the financial reports, following standard accounting procedures. The unexpended funds in the Discretionary Fund are to be classified as temporarily restricted funds of the diocese.
6. The Discretionary Fund remains with the diocese when the Bishop departs.
7. If a deposit is made which will bring the discretionary account balance to above \$10,000, and if disbursements from the fund are not expected for the fund’s purposes within ninety days to bring the balance to less than \$10,000, then the amount of funds in excess of \$10,000 are to be remitted to the Trustees of the Diocese and deposited into The Bishop’s Special Account (WNYDIT fund #1) until such funds are needed for the purposes of the discretionary fund by the Bishop.

Section B. Permitted Uses

1. The appropriate and traditional use of clergy discretionary funds, and the primary purpose of the Bishop’s Discretionary Fund, is to assist the poor among the congregation and the larger community. Payments for food, rent, utilities, medical bills and the like for persons in need are typical uses of these funds. Payments to charitable (non-profit) providers of services to the poor in the Western New York community are also acceptable uses of the fund provided such gifts are made on behalf of, and in the name of, the Diocese.

¹ Title III, Canon 14(f)

2. The Episcopal clergy and lay persons of the diocese are to be considered, for the purposes of administration of the discretionary fund, as congregants of the Bishop since he is Chief Pastor of the diocese.
3. National Church guidelines permit use of the discretionary fund for expenses “related to the exercise of ministry not otherwise provided in the church’s budget” so long as the governing authority gives prior general approval for such a use of the fund. The discretionary fund may be used to fund ministry of The Episcopal Church and the Anglican Communion throughout the world.
4. Since it is the responsibility of the Diocesan Council, acting as the Annual Convention within sessions thereof, to fund and join with the Bishop in the oversight of ministry within the diocese, the Diocesan Council should be consulted and requested to give general approval for use of the fund in a manner related to the exercise of ministry in the diocese on the grounds that such costs should be known to the Council if not provided for in the church’s budget.
5. The Discretionary fund is not intended for payment of business expenses of the Bishop, of the diocese, of the clergy of the diocese, or of congregations of the diocese.
6. It is prohibited to use discretionary funds for anything that personally benefits the Bishop or any member of the family of the bishop.
7. It is inconsistent with the concept of the Almoner’s Fund to make payments to persons or organizations for value received from this fund of the church. Therefore it is prohibited to use this fund to provide honoraria, to pay for services rendered, or as part of a “quid pro quo” arrangement to indirectly obtain benefits either for the Bishop, the church, or anyone else.

Section C. Gifts; Tax Consequences

1. A gift to the Discretionary Fund is a gift to the Episcopal Diocese and not to the bishop.
2. A gift to the discretionary fund may be unrestricted or, if restricted, should be designated for one of the permitted purposes of the discretionary fund. Donor restrictions, if any, should be acknowledged in writing as part of the receipt for the gift.
3. Contributions made to the discretionary fund for the direct benefit (pass through) of a named individual are not deductible contributions for income tax purposes and should not be accepted.
4. If discretionary funds are used to provide a benefit to an employee, the value of the gift may need to be reported on the individual’s W-2 form.

5. The Bishop should provide the donor with acknowledgement of the gift promptly and in a manner which satisfies the donor's tax substantiation burden, or promptly provide information on the identity of the donor and the amount of the gift so that an acknowledgement may be sent in a timely fashion by the business office on behalf of the Diocese.

Section D. Records and Accountability

1. All gifts to the discretionary fund must be deposited intact to the account and must pass through the account.
2. Gifts received which include funds for purposes other than the Bishop's discretionary fund are to first be deposited into the appropriate general account of the diocese and then a check issued by the diocese to the Bishop's discretionary fund for the amount intended as a gift to that fund.
3. Since the discretionary fund is an account of the diocese, it should be audited annually as part of the independent auditor's engagement. Given the confidential nature of the transactions, the auditor is to treat the records as confidential and report only on whether the guidelines for the fund have been complied with for the period under audit.
4. The Bishop is to be considered to be in a position very similar to that of a trustee, managing funds which belong to the church. Therefore the funds are placed in an FDIC insured account and the Bishop must exercise a high degree of care not to waste the funds, not to let them be commingled with personal funds or other funds of the church, and to use them for the purposes for which they were entrusted.
5. The majority of checks written from the discretionary fund may not be of a confidential nature. It is preferable that checks be written to care providers or vendors, such as a utility company or landlord, rather than to individuals.
6. Checks made payable to cash 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 parishioner of or street person), the date given, amount, and a full explanation for the expended funds.
7. Monthly bank statements are to be accessible at time of audit, in electronic or paper form.

These guidelines were approved for the handling of discretionary funds in the Episcopal Diocese of Western New York by the Diocesan Council at its meeting of June 9, 2011.

Lorraine Hapeman, Secretary