

PASTORAL DISCRETIONARY FUNDS

Introduction

These guidelines provide information and direction in the structure and use of restricted or designated funds, generally known as “pastoral discretionary funds.” These are funds owned by Emmanuel Evangelical Lutheran Church (“ELC”) and are designated for distribution at the discretion of the pastor. These funds are generally either received as contributions from members and so designated or identified and set aside by council and approved by the congregation for such uses as part of the annual budgeting process.

Uses of the Funds

1. These funds are to be used for aid to the poor, or for purposes that the pastor considers “pious and charitable,” consistent with the mission of the church.
2. Such funds are not to be considered for the personal use of or benefit to the pastor or the pastor’s family.
3. Pastoral discretionary funds are not to be used to provide gifts to employees.
4. The beneficiary of the pastor’s discretionary fund need not be a member of ELC.
5. For the following cases, the pastor shall first review the proposed disbursement with the ELC executive council, and its approval, or disapproval, shall be documented in the executive council minutes:
 - a. Amounts that exceed \$500
 - b. For any disbursement about which there may even be an alleged conflict of interest

Accounting/Recordkeeping

1. All deposits and disbursements for the pastoral discretionary fund shall be documented by the ELC treasurer and separate records shall be maintained. Receipts shall be maintained as appropriate.
2. Pastoral discretionary funds are subject to audit. Notwithstanding the foregoing, confidentiality of the beneficiaries of such disbursements shall be maintained and shall not be subject to audit.
3. Checks shall be written to a vendor, such as a utility company or landlord, rather than to the individuals receiving assistance.
4. No cash disbursements shall be made. Gift cards may be acquired instead using the discretionary fund for non-vendor disbursements. In such cases, the treasurer shall keep records of gift cards purchased, and the pastor shall keep records of gift card distributions.
5. Following these procedures provides trustworthy accounting for and stewardship of church funds.

Tax Consequences

1. Gifts for a properly established discretionary fund are generally deductible from federal and state taxation by donors as charitable contributions.
2. Contributions made to the discretionary fund for the direct benefit of a named individual shall not be accepted.
3. Funds should be paid directly to vendors rather than individuals to comply with IRS gift tax requirements.
4. Amounts in excess of the IRS gift tax limits are prohibited.