

Diocese of Kentucky, Policy Manual  
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## VI. Finance

A. Accounting Principles and Reporting Procedures. In accordance with the *Canons of the General Convention* (2006), the accounting year for each diocese, congregation, mission and institution begins January 1 (Title I, Canon 7, Sec. 1 [j]). Each congregation shall maintain its financial records on a computerized double-entry bookkeeping system with which the congregation's treasurer is familiar, such as that distributed by Automated Church Systems (ACS). All bookkeeping systems shall produce the parochial report required by the canons and adequate financial information for the vestry or the bishop's committee and shall incorporate safeguards with internal controls. The bookkeeping system should also provide a means to segregate and identify funds for specific and special purposes such as restricted funds, capital improvements, memorials and special bequests. To safeguard the intent of donors, bookkeeping and money handling (counting, depositing, etc.) should be separated and performed by different individuals or groups. This will help to assure the confidentiality of giving and pledge payments. Check preparation and check signing should be performed by different persons (Chapters 2 and 3 of *The Manual of Business Methods in Church Affairs* [January 1, 2000]). All checks over \$100.00 are required to have two signatures (p. 15, "Journal of Proceedings" of the *Journal of the Diocese of Kentucky* [1995]). The congregation's treasurer will provide the vestry or bishop's committee at each meeting thereof with monthly summary reports, in such format at the vestry or committee requests, of expenses and income since the last vestry or committee meeting and for the year to date, and such further reports concerning the financial affairs of the congregation as the vestry or the bishop's committee may request.

B. Auditing Procedures. The canons of the diocese and the General Convention require that all financial accounts shall be audited annually. Each year the audit report shall be reviewed by the vestry or appropriate governing body, and two copies of the report shall be sent to the diocesan staff. Auditing will be done in accordance with the *Diocesan Audit Program*, found in **Appendix 12** by a certified public accountant, an independent licensed public accountant, or an audit committee authorized by the diocesan Department of Finance and Stewardship (Title I, Sec. 7, (a, f-g) of the *Canons of the General Convention* [2006]; and Canon 15, Sec. 2 of the *Canons of the Diocese of Kentucky* [2006]).

C. Fidelity Bond(s). Each congregation shall obtain and maintain, at its expense, a fidelity bond with a corporate surety (licensed by the Kentucky Department of Insurance) for its treasurer and for each person who has access to its offerings and bank accounts in an amount which is equal to not less than the greater of (a) twice the amount of the congregation's largest monthly receipts, from all sources, during the past five years, or (b) the total of all its invested reserve, trust and endowment funds (*Canons of the Diocese of Kentucky* [2006], Canon 15, Sec. 3).

D. Insurance.

1. Property. In accordance with the canons of the diocese all buildings and contents shall be insured, to include flood insurance where appropriate, for at least the replacement value (Canon 15, Sec. 7 of the *Canons of the Diocese of Kentucky* [2006]) and the diocese shall be named as an additional insured. A current copy of the insurance policy should be sent to the diocesan staff.

2. Liability. Adequate liability insurance must be obtained to insure against any liability of the congregation, personal injury, pastoral counseling, sexual misconduct, contractual liability, directors and officers, and host liquor liability. If a non-congregation organization uses congregational facilities, such as a pre-school or day care center, it is essential for the using entity to have adequate liability insurance and for the congregation to be named in their policy as an addition assured. A copy of the insurance policy should be retained by the congregation, and a current copy of the insurance policy should be sent to the diocesan staff.

E. Congregation's Pledges to the Diocese. Each congregation is expected to contribute between 15% and 20% of their canonical income to support the mission and ministry of the Diocese of Kentucky. The congregation's canonical income is defined as the total operating revenues less any financial assistance from the diocese. Each year a letter addressing this subject and a commitment form will be mailed to each congregation from the bishop and the budget chair. Congregations that do not meet this pledge requirement must submit a letter of explanation to Trustees and Council (Canon 16, Secs. 3-6 of the *Canons of the Diocese of Kentucky* [2006]).

F. Miscellaneous Income and Expenses.

1. Memorial Funds and Other Special/Restricted Gifts or Bequests. Congregations should have guidelines to assist them in determining when they should accept gifts and bequests. Once accepted, the congregation has an obligation to honor the donor's intent by demonstrating good fiduciary care of the gifts and bequests. When a gift or bequest is accepted, the receipt and any terms of the gift or bequest should be documented in vestry minutes. These gifts and bequests should be set apart from the normal operating income of the congregation (Canon 39, Sec. 4 & 5 of the *Canons of the Diocese of Kentucky* [2006]).

2. Building and Capital Improvement Funds. These funds should be segregated from the congregation's operating funds and kept as separate accounts. The vestry must receive periodic reports and control expenditures of the fund(s). If a vestry determines that indebtedness is needed for building or capital improvement purposes, there are defined limits for congregational indebtedness as described in the diocesan canons (Canon 15, Sec. 6 of the *Canons of the Diocese of Kentucky* [2006]).

G. Encumbrance and Alienation of Property. Except by consent of the bishop and the Standing Committee, entities of this diocese are prohibited from encumbering or alienating real property from the original entity (*Canons of the General Convention* [2006], Title I, Canon 7, Sec. 3). All real and personal property of a congregation is to be held in trust for The Episcopal Church and this diocese, and may not be alienated from the same (Title I, Canon 7, Sec. 4 of the *Canons of the General Convention* [2006]; and Canon 19, Sec. 4 of the *Canons of the Diocese of Kentucky* [2006]).

H. Episcopal Church Foundation and the Commingled Fund. The Investment Committee of Trustees and Council maintains and oversees various funds on behalf of Trustees and Council, the Bishop Dudley Memorial and the Treasurer of the Diocese and

invests those funds in the form of a commingled fund with an FDIC insured trust company, currently Stock Yards Bank and Trust Company (*Charter of Trustees and Council*, Sec. 6). Congregations may entrust their own reserve funds to the Investment Committee of Trustees and Council for investment with the diocesan funds along with the diocese's commingled fund (*Canons of the Diocese of Kentucky* [2006], Canon 39, Sec. 4 [d]).

## VII. Communications

The diocese has three primary means of communicating with diocesan officers, staff, departments and congregations: Web-based communications, the diocesan newspaper, and direct mail and e-mail.

A. Web-based Communications. The diocese's Web site is one of the main forms of communication used by the diocese. The diocese has contracted with the Episcopal Media Center to set up and help with the management of its Web site. The Web site has a variety of resources to help visitors learn about our diocese and congregations. In addition, the diocese is offering, free of charge, the same Web services from Episcopal Media Center to all its congregations and diocesan departments. The integrated system of Web sites provides our congregations with resources and technical support to enhance their public visibility through the Internet and includes a Web-based project management tool for internal communications.

Users are expected to be mindful of and comply with copyright laws, and they are expected to use common sense and sound judgment when utilizing electronic communications. Users are prohibited from sending or soliciting any messages or materials that are obscene, profane, lewd, derogatory or otherwise potentially offensive. This includes material containing racial, sexual or similarly offensive comments or jokes. Harassment of any kind is prohibited. Users should respect the rights and sensitivities of recipients and potential recipients or viewers. Their electronic communications should reflect the image appropriate for a church or diocese.

B. Diocesan Newspaper. The *Episcopal News* is published nine times a year in partnership with *Episcopal Life*. The newspaper is currently published January through June, September, October and December. It is sent to all households in our diocese at diocesan expense.

C. Direct Mail and E-mail Communications. The diocese communicates on a regular basis with its clergy and lay leaders directly through e-mail communications and occasionally with all members of our diocese through bulk mailings. The diocese also publishes an online, bi-monthly newsletter, Enews Online, available to all who subscribe to the service.

Those who feel the necessity to communicate to the larger diocese on items affecting guidelines or policies should contact the canon to the ordinary. Items of general

interest and newsworthy items from congregations and diocesan organizations should be submitted to the Editor, *Episcopal News*, by e-mail at [enews@episcopalky.org](mailto:enews@episcopalky.org).

## VIII. Miscellaneous Policies/Guidelines

A. Alcoholic Beverages. In view of diocesan and congregation responsibilities under Kentucky law and in accordance with the moral obligation to discourage excessive consumption of alcoholic beverages, their usage at church functions must be limited and closely controlled. The use of alcohol is a personal choice, and no one should be pressured to drink.

Alcohol is not essential for the enjoyment of family or social events. Drinking alcoholic beverages should not be an activity for its own sake, but may be a part of other activities. When alcohol is served at church parties or social events, the person(s) responsible for the event is accountable to insure that alcohol, if used, is used legally, moderately and appropriately.

Drinking that leads to intoxication is neither healthy, safe, nor morally acceptable. Intoxication should not be taken lightly, but should be considered as irresponsible behavior or symptomatic of addiction. Frequent intoxication, or alcoholism, is a life-threatening, primary, and treatable disease which has been shown to be destructive of not only the affected individual, but also of family and community relationships. The diocese encourages intervention, where addictive behavior is identified, and also job protection for individuals who participate in ongoing treatment. However, the bishop will not support the continued employment or ministerial function of clergy or lay employees who continue to practice their addiction. Because families and congregations are also victims of addictive behavior, all clergy and trained members of the diocese should be prepared to offer pastoral support.

This diocesan policy provides consistent and uniform policy for congregations that serve alcohol. Please incorporate this alcohol usage policy into each congregation facility usage policy.

1. Any and all necessary and reasonable precautions shall be taken to supervise alcohol usage to insure that no individual is over served and that no individual under the legal drinking age is served.
2. Alcohol usage will be supervised by the group hosting the event in consultation with the rector.
3. No alcohol may be served at any youth or youth-sponsored event.
4. Alcohol may be served at functions provided that reasonable efforts are made to remove it from the original containers and serve it in carafes, glasses, cups, etc.

5. When alcohol is served, food and an equally attractive and accessible non-alcoholic beverage will be provided.

6. Whenever there is a charge for an event where alcohol is served, the fee for the event will include the cost for all beverages.

7. Groups hosting an event must receive the rector's approval in order to serve alcohol.

8. Any "outside group" or group "advertising to the public" that serves alcohol on church premises will be required to obtain an "event rider" from an insurance company. An "outside group" is defined as any community group, diocesan group, or similar event. "Advertising to the public" is defined as publicity through radio, newspaper, television or signage to induce the public to attend the scheduled event. However, this will not include notices published in church newsletters or church Web sites. When the church is the site for a wedding, the church should charge enough in usage fees to cover the cost of their insurance rider for the event.

9. Care will be exercised by the congregation to ensure that all alcohol usage on the premises is in accordance with appropriate state and local laws and ordinances.

B. Tobacco Usage. All buildings, including churches and parish halls of the Diocese of Kentucky are smoke and tobacco use-free facilities.

C. Gambling. The moral implications of taking a person's money and not giving them full value in return prevents the diocese from approving any form of gambling for any purpose, to include fundraising. This also includes bingo, raffles or other games of chance. However, it is not inappropriate to offer small prizes on a random or chosen by lot basis during a specific fund drive so long as no admission is charged for attendance, and no consideration is charged for the right to win a prize.