

*Episcopal Diocese
of
Washington*



*Journal and Directory
2019*

SUPPLEMENT: CONSTITUTION AND CANONS

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PART IV: DIOCESAN POLICIES

(LAST EDITED 2019)

COMMITTEE GOVERNANCE POLICY

(ADOPTED BY DIOCESAN COUNCIL 5/11/2004; REVISED 2019)

SEC. 1. RELATIONSHIP TO OTHER AUTHORITIES.

- (a) This committee governance policy shall apply to any committee established by a resolution of the Convention, Diocesan Council, or Standing Committee described under section 4402 of the Canons of the Diocese.
- (b) A resolution that establishes a committee may be amended by the entity that passed the resolution. Therefore, the entity that established a committee may make adjustments, provide oversight, and maintain control over the operation of the committee. By amending the establishing resolution, the entity may at any time change the conditions applicable to the committee, including the conditions under section 4403 of the Canons. The provisions under section 4403 only apply as a default if the entity does not address a particular issue by a resolution. For example, an entity may set the termination date of a committee when it is first established, change the termination date after it is established, or allow for a termination under section 4403.
- (c)
 - (1) This committee governance policy is subject to any provision of the Constitution or Canons of the Diocese.
 - (2) Any resolution establishing a committee shall be subject to the Constitution and Canons of the Diocese, except the Canons may authorize alternative provisions of the resolution to apply instead. (See section 4403 of the Canons).
 - (3) This committee governance policy shall be subject to a resolution of the Convention, Diocesan Council, or Standing Committee establishing a committee. To the extent that any provision of this policy is inconsistent with any provision of that resolution, the provision of the resolution shall govern.

SEC. 2. TASK FORCES.

- (a) A task force is a group of individuals established to preliminarily explore the nature of a particular issue, identify areas of focus, and develop measurable, achievable goals and objectives. A task force is not a committee for purposes of this governance policy. A task force may be appointed before a committee is established, but there is no requirement that a task force is established first. There is no requirement that a committee shall be established because a task force was established.
- (b) A task force may be established by the Bishop, Convention, Diocesan Council, or Standing Committee. The members of a task force shall be appointed by the entity that establishes it or in a manner as directed by the entity that establishes it. If the task force concludes that a committee should be established on the particular subject matter the task force shall submit a statement to the entity that established it on the reasons for the establishment of a committee, the fiscal impact and costs of the committee, and an identification of funding sources.

SEC. 3. ESTABLISHMENT OF A COMMITTEE.

The Convention, Diocesan Council, or Standing Committee may establish a committee by resolution. If a task force was established to perform exploratory work before the establishment of a committee, the Convention, Diocesan Council, or Standing Committee shall consider the report of the task force in establishing the committee. The resolution should contain standard language of accountability, including a provision that calls for a complete evaluation of the work of the committee after a period of approximately 3 years after its establishment. Section 4404(f) of the Canons provides for a termination date for a committee, but a committee may be extended, have a different termination date, or be made permanent by a resolution. The resolution establishing a committee shall summarize the areas of focus, and serve as the charge to the committee. The body established in the resolution shall be called a committee.

SEC 4. COMMITTEE MEMBERSHIP.

- (a) The resolution establishing the committee shall state who appoints the members of the committee and whether consent or consultation are required by a particular entity. There should be approximately 11 members and the total number of voting members should be an odd number to avoid a committee being deadlocked in a tie vote and left unable to act. Generally, when the Bishop appoints members, the Bishop shall consult with involved individuals, including members of the Convention, the Diocesan Council, or Standing Committee and any task force that preceded the committee. Members of a preliminary task force will be considered for appointment, but are not guaranteed appointment to the committee. There should be an appropriate distribution of membership to provide balance on the basis of clergy and laity, race, gender, region, and parish. The members of the committee may make recommendations for future members.
- (b) Some individuals may be appointed as non-voting members in a consultative capacity, such as clergy who are not clerical members of the Convention or individuals who are not communicants of this Diocese in good standing. Those non-voting members appointed in a consultative capacity shall serve for terms and be subject to term limitations in the same manner as voting members.

SECTION 5. SUBCOMMITTEES.

- (a) A subcommittee is an operational unit of a committee that is performing ongoing work of the committee. Before a subcommittee may be established, the committee shall submit a plan for approval to the Diocesan Council (or the Standing Committee in the case of a committee established by the Standing Committee). The plan shall include a description of the duties, authorities, and functions of the subcommittee and a system of terms and term limitations. The annual report of the committee submitted to the Convention and Diocesan Council shall include a report from the subcommittee on the goals, objectives, and work of the subcommittee during the year.
- (b) The Bishop (or the Standing Committee in the case of a committee established by the Standing Committee) and the committee chair shall appoint the chair of a subcommittee, with the consent of the committee. Members of the subcommittee are appointed by the chair of the committee and the chair of the subcommittee.

- (c) Membership of a subcommittee is not necessarily totally drawn from the membership of the committee. Any member of a subcommittee who is not a member of the committee (including the chair) shall meet the qualifications of committee membership and be subject to the same terms and term limitations as the committee.

SECTION 6. AD HOC TASK FORCES OF COMMITTEES.

An ad hoc task force of a committee is a group of individuals who are members of that committee, except an individual with specific expertise who is not a member of the committee may be appointed to the task force. The chair of the committee shall appoint the members with the consent of the committee. The ad hoc task force shall examine a particular issue on behalf of the committee or complete a specific project, and then disband. The lifespan of an ad hoc task force rarely exceeds a few months. If the work of an ad hoc task force continues for a year or longer, the committee shall evaluate whether the task force has become ineffective, is evolving into a subcommittee (which would need to meet the requirements of section 5), or for good reason needs to continue for a short, specific time.

SECTION 7. ASSIGNMENTS.

Assignments to a committee arise from the purposes, functions, duties, and authorities of the committee in the resolution establishing the committee. From time to time, the Bishop, Diocesan Council, Standing Committee, or Diocesan staff may ask the committee for assistance in exploring a particular subject related to the duties of the committee.

SECTION 8. ACCOUNTABILITY AND ANNUAL REPORT.

A committee shall submit a report to the Diocesan Council (or the Standing Committee in the case of a committee established by the Standing Committee) at least once a year. This is an opportunity for a mutual review, and the report and discussion should take the form of what has been accomplished that year and a mutual decision as to the goals and objectives for the coming year. Any changes relating to matters in the resolution establishing the committee (such as the title, purposes, functions, duties, authorities, or membership) are required to be made by a resolution.

SECTION 9. ACCOUNTABILITY TO CONVENTION.

- (a) Section 305 of the Canons provides that (if not otherwise a member of Convention) a committee chair has seat and voice, but no vote at any meeting of the Convention. The committee chair is responsible for producing a short, written report (1–2 pages) for the Convention, to be submitted on the first working day of each year. The report appears in a packet of information at the Convention, is posted on the diocesan website under the information for that committee, and appears in the Journal of the Diocese.
- (b) Unless otherwise included in the budget, there is generally a nominal amount (\$100 to \$300) in the Diocesan budget for the clerical costs of a committee. Each committee should make any budget request for funding to the Diocesan Council not later than October 1 of the year preceding the year in which the funds are to be made available. Budget requests should be part of the annual review under section 8. Committees may identify possible funding sources, but not engage in fundraising

without the approval of the Diocesan Council (or the Standing Committee in the case of a committee established by the Standing Committee).

SECTION 10. LIAISONS WITH COMMITTEES.

- (a) A member of the Diocesan staff should be assigned to each committee as a liaison. The relationship varies with the committee and with the individual chair, but the purpose is to be in relationship on behalf of the Bishop, and to help facilitate the flow of meetings and work for the year. Every committee needs to be aware that there is very little in the way of support staff at Church House and arrange for its own clerical work.
- (b) Members of the Diocesan Council may be appointed to some committees to serve as a liaison between the committee and the Diocesan Council. This is most likely to occur when some critical work is being done by the committee, but may occur at other times or for other reasons.

SECTION 11. TERMINATION OF COMMITTEES.

- (a) Any committee that is terminating under section 4404(f) of the Canons or under a provision of the resolution establishing the committee shall submit a report to the Diocesan Council (or the Standing Committee in the case of a committee established by the Standing Committee) not later than 90 days before the date of the termination. The report shall include a summary of the achievements of the committee and a recommendation of whether or not the committee should terminate or be extended.
- (b) The Diocesan Council (or the Standing Committee in the case of a committee established by the Standing Committee) should conduct a complete review of each committee every 3 to 5 years. Following the review process, the Diocesan Council (or the Standing Committee in the case of a committee established by the Standing Committee) may choose to terminate a committee, for any of a variety of reasons, including that the work of the committee has been completed, there has been a change in focus of the mission and work of the Diocese, or the committee has become ineffective or non-functional.

DIOCESAN LOAN POLICIES

A. POLICY FOR DIOCESAN GUARANTEES OF CONGREGATION LOANS

(ADOPTED BY THE DIOCESAN COUNCIL IN 2001, AMENDED IN 2008 AND 2012)

Among the resources of the Diocese of Washington are the buildings and grounds of the congregations of the Diocese. One of the important ministries of every congregation is adequate maintenance of existing structures and capital equipment. A number of church buildings and the surrounding land, including cemeteries, are historic sites in the Washington area. In every neighborhood the church building is an important community resource. Above all else, these buildings are the places where God is worshiped and prayers on behalf of God's creation are offered. Thus, every effort must be made by the congregations that call these buildings their "church home" to ensure that these buildings are maintained so that ministry now and in the future can be sustained.

Further, all Christians are called to go forth and preach the gospel to all nations. This may mean that congregations may be called upon to expand their mission and thus renovate and expand existing church buildings. Such a call to renew and/or expand a congregation's mission and building or expand structures requires substantial capital resources in order to finance such an undertaking. Good stewardship and effective fundraising are a critical and primary component to such a mission. There is no outside source, including the Diocese, which can substitute for a congregation's own financial support for its ministry.

When preparing to undertake any building improvement or expansion congregations are to exercise all possible efforts to secure financing without a diocesan guarantee. Lenders will almost inevitably request such a guarantee, if it is generally available, even when the lender would be willing to proceed without it. Congregations receiving permission from the Committee on Church Architecture to build and/or renovate existing property and from Finance Committee and the Standing Committee to encumber property should make every effort first to secure financing without a diocesan guarantee.

Under extraordinary circumstances the Diocese will consider guaranteeing a congregation's loan. Examples of such circumstances may include: major repairs without which a church could not function; the building of new worship or program space during a time of increased growth within the parish, yet at a time in which without the new space the growth will subside and/or cease altogether; a congregation with a substantial membership of low income people who can sustain the operation of a parish, but lack sufficient personal, financial resources to support building renovations, repairs and expansion. The guarantee program of the Diocese requires the following of participating congregations:

1. The congregation would follow the existing process of submitting building master plans and/or proposed designs to the Committee on Church Architecture for review, and submitting these same plans to the Finance Committee, along with the following information:
 - a. Parochial reports and audits from the previous three years;
 - b. A statement of income and expense of the current fiscal year;

- c. A current balance sheet;
 - d. A description of all fundraising activities for the building and a statement of funds received to date and funds anticipated, specifying the timeframe in which these funds would be received;
 - e. A case statement for the project;
 - f. A statement about current membership and projected growth;
 - g. A statement about current pledges and anticipated growth
2. The congregation will provide a deposit to the Diocese for the equivalent of six monthly mortgage payments on the date the loan documents are signed. This cash will be placed in an interest bearing account under the control of the Diocese. All interest earned will be the property of the Diocese.
 3. The congregation will negotiate with the lender a covenant that after five years of timely mortgage payments, the bank will release the Diocese from the guarantee, pending approval of the Finance Committee. This effectively limits the number of years that a guarantee will be in place. The congregation will also arrange with the lender to have mortgage payments deducted from their checking account to ensure timely payments.
 4. At the end of five years when the Diocese is released from the guarantee, the parish will receive their deposit back, less any payments made on their behalf to the bank, and net of any loan. The parish will not receive any of the interest earned on this deposit.
 5. During the time the guarantee is in place, the parish will submit quarterly financial reports to the diocesan Treasurer in a format acceptable to the Finance Committee. The diocesan Treasurer will maintain a schedule that includes the amount of loan outstanding, the amount of monthly payment, the amount of deposit, the amount of any loan made from the Closed Parishes Fund and the date of the most recent report. This report will be added to the reserve schedule for monthly distribution to the Diocesan Council.
 6. To qualify for the guarantee, a congregation must have submitted the most recent parochial report and audit on time. If a congregation has not complied, the congregation must do so within 30 days and then resubmit their request to the Finance Committee. The congregation must agree to submit all required diocesan reports in a timely manner during the time of the guarantee.
 7. At the time of request for a guarantee the congregation must be current with their payment of the pledge to the Diocese. Further, the congregation must agree to meet the expectation of moving to the tithe at the rate of 1% a year, if the congregation is not already tithing.
 8. If a congregation is unable to make a loan payment, they must notify the bishop in writing and request that the Diocese make a payment on their behalf from the deposit. The Bishop will authorize the payment and notify the Finance Committee chair and the Treasurer of the payment. The Bishop in consultation the Finance Committee Chair and the Treasurer and other appropriate staff will determine

the next steps needed to assist the congregation. Notification to the Diocesan Council will be done through the monthly report unless the Bishop determines that additional actions are needed. If the Diocese depletes the deposit, Council will receive a written report from the Finance Committee describing what actions will be needed to assist the congregation in resolving their financial situation.

All requests for loans to congregations must receive approval of Standing Committee. All requests for a Diocesan guarantee must be approved by Diocesan Council. At no time will the Diocese provide total cumulative guarantees in a nominal amount of more than 50% of unrestricted net assets of the Diocese, nor shall a guarantee provided to any one congregation amount to more than 10%, of the unrestricted net assets of the Diocese as shown on the audit report of the most recent fiscal year. Should total cumulative guarantees exceed the set limit for cumulative guarantees, no additional loans or loan amounts may be guaranteed by the Diocese until total cumulative guarantees are brought below that set limit. Should the guarantee to any one congregation exceed the set limit to a single congregation, no further loans or loan amounts may be guaranteed to that one congregation until that congregation's guarantee amount is brought below that set limit. This will safeguard the Diocese's financial assets and ensure the adequate monitoring of the participating congregations.

B. POLICY FOR SHORT-TERM LOANS TO PARISHES

(ADOPTED BY THE FINANCE COMMITTEE IN 1980 AND AMENDED IN 1985, 1993, AND 2008)

1. Priority will be given to parishes with the greatest financial need, and parishes must demonstrate, in their application for a short-term loan, why other resources are not available or adequate. Parishes with other resources must provide justification for using diocesan rather than parish funds.
2. Amount: \$35,000 or less; larger loans will be handled on a case-by-case basis.
3. Interest rate: Interest rates are to be set at closing at the then prevailing interest rate of five (5) year U.S. Treasury instruments plus .0175 (1.75%), but not less than .06 (6%). Interest rates shall be fixed for the 5-year term.
4. Repayment period: The standard repayment period is five years; however, the committee is prepared to grant exceptions where warranted.
5. The committee will consider each loan request on its particular merit.
6. While the Diocese will consider a wide range of possible uses for short-term loan proceeds, loan requests will generally be denied for such purposes as restoring operating funds and in instances where the use of other funds is more appropriate.
7. The granting of a loan does not relieve the parish of the responsibility to pay its Diocesan commitment.
8. Each loan request must include:
 - a. A complete description of the project/endeavor for which the loan is intended, including detailed, substantiated costs;
 - b. Parochial reports and audits from the previous three years;
 - c. A statement of income and expense of the current fiscal year;

- d. A current asset sheet;
- e. A description of all fundraising activities for the building and a statement of funds received to date and funds anticipated, specifying the time frame in which these funds would be received;
- f. A case statement for the project;
- g. A statement about current membership and projected growth;
- h. A statement about current pledges and anticipated growth;
- i. A proposed monthly repayment plan, supported by budgeted funds; and
- j. Justifying data to support the parish's need for a loan.

C. POLICY FOR LARGE LOANS TO PARISHES

(ADOPTED BY THE DIOCESAN COUNCIL IN 1980, AMENDED IN 1993 AND 2008)

FUNDS AVAILABLE TO BE LOANED AND LENDING CRITERIA:

Each year, the Diocesan Council will establish a limit for large-loan Missionary Development Funds (MDF) for the purpose of funding extraordinary missionary opportunities. Extraordinary missionary opportunities are those that reach beyond the normal functions of mission and outreach for all parishes and seek to develop new ministries, programs or special projects targeted at increasing Church membership and participation.

MAXIMUM AMOUNT TO BE LOANED TO ANY PARISH:

\$200,000 , with exceptions approved on a case-by-case basis.

TERMS:

1. The loan shall be for a period of five years at a fixed interest rate. Monthly payments shall be made as if the loan was for a period of 20 years, and a balloon payment of the balance will be due at the end of the five-year period. Interest rates are to be set at closing at the then prevailing interest rate of five (5) year U.S. Treasury instruments plus .0175 (1.75%), but not less than .06 (6%). Interest rates shall be fixed for the 5-year term.
2. In the absence of extraordinary and compelling circumstances, the loan will be renewed for successive 5-year periods, but will not be renewed after the twentieth year. Upon each renewal, the Diocese may adjust the interest rate and other terms.
3. The loan shall be secured by a deed of trust with the highest possible priority covering the parish's real estate and approved by the Standing Committee. In addition, the parish shall comply with such of the conditions respecting aided parishes as the Council shall determine upon the recommendation of the Finance Committee (see accountability standards below).
4. The Diocese shall arrange for the preparation of the loan documents, at the expense of the parish.
5. All loans shall require the approval of the Council.

PROCESS:

1. Loan requests should be submitted to the Bishop who, after review with the staff, would route them to:
 - a. The Committee on Church Architecture, if appropriate, for review of the building plans;
 - b. The Moderator of Council and the Canon to the Ordinary, who would determine whether or not the proposed project represents an extraordinary missionary opportunity;
 - c. The Finance Committee, for review of the parish's financial condition and ability to carry the loan.
2. Each loan request must include:
 - a. A complete description of the project/endeavor for which the loan is intended, including detailed, substantiated costs;
 - b. Parochial reports and audits from the previous three years;
 - c. A statement of income and expense of the current fiscal year;
 - d. A current asset sheet;
 - e. A description of all fund-raising activities for the building and a statement of funds received to date and funds anticipated, specifying the time frame in which these funds would be received;
 - f. A case statement for the project;
 - g. A statement about current membership and projected growth;
 - h. A statement about current pledges and anticipated growth;
 - i. A proposed monthly repayment plan, supported by budgeted funds; and
 - j. Justifying data to support the parish's need for a loan.
3. Reports from the above committees would be submitted to the Moderator of the Diocesan Council. The Moderator could request that further work or review be undertaken by any of the committees, or could recommend the loan to the Diocesan Council.
4. The Diocesan Council would act on the loan request.

FINANCIAL ACCOUNTABILITY STANDARDS FOR PARISHES RECEIVING LOANS:

1. The proposed annual budget of the church will be submitted for review two months before the start of the church's fiscal year. Following the completion of the every member canvass, any changes in the budget shall be submitted to the Finance Committee for review.
2. Quarterly financial statements using the form contained in Appendix B of "Audit Procedures in the Diocese of Washington" will be submitted in duplicate to the Chair of the Finance Committee through the Business Affairs Office.
3. Record keeping shall be done in a manner at least as rigorous as that specified by the Manual for Treasurers of Missions and Aided Parishes."

4. An every member canvass with personal contacts shall be held each year.
5. There shall be an annual audit of the church's accounts according to the standards stated in the "Audit Procedures in the Diocese of Washington."
6. In view of the substantial amount of the loan, a liaison member of the Finance Committee shall be appointed to discuss and review with the treasurer of the parish any deviations from budget figures, or any plans for special fund drives, or any other activities of the parish that would reflect on its financial strength.

DIOCESAN AUDIT GUIDELINES

Each parish within the Diocese of Washington is responsible for submitting audited financial statements to the Bishop of Washington. These statements must be received by September 1st of the year following the calendar year being reported. To ensure financial statements are fairly stated, canon law requires an annual audit be completed by each parish. For direction in completing the annual audit, in January of 2003 the Diocesan Council adopted the audit guidelines established by the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA (DFMS).

These guidelines are included as Chapter VI in the *Manual of Business Methods in Church Affairs* which is published by the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the USA. In addition to the audit guidelines, the manual includes a great wealth of useful information aimed at assisting congregations in effectively running the business of the church, including information relating to tax, financial management, insurance, and other issues. This manual is available on The Episcopal Church website at www.episcopalchurch.org. The audit guidelines allow the following three types of financial audit be conducted by a parish:

1. Audit by independent CPA (Certified Public Accountant)
2. Audit by independent PA (Public Accountant)
3. Audit by Committee chosen by parish

These guidelines were created for parishes that choose to do an audit by committee instead of engaging a CPA or PA to perform the audit. The guidelines outline the steps and processes necessary to adequately review the financial statements and internal accounting controls of a parish.

Two changes, which were recommended by the Diocesan Finance Committee, are incorporated into the audit guidelines approved by Council. Both of these changes affect bullet 5 on page VI-3 of the manual, discussing the committee audit. First, the final sentence in the second paragraph of bullet 5, dealing with reimbursement for out-of-pocket expenses, was deleted. Second, the following sentence was added as the second sentence to the third paragraph under bullet 5: “A committee member may be someone, other than a CPA, who is engaged by the congregation to perform the committee audit, as long as the Committee Audit Guidelines and format are followed.”

The text of the Introduction portion of the guidelines is below (including the two diocesan changes listed above and appropriately marked, that were adopted by our Council). For the other sections (Audit Program Checklist, Sample Audit Committee Certificate, Instructions for the Audit Program), please refer to the *Manual of Business Methods in Church Affairs*.

1. Purpose: These audit guidelines were developed to assist auditors in performing the annual audit of the books of account of the congregations of the Episcopal Church.
2. Reasons for an Audit: Annual audits are required by the Canons of the Episcopal Church for all parishes, missions, and other institutions. The primary purpose of an audit is to assure that financial statements are fairly stated. Any person handling the monies or investments of the church needs an audit to protect the church assets

and him/her against suspicion of mishandling those assets. Similarly, rectors, vestries, vicars, bishop's committees, treasurers, and other persons in positions of responsibility may be liable for any losses which would have been discovered by an ordinary audit but were not discovered because they failed to have an audit conducted.

In addition, an announcement to the congregation that a completed audit reveals that all monies and investments are properly accounted for will have a positive impact on stewardship.

3. Pre-Audit Advice: When meeting with the auditors, be prepared to discuss your plans and objectives. Auditors are in the position to advise you and serve your interest when they understand the goals you have set and when you can clearly explain what you expect and hope to get from their services.

Keep good records and help your auditor save you money by not using professional time for routine work, such as gathering information.

Keep your auditor informed of changes and new directions in the congregation.

The treasurer and others, such as Vestry members, rectors, and staff, should be available to the auditor to provide any needed information.

A copy of the *Manual of Business Methods in Church Affairs* should be made available to the auditors.

4. Approved Auditors: The canons permit the auditing of congregational accounts by “an independent Certified Public Accountant,” by “an independent licensed public accountant,” or by “such committee as shall be authorized by the Finance Committee, Department of Finance, or other appropriate diocesan authority.”

- a. *Certified Public Accountant:* Very often the complexity and/or size of congregations necessitate an independent examination and reporting on their financial statements.
 - i. Certified Public Accountants offer several levels of service. These include the audit, the compilation, and the review. Refer to the Glossary of this manual for definition of these terms. Neither a review nor a compilation is acceptable in place of an audit of a parish, mission, or other institution of the church.
 - ii. Certified Public Accountants engaged in public accounting are available to all who wish to engage them for independent accounting skills. These skills consist primarily of the design and installation of financial systems, audits, investigations and reports based on audits, advice on management and financial policies, and tax return preparation.
 - iii. Certified Public Accountants have met the statutory requirements of a state or other political subdivision of the United States as to age, education, residence, moral character, and expertise, and have passed.
 - iv. Certified Public Accountants are permitted to advertise their services. This should help you in your search. Generally, when people do not know an accountant in the community, they will ask friends to recommend

someone. Businesspersons, especially those in the not-for-profit field, can be helpful in finding an accountant with expertise in the not-for-profit sector. Lawyers and bankers can be of assistance as well.

- v. Fees are based on time charges. Moreover, fees vary with the level of experience of those required to perform the work. The prevailing cost of conducting a practice in the community will affect professional audit fees. Fees also vary based upon the time of year the audit work is performed.
- b. *Independent Licensed Public Accountants:* While the CPAs and PAs are both licensed to perform the same public accounting services, they prepare differently to become licensed. A Public Accountant has a license based solely upon public accounting experience.

5. The Committee Audit: These Audit Guidelines were specially prepared for audit by committees. The Audit made by an audit committee will be termed a Committee Audit. The Auditor's Opinion Letter of an Audit Committee will be termed an Audit Committee Certificate. The Auditor's Comments on Internal Control will be termed Audit Committee Findings on Policies and Procedures.

Audit committee members should be independent of the decision making and financial record keeping functions of the congregation. The members of the audit committee should have sufficient financial skills and experience to conduct a competent audit. It might be appropriate to offer reimbursement to the audit committee for out-of-pocket expenses.

An audit committee may consist of one or more individuals. A committee member may be someone, other than a CPA, who is engaged by the congregation to perform the committee audit, as long as the Committee Audit Guidelines and format are followed. The actual number of members should be determined by the size and scope of the audit.

6. Scope of the Committee Audit: The scope of the audit shall include:

- a. Sufficient tests of transactions to assure compliance with these guidelines and adequate control of the assets of each congregation.
- b. Verification (or preparation) of financial statements in the form approved for the Episcopal Church as set forth in this manual. Refer to Chapter III (Bookkeeping).
- c. A review of management control practices using the Internal Control Questionnaire found in Chapter II (Internal Controls).

7. Accounts to be Audited: All accounts must be audited. The audit requirement covers not only the operating accounts of the organization, but also all its restricted, endowment, and property funds, and the accounts, if any, of its organizations. No church money is exempt from the requirement of an audit. If a separate auditor has audited an account of a separate treasurer, the report should be included in the consolidated financial statements.

8. Objectives of the Audit: The major objectives of an audit of a congregation are to ascertain the following:

- a. That the various transactions during the year are proper and are documented appropriately (*i.e.*, authorized, complete and accurate);
- b. That the various transactions during the year are recorded in the proper amounts and in the proper accounts;
- c. That the assets, liabilities, income and expenses, which should be in the financial records, are so shown in the proper amounts and in the proper accounts;
- d. That, to the extent feasible, adequate internal control procedures were and continue to be in effect; and
- e. That the financial statements for the year were prepared from the financial records and present fairly the financial position and changes in net assets and cash flows of the congregation.

9. Timing of the Audit: The Canons call for a church fiscal (*i.e.*, financial) year ending on December 31 of any given year. The engagement of the auditor should be done prior to the end of the period being examined. This timing allows the auditor to include certain audit procedures that can only be performed at year-end.

10. Contents of the Audit Report: The auditor is responsible for submitting an audit report to the Vestry of the church. The Audit Report shall consist of:

- a. The Audit Committee Certificate;
- b. The Statement of Financial Position;
- c. The Statement of Activities;
- d. The Statement of Cash Flows;
- e. Completed Audit Program Checklist;
- f. The Audit Committee Findings on Policies and Procedures; and
- g. A corrected parochial report as a result of audit adjustments, if applicable.

11. Filing of the Audit:

- a. Prior to actual delivery of the audit report, the Vestry should issue a letter to the auditor stating that all records have been available for audit and there are no funds omitted.
- b. Upon completion, the Audit Committee shall present the audit report to the Treasurer, Rector, and Wardens.
- c. Any findings and recommendations should be presented in the Audit Committee Findings on Policies and Procedures, not in the Audit Committee Certificate. These items will be discussed with the Treasurer or other responsible persons and within 30 days their written response, attached to the audit report, is presented to the Vestry.

- d. The Vestry receives the audit report upon completion.
- e. A copy of the audit report should be filed with the Bishop or Ecclesiastical Authority not later than 30 days following its completion and never later than September 1 of each year, covering the financial reports of the previous calendar year. The minutes of the Vestry will officially record the receipt, acceptance, and subsequent filing of the audit report with the Ecclesiastical Authority.
- f. If, at any time during the audit, the records suggest that something is seriously wrong, the matter should be brought immediately to the attention of someone of superior authority, as well as the appropriate diocesan authority.

POLICY STATEMENT ON DISPOSITION OF PROCEEDS FROM SALE OF REAL ESTATE ASSETS

(ADOPTED BY DIOCESAN COUNCIL 5/9/2006)

The Episcopal Diocese of Washington has formulated this policy statement as a guide for dealing with the disposition of real estate asset sale proceeds. No prior policy statement can be identified as existing. Asset sales, by their very nature, tend to be long term in their perspective. We endorse this same concept when putting these resources to use. Use of any proceeds should align with the mission/vision of the Diocese. They should and will not be used for normal operating expenses.

Each situation will present its own unique set of circumstances. The timing of each sale will also come at a unique time for the Diocese – where we can envision an almost unlimited opportunity to put these assets to use for varying needs, projects, and ministries. We believe these guidelines need to provide a fundamental direction for the use of these proceeds. While Council needs to show some sensitivity, flexibility, and creativity to respond to the needs of the moment, we recommend the basic guidelines serve as the foundation for all decisions on the use of sale proceeds.

Prior to determining any use of these proceeds, the original source of the funds used to acquire the asset will be researched to determine any commitments, restrictions, or requirements that may apply to ensure we properly dispose of the proceeds.

1. Proceeds from asset sales will primarily be used for (prioritization is not implied):
 - purchase of new land
 - church plants
 - building/renovation projects including accessibility
 - congregational development and renewal
 - renewable investments (start-up or seed loans)

Use of these proceeds could take the form of a grant, reimbursable grant, loan, or investment. Council will establish a process and procedures by which requests can be administered according to these guidelines.

2. All monies received from sale proceeds will be separately accounted for to ensure they go toward the intended use. Investment income on these monies will be kept within these funds and not used for other purposes.

3. Council will be responsible for making all decisions regarding the use of asset sale proceeds. Council will also be responsible for the review, revision as necessary, monitoring, and application of these guidelines on behalf of Convention. Council will task the appropriate committee or staff to execute all decisions.

THE ONE HUNDRED TWENTY-FIFTH ANNUAL
SESSION OF THE CONVENTION WILL BE HELD AT

Washington National Cathedral
Mount Saint Alban
Washington, DC 20016

JANUARY 25, 2020

CLERGY CHANGE OF ADDRESS

Clergy are requested to report immediately any change in address or status to the following:

1. The Secretary of the Convention
Episcopal Church House
Mount Saint Alban
Washington, DC 20016
2. The Church Pension Fund
19 E 34th St
New York, NY 10016