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## PASTOR'S DISCRETIONARY FUND

United Methodist churches often equip their pastoral leadership with resources to provide confidential financial support to families and individuals in need. Often, the fund is identified as the Pastor's Discretionary Fund. This document suggests some techniques for responsible management of this ministry. It shares some of the current strategies for funding, managing and disbursing this type of fund, and acknowledges the risks and benefits. As financial and accounting methodologies and laws change, these methods need regular review.

### DEFINING A DISCRETIONARY FUND

All funds (accounts, designations, or identified projects) managed by a local church are recommended by the Finance Committee for approval by the Church Council or Administrative Board. Policies for each fund should be defined by the Finance Committee to provide guidance for the Treasurer and Financial Secretary. Regardless of the trust level or skill of the financial officers, the creation of policy statements helps avoid confusion and miscommunication.

A Pastor's Discretionary Fund is typically a designated fund (defined by the church) made available to the pastoral leadership to distribute as that person sees fit, typically for emergency financial aid. Each church is responsible for designating how this Fund is funded and distributed. As different churches use different methods, each church should periodically review the practices and management of the fund to ensure all parties understand the procedures and that the pastor is protected from tax or misappropriation risk.

Whether called a Discretionary Fund, Emergency Fund, Friendly Aid Fund, or Assistance Fund, if pastoral staff can give financial assistance to any person in need, the characteristics and the responsibilities described below exist.

### FUNDING A DISCRETIONARY FUND

Income to a Discretionary Fund must be recorded as income to the church and recorded by the Financial Secretary. Appropriate recording ensures that income to the fund is income to the church, not taxable income to the pastor.

Pastor's Discretionary Funds are funded in a variety of ways. Some churches include the fund in the Annual budget, others provide a special offering plate during Communion services. Others designate the income from other special offerings or deposit honorariums received by the church for weddings, baptisms or funeral services. Honoraria or gifts in recognition of a service must be received as income to the church. *If the payment is in the pastor's name or cash, the income is considered taxable income to the pastor.*

A fund policy statement describes how your church wishes the Pastor's Discretionary Fund to be funded and dispersed by describing the current arrangements and procedures. A sample is located at the end of this document. Adopted policies are more easily passed on and reduce communication problems and conflict.

Discretionary funds should be deposited in the church's bank account and never held in a separate account requiring only a pastor's signature. A separate bank account puts both the church and the pastor in a position of unnecessary risk and temptation. The church has a responsibility to protect both its assets and its staff as an element of good stewardship.

## DISPERSING THE DISCRETIONARY FUND

Churches have developed a variety of methods for dispersing funds to aid individuals or families that protect the confidentiality of the recipients and protect the pastor from unnecessary risk.

Some pastors front gifts of aid and submit a voucher to the Treasurer for reimbursement, while others submit a voucher in advance to obtain funds for distribution. Some clergy keep a record of all transactions, while others submit a report that the Treasurer holds confidentially. Because the clergy have discretion regarding the distribution of funds, maintaining a confidential record indicating when and to whom funds were dispersed is in their best interest. *Pastors should expect to be asked to account for all funds distributed, even if the church has authorized confidential distribution of aid.*

Some clergy prefer to provide in-kind assistance, for example purchasing a bag of groceries or a train ticket, rather than giving cash. This practice ensures aid is used appropriately, but is more labor intensive for the pastor unless others are involved in the aid distribution, which limits confidentiality. Church leadership can offer feedback to the pastor regarding their preferences for the allocation of pastoral time.

Occasionally, churches (typically PPRC's or Finance Committees) request some type of report on Discretionary Fund distribution. Pastors can offer summary reports that offer some sense of the types of need being met without violating the confidentiality of aid recipients. For example, a report of \$300 in food assistance to six families, and two nights housing assistance for a family of four, gives the church valuable feedback on how they are helping others while maintaining confidentiality. A policy statement can indicate when and what is reported to the church for future planning.

Since financial support is one of the valuable ways congregations support the individuals and families within our communities, healthy management of this ministry vehicle is essential. Doing God's work in this world requires increasing forms of accountability and responsibility. Blessings to every congregation which engage in this vital form of ministry!

**DISCRETIONARY FUND POLICY**  
*Draft for discussion*

This policy statement outlines the income, expenses and management responsibilities for the Pastor's Discretionary Fund at \_\_\_\_\_.  
Any concerns or questions shall be directed to the Finance Committee.

The Pastor's Discretionary Fund is funded by \_\_\_\_\_  
(the Annual Budget in Line Item \_\_\_\_\_ OR an offering collected during communion services OR \_\_\_\_\_.)

The Pastor is responsible for documenting and recording distribution of the fund. All records are confidential and held by the pastor. The church acknowledges that the pastor is authorized to distribute this fund at his or her discretion and is not required to provide any details regarding who receives assistance. The church may request general information regarding types of assistance requested (food, transportation) to assess the changing needs of the community and individuals.

The Pastor is encouraged to use funds for goods and services, rather than cash assistance - for example, bus tickets or taxi fare, a bag of groceries, or hotel bill payment.

The Pastor shall submit requests for Discretionary funds to the Treasurer. The Treasurer shall remit funds to the pastor as indicated on the request voucher. The approved limit on advances from the Discretionary fund is \_\_\_\_\_.

The Treasurer shall report the beginning and end of year balance of the Discretionary Fund in the Annual Report and for the annual Audit.

Date Adopted \_\_\_\_\_ by \_\_\_\_\_

Pastor's Signature \_\_\_\_\_ Date \_\_\_\_\_

Treasurer Signature \_\_\_\_\_ Date \_\_\_\_\_

Finance Chairperson Signature \_\_\_\_\_ Date \_\_\_\_\_