

# Vestry Handbook

2022



## The Episcopal Diocese of Western North Carolina

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## **Introduction**

Your election to the Vestry is both an honor and a great responsibility. As a Vestry member, you are a servant-trustee, a steward over the household of faith. Your willingness to offer your gifts and talents by serving on the Vestry is a great gift to the Church, and your time on the Vestry should be one of personal enrichment.

Vestry members are spiritual leaders who are committed to building up the Body of Christ so that it can be an effective instrument of mission and ministry in the world. Being on the Vestry takes a commitment of time, energy, and heart. Vestry persons are elected to represent the parish membership in temporal matters and to make wise and prayerful decisions concerning the life and ministry of the congregation. Because their duties overlap, it is critical that the Vestry work in cooperation with the Rector and the Bishop. In order for this partnership to function well and, indeed flourish, and for you to be an effective member of the Vestry, it is important to have a clear understanding of your roles and responsibilities.

This manual will acquaint you with your duties and the opportunities for growth as a Vestry member. You will learn how the Vestry fits into the bigger picture of church governance, what your job is and is not, and how you can work with parishioners, vestry colleagues and clergy to best serve your parish and our Lord.

## **Origins of Vestry Leadership**

More than any other church in the Anglican Communion, The Episcopal Church is deeply rooted in a representative form of government. This is because the birth of The Episcopal Church coincided with the birth of the nation. The constitution of this church was signed in 1789 in Philadelphia at Independence Hall — the same year, city, and building in which the Constitution of the United States was signed and ratified.

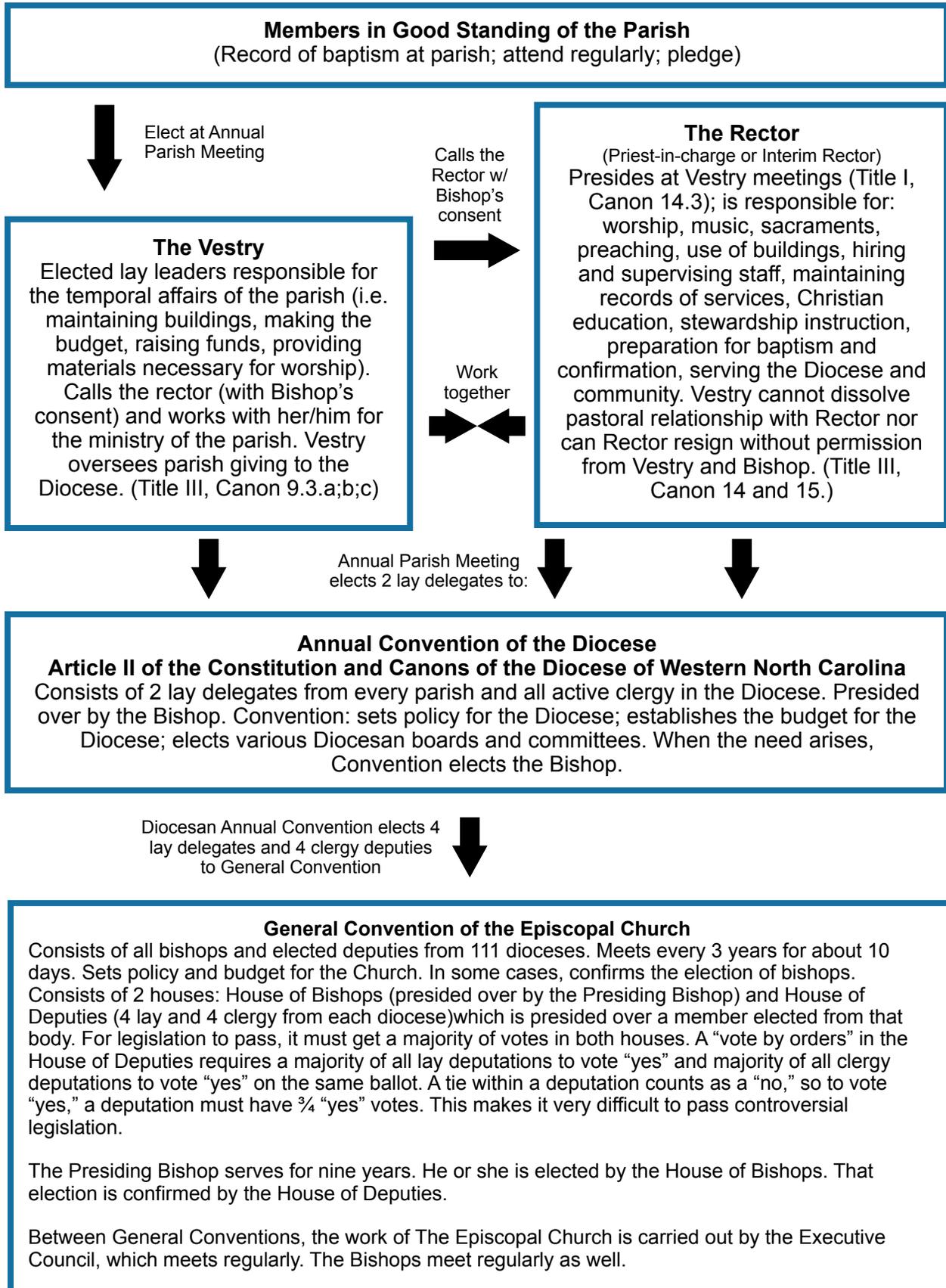
Lay participation in the governance of the church is a hallmark of our identity. Authority is conferred through representatives duly elected by the people. Likewise, The Episcopal Church is not a pure democracy; other than to elect Vestry representatives, decisions on most parish matters are not made by congregational meetings.

On the following page is a diagram showing how The Episcopal Church is governed. As you can see, the Vestry, along with the Rector, Priest-in-Charge, or Interim Rector, is charged with making the decisions affecting the life and ministry of the parish. Vestry members are elected at the Annual Parish Meeting; the Vestry elects parish representatives to the annual Diocesan Convention, made up of all canonically resident clergy and the elected lay representatives from each parish. In addition to the other work of the Diocese, Diocesan Convention elects deputies (four clerical and four lay) to the General Convention of the Episcopal Church, the governing body of the Church which meets every three years. Diocesan Convention also elects bishops when the need arises.

This chart demonstrates that authority, whether by the Bishop, the Rector, or the Vestry, is conferred by the representatives of the church assembled in council at the various decision-making levels.

Note: In any place where "Rector" is referenced, please know that a Priest-in-Charge (PIC) or Interim Rector share the same privileges, authority and responsibilities as a "rector" with the exception of tenure.

## **Diagram of the Polity of The Episcopal Church**



## **THE CANONS**

The *Constitution and Canons of the Episcopal Church*, the *Constitution and Canons of the Diocese of Western North Carolina*, and bylaws of a parish, if any, are the founding documents that set out the structure and statutes of governance and the parameters of authority, while also providing an outline of the role and responsibilities for the members and leaders in the church.

Vestry members are invited to start with the canons of the church for the basics of their job and ministry. Everything else that follows in this handbook help elaborate the “job description” of the vestry and offer best practices in leadership.

## **RELEVANT CANONS OF THE GENERAL CONVENTION OF THE EPISCOPAL CHURCH**

### **Title I, Canon 14 - Of Parish Vestries**

Sec. 1. In every Parish of this Church the number, mode of selection, and term of office of Wardens and Members of the Vestry, with the qualifications of voters, shall be such as the State or Diocesan law may permit or require, and the Wardens and Members of the Vestry selected under such law shall hold office until their successors are selected and have qualified. Sec. 2. Except as provided by the law of the State or of the Diocese, the Vestry shall be agents and legal representatives of the Parish in all matters concerning its corporate property and the relations of the Parish to its Clergy.

Sec. 3. Unless it conflicts with the law as aforesaid, the Rector, or such other member of the Vestry designated by the Rector, shall preside in all the meetings of the Vestry.

### **Title I, Canon 17 - Of Regulations Respecting the Laity**

- Sec. 1
- (a) All persons who have received the Sacrament of Holy Baptism with water in the Name of the Father, and of the Son, and of the Holy Spirit, whether in this Church or in another Christian Church, and whose Baptisms have been duly recorded in this Church, are members thereof.
  - (b) Members sixteen years of age and over are to be considered adult members.
  - (c) It is expected that all adult members of this Church, after appropriate instruction, will have made a mature public affirmation of their faith and commitment to the responsibilities of their Baptism and will have been confirmed or received by the laying on of hands by a Bishop of this Church or by a Bishop of a Church in communion with this Church. Those who have previously made a mature public commitment in another Church may be received by the laying on of hands by a Bishop of this Church, rather than confirmed.

- Sec. 2 (a) All members of this Church who have received Holy Communion in this Church at least three times during the preceding year are to be considered communicants of this Church.
- (b) For the purposes of statistical consistency throughout the Church, communicants sixteen years of age and over are to be considered adult communicants.
- Sec. 3 All communicants of this Church who for the previous year have been faithful in corporate worship, unless for good cause prevented, and have been faithful in working, praying, and giving for the spread of the Kingdom of God, are to be considered communicants in good standing.
- Sec. 5 No one shall be denied rights, status or access to an equal place in the life, worship, and governance of this Church because of race, color, ethnic origin, national origin, marital status, sex, sexual orientation, disabilities or age, except as otherwise specified by Canons.
- Sec. 7 No unbaptized person shall be eligible to receive Holy Communion in this Church.
- Sec. 8 Any person accepting any office in this Church shall well and faithfully perform the duties of that office in accordance with the Constitution and Canons of this Church and of the Diocese in which the office is being exercised.

#### **Title I, Canon 7.3 - Encumbrance of Property Requires Consent**

No Vestry, Trustee, or other Body, authorized by Civil or Canon law to hold, manage, or administer real property for any Parish, Mission, Congregation, or Institution, shall encumber or alienate the same or any part thereof without the written consent of the Bishop and Standing Committee of the Diocese of which the Parish, Mission, Congregation or Institution is a part, except under such regulations as may be prescribed by Canon of the Diocese.

#### **Title I, Canon 7.4-5 Property Held in Trust**

Sec. 4: All real and personal property held by or for the benefit of any Parish, Mission or Congregation is held in trust for this Church and the Diocese thereof in which such Parish, Mission or Congregation is located. The existence of this trust, however, shall in no way limit the power and authority of the Parish Mission or Congregation otherwise existing over such property so long as the particular Parish, Mission or Congregation remains a part of, and subject to, this Church and its Constitution and Canons.

Sec. 5: The several Dioceses may, at their election, further confirm the trust declared under the foregoing Section 4 by appropriate action, but no such action shall be necessary for the existence and validity of the trust.

### **Title III, Canon 9.3 The Appointment of Priests**

#### **(a) Rectors**

1. When a Parish is without a Rector, the Wardens or other officers shall promptly notify the Ecclesiastical Authority in writing. If the Parish shall for thirty days fail to provide services of public worship, the Ecclesiastical Authority shall make provision for such worship.
2. No Parish may elect a Rector until the names of the proposed nominees have been forwarded to the Ecclesiastical Authority and a time, not exceeding sixty days, given to the Ecclesiastical Authority to communicate with the Vestry, nor until any such communication has been considered by the Vestry at a meeting duly called and held for that purpose.
3. Written notice of the election of a Rector, signed by the Wardens, shall be forwarded to the Ecclesiastical Authority. If the Ecclesiastical Authority is satisfied that the person so elected is a duly qualified Priest and that such Priest has accepted the office to which elected, the notice shall be sent to the Secretary of the Convention, who shall record it. Race, color, ethnic origin, sex, national origin, marital status, sexual orientation, disabilities or age, except as otherwise specified by these Canons, shall not be a factor in the determination of the Ecclesiastical Authority as to whether such

### **Title III, Canon 9.6 - Rectors and Priests-in-Charge and Their Duties**

- (a)
  1. The Rector or Priest-in-Charge shall have full authority and responsibility for the conduct of the worship and the spiritual jurisdiction of the Parish, subject to the Rubrics of the Book of Common Prayer, the Constitution and Canons of this Church, and the pastoral direction of the Bishop.
  2. For the purposes of the office and for the full and free discharge of all functions and duties pertaining thereto, the Rector or Priest-in-Charge shall at all times be entitled to the use and control of the Church and Parish buildings together with all appurtenances and furniture, and to access to all records and registers maintained by or on behalf of the congregation.
- (b)
  1. It shall be the duty of the Rector or Priest-in-Charge to ensure all persons in their charge receive Instruction in the Holy Scriptures; in the subjects contained in An Outline of the Faith, commonly called the Catechism; in the doctrine, discipline, and worship of this Church; and in the exercise of their ministry as baptized persons.
  2. It shall be the duty of Rectors or Priests-in-Charge to ensure that all persons in their charge are instructed concerning Christian stewardship, including:
    - (1) Reverence for the creation and the right use of God's gifts;
    - (2) Generous and consistent offering of time, talent, and treasure for the mission and ministry of the Church at home and abroad;
    - (3) The biblical standard of the tithe for financial stewardship; and the responsibility of all persons to make a will as prescribes in the Book of Common Prayer.

3. It shall be the duty of Rectors or Priests-in-Charge to ensure that persons be prepared for Baptism. Before baptizing infants or children, Rectors or Priests-in-Charge shall ensure that sponsors be prepared by instructing both the parents and the Godparents concerning the significance of Holy Baptism, the responsibilities of parents and Godparents for the Christian training of the baptized child, and how these obligations may properly be discharged.
  4. It shall be the duty of Rectors or Priests-in-Charge to encourage and ensure the preparation of persons for Confirmation, Reception, and the Reaffirmation of Baptismal Vows, and to be ready to present them to the Bishop with a list of their names.
  5. On notice being received of the Bishop's intention to visit any congregation, the Rector or Priest-in-Charge shall announce the fact to the congregation. At every visitation it shall be the duty of the Rector or Priest-in-Charge and the Wardens, Vestry or other officers, to exhibit to the Bishop the Parish Register and to give information as to the state of the congregation, spiritual and temporal, in such categories as the Bishop shall have previously requested in writing.
  6. The Alms and Contributions, not otherwise specifically designated, at the Administration of the Holy Communion on one Sunday in each calendar month, and other offerings for the poor, shall be deposited with the Rector or Priest in Charge or with such Church officer as the Rector or Priest-in-Charge shall appoint to be applied to such pious and charitable uses as the Rector or Priest-in-Charge shall determine. When a Parish is without a Rector or Priest-in-Charge, the Vestry shall designate a member of the Parish to fulfill this function.
  7. Whenever the House of Bishops shall publish a Pastoral Letter, it shall be the duty of the Rector or Priest-in-Charge to read it to the congregation on some occasion of public worship on a Lord's Day or to cause copies of the same to be distributed to the members of the congregation, not later than thirty days after receipt.
  8. Whenever the House of Bishops shall adopt a Position Paper, and require communication of the content of the Paper to the membership of the Church, the Rector or Priest-in-Charge shall so communicate the Paper in the manner set forth in the preceding section of this Canon.
- (c)
1. It shall be the duty of the Rector or Priest-in-Charge to record in the Parish Register all Baptisms, Confirmations (including the canonical equivalents in Canon I.17.1 (d)), Marriages and Burials.
  2. The registry of each Baptism shall be signed by the officiating Member of the Clergy.
  3. The Rector or Priest-in-Charge shall record in the Parish Register all persons who have received Holy Baptism, all communicants, all persons who have received Confirmation (including the canonical equivalents in Canon I.17.1 (d)), all persons who have died, and all persons who have been received or removed by letter of transfer. The Rector or Priest-in-Charge shall also designate in the Parish Register the names of (1) those persons whose domicile is unknown, (2) those persons whose domicile is known but are inactive, and (3) those families and persons who are active within the congregation. The Parish Register shall remain with the congregation at all times.

### **Title III, Canon 9.15.a - Dissolution of the Pastoral Relation**

Except upon mandatory resignation by reason of age, a Rector may not resign as Rector of a parish without the consent of its Vestry, nor may any Rector canonically or lawfully elected and in charge of a Parish be removed therefrom by the Vestry against the Rector's will, except as hereinafter provided.

## **RELEVANT CANONS AND RESOLUTIONS OF THE DIOCESE OF WESTERN NORTH CAROLINA**

### **CANON 8**

#### **The Diocesan Program and Bishop's Discretionary Fund**

SECTION 1. It shall be the duty of the Vestries of each Parish to provide for the collection and payment of such sums as they shall determine for the support of the Diocese. Unless a different schedule of payment is requested and authorized by the Treasurer, the same shall be transmitted in monthly installments to the Treasurer of the Diocese.

SECTION 2. The open offering taken at one visitation annually of the Bishop to each Parish shall be delivered forthwith by the local Treasurer to the Bishop for his or her discretionary use; the funds so created to be known as 'The Bishop's Discretionary Fund'.

### **CANON 10**

#### **The Vestry**

SECTION 1. In every Parish in the Diocese annually, at a time and place of which notice shall be given to the congregation and the Bishop at least 14 days prior thereto, and after prayer, there shall be held a Parish meeting of the qualified voters of the Parish for the election of a Vestry, which shall consist of not fewer than five nor more than fifteen members, who, upon taking office when their 10 term begins, shall continue in office until their successors are chosen and duly installed. Members of the Vestry should be elected for a term not to exceed three years according to a system of rotation to insure that not all Vestry members complete their service at the same time. Vestry members may not succeed themselves except when they are filling an unexpired term. A Vestry member may not stand for reelection until the member has been a past-Vestry member for at least one year. The Rector of the Parish, if present, shall preside at Parish Meetings. In the absence of the Rector, the order of priority for the presiding officer shall be ex officio:

1. The Senior Warden
2. The Junior Warden

Should none of the foregoing officers be present, the Parish Meeting may elect one of its members to preside.

SECTION 2. In the best interest of the Parish, the election of a Vestry may be postponed by concurrence of the Rector and at least one Warden (or, if both Wardens or the Rector is absent, by the concurrence of the presiding officer and at least one-sixth of the eligible voters present) upon a finding that either of the following conditions has been met: first, that less than ten percent of those eligible to vote are present at the meeting, or second, that fewer than ten eligible voters are present at the meeting. Upon such concurrence, the Rector or presiding officer shall declare the Parish Meeting postponed. The Parish Meeting shall then adjourn to a

designated day, hour, and place, not fewer than seven nor more than fourteen days later, and timely notice shall be given to the Parish of the date, hour, and place of such postponed meeting. The postponed meeting shall be treated in all respects as a regular Parish Meeting.

SECTION 3. The Vestry shall, upon nomination of the Rector, elect two of its members, one as Senior Warden, and the other as Junior Warden.

SECTION 4. The Vestry shall elect a Secretary, not necessarily a member of the Vestry, whose duty it shall be to take and record the minutes of their proceedings, attest the public acts of the Vestry, preserve all records and paper belonging to the Parish not otherwise provided for, perform such other duties as shall be legally assigned to the Secretary, and faithfully deliver to the duly elected successor all books and documents in the possession of the Secretary belonging to the Parish.

SECTION 5. A Treasurer, not necessarily a member of the Vestry, shall also be elected by the Vestry, to receive, disburse, and account for the funds of the Parish.

SECTION 6. In electing a Vestry, any duly baptized person of the age 16 years or over who has contributed to the support of the Church by subscription or otherwise for a period of at least six months prior to the election, shall be eligible to vote.

SECTION 7. To be eligible as a member of the Vestry, a person must be an adult confirmed communicant in good standing and an eligible voter as defined in Section 6 of this Canon.

SECTION 8. It shall be the duty of the Vestry to take charge of the property of the Church; to regulate all its temporal concerns; to elect, call and provide for the maintenance of a minister in accordance with the provisions of Canon 11; to provide for paying all lawful assessments on the Parish; to keep order in the Church during divine service; and in general to act as helpers to the Minister in whatever is appropriate to laypersons for the furtherance of the Gospel, it being 11 understood, always, that the spiritual concerns of the Church are under the exclusive direction of the Minister in subordination to the Ecclesiastical Authority and Constitution and Canons of the Diocese. The Vestry shall ascertain the amount to be paid for the support of the Diocesan Program and each year, not later than December 10, shall report the amount to the Department of Fiscal Ministries of the Executive Council of the Diocese.

SECTION 9. The Rector, or such other member of the Vestry designated by the Rector, shall preside at all the meetings of the Vestry.

SECTION 10. It shall be the duty of the Wardens, especially, to provide the elements for the Lord's Supper; to collect the alms at the administration of the same; to keep and disburse such alms at the administration of the same; to keep and disburse such alms in case the Church is destitute of a Minister; and while the Church is destitute of a Minister, to provide for the holding of public worship and instruction of the congregation by occasional clerical services, or by lay reading, as the circumstances may permit. Meetings of the Vestry may be called by the Rector, or, in the absence of the Rector, by the Senior Warden, at the request of a majority of the Vestry members.

SECTION 11. Vacancies occurring in a Vestry may be filled by the remaining members, provided they are a majority of the Vestry. If a majority of the members of a Vestry duly elected refuses to accept the act or shall become incapacitated for action by death or resignation or removal of residence or otherwise, the Bishop may call a special Parish Meeting, giving at least fourteen days' notice thereof, to elect a Vestry to serve until the next annual meeting of the Parish. If the Parish shall refuse or neglect to assemble and elect a Vestry as herein provided, the Bishop, with the advice and consent of the Standing Committee, may appoint three Trustees

to take charge of the property of the Parish and to exercise all the rights and functions of a Vestry until the Parish shall elect a Vestry under the provisions of this Canon.

SECTION 12. It shall be the duty of Parish Vestries to provide all lay employees who have worked at least one year and who are paid for a minimum of 1,000 hours per year retirement benefits through participation in the Episcopal Church Lay Employees Retirement Plan or an equivalent plan, the provisions of which are at least equal to those of the Lay Employees Retirement Plan.

## **CANON 12**

### **Parish Registers and Reports**

SECTION 1. The Rector or Priest in Charge of every Parish of this Diocese shall keep records of all families, baptisms, confirmations, marriages, and funerals within the Parish, specifying the name, time, place of birth; parents and sponsors of each person baptized; the time when persons became communicants in the Parish and whether by confirmation, transfer from some other Parish, or otherwise. This record shall be kept in a suitable book to be called the Parish Register, provided by and belonging to the Vestry of the Parish served, which book shall be a part of the records of the Parish.

SECTION 2. In every Parish the Rector and the Vestry and in every other congregation the Minister shall, not later than the first day of February of each year, present or send to the Bishop or to the Secretary of the Convention a report of the Minister's official acts and a statement of the condition of the Parish under the Minister's charge. Said report shall cover the preceding year and shall be made 12 according to such forms as shall be furnished by the Ecclesiastical Authority of the Diocese. The Wardens of each Parish shall make these reports where there is no Minister in charge.

SECTION 3. It shall be the duty of each Parish in union with the Convention to render, at such time and in such manner as may be required by the Convention, a true and faithful account of the real estate and other property owned by said Parish with its fairly estimated value, including a statement of any lien or encumbrance on the same, or any part thereof, and the amount of interest paid in consequence of such lien or encumbrance. Further, it shall be the duty of each Parish to declare the full amount of the current expenditures of the Parish, including salaries and other expenses.

SECTION 4. It shall be the duty of each Parish to comply with the business methods in church affairs prescribed by Title I, Canon 7 of the General Convention of the Episcopal Church. Each Parish shall maintain (1) adequate casualty insurance coverage to insure all buildings and personal property titled to the Parish or titled to the Diocese and used by the Parish, and (2) in respect to all activities of the Parish, adequate liability insurance coverage to insure against any liability of the Parish, its Clergy, Wardens, Vestry and all other agents or employees of the Parish and of the Diocese who may share such liability. Appropriate evidence of such insurance shall be supplied annually to the Diocese.

A complete copy of the canons are available online at [www.diocesewnc.org](http://www.diocesewnc.org).

## **Organization of the Vestry**

### ***The Senior Warden***

The Senior Warden is elected by the Vestry from the Vestry upon the Rector's nomination. The Senior Warden is responsible for leading the Vestry meetings in the absence of the Rector (or interim Rector) and is the head lay member of the body. The Senior Warden serves as the legal representative of the parish and is in charge of all church activities in the absence of the Rector. The wardens meet regularly with the Rector.

### ***The Junior Warden***

The Junior Warden is elected by the Vestry upon the Rector's nomination. Although traditionally the Junior Warden has been responsible for parish property, this is not canonically required and might not make sense in your parish. The chair of the property committee may be the person in the parish who is most knowledgeable and skilled in the maintenance of buildings and grounds, whether a member of the Vestry or not. The wardens meet regularly with the Rector.

### ***The Clerk of the Vestry***

The Clerk of the Vestry is the secretary and is elected by the Vestry although she or he need not be a member of the Vestry. The role of this person is to record the minutes of Vestry proceedings, preserve all records and papers belonging to the parish, and to attest to the public acts of the Vestry.

### ***The Treasurer***

The Treasurer is elected by the Vestry and need not be a member of the Vestry. Treasurers are church finance stewards who serve under the direction of the Vestry. The treasurer's responsibility is to receive, disburse and account for the funds of the parish. He/she should be willing to be trained in Church Finance as well as to keep that training updated. The Diocese of WNC offers training for parish treasurers, and the Diocesan Chief Financial Officer is available to answer questions. Treasurers should have a background check. 13

### ***Parish Incorporation and Bylaws:***

In the Diocese of WNC, many parishes are not separately incorporated. North Carolina law permits this. Some parishes, however, have decided to incorporate. If you have questions as to whether your parish should incorporate, speak to the Canon to the Ordinary. All parishes that are incorporated must have Bylaws. Bylaws are the "local" governing rules for the parish and often supplement Diocesan and National Canons. For unincorporated parishes, the bishop strongly urges the vestry to consider developing and adopting Bylaws as policies of the parish. Bylaws provide the protocols and rules for managing important areas of parish life. Parish bylaws must always be consistent with the Constitution and Canons of The Episcopal Church and the Constitution and Canons of the Diocese of Western North Carolina. The Canon to the Ordinary has an annotated template for parish Bylaws.

# **The Work of the Vestry**

## **Qualifications for Service**

- Love God and demonstrate a commitment to following the way of Jesus Christ.
- Be a confirmed Episcopalian in good standing (**TEC Canon 1.17.3 and WNC Canon 10.6-10.7**)
- Give joyfully to the work of Christ in your parish. Eligible candidates need to be “faithful in giving for the spread of the Kingdom of God” for at least six months prior to your election. (**WNC Canon 10.6; National Canon 1.17.3**) Under normal circumstances, this means that you must make a pledge to your parish.
- Care deeply for the ministry of your parish in the service of Christ.
- Care deeply for your brothers and sisters in the parish.
- Have or be willing to develop an active prayer life.
- Be active and knowledgeable about the congregation, its programs, and governance.
- Be known as someone who is fair, interacts well with people, and is respected in the congregation.
- Demonstrate proactive and healthy communication skills while refraining from gossip.

## **Time Commitment – Regular Attendance and Participation in:**

- Vestry meetings • Weekly worship services (rotating if there is more than one)
- Important congregational events (to stay informed and connected)
- Annual Parish Meeting
- Meetings with committees as necessary
- Diocesan meetings as necessary

## **Role, Responsibilities and Expectations:**

- Pray for the parish, clergy, and your fellow Vestry members daily
- Work with the Rector, Interim Rector or Priest-in-Charge (PIC) for the benefit of the parish and the work of building up the Body of Christ
- Know both the national and diocesan Constitution and Canons • Be legal representatives of the parish
- Buy, sell, encumber or alter any church property with the consent of the Diocese
- Steward and maintain all church buildings and property
- Set the budget and determine financial priorities for the congregation
- Raise the funds necessary to operate the parish and to disburse funds for outreach
- Monitor financial data to ensure the parish is staying on budget and living within its means
- Exercise good stewardship of the parish’s assets by ensuring that adequate financial controls are in place and that the parish is operating pursuant to the Manual of Business Methods in Church Affairs

- With the Rector, negotiate salaries of lay church employees in accordance with Diocesan guidelines
- Negotiate the salaries of clergy in accordance with Diocesan guidelines and the Bishop's Office
- Set policy and procedures – consistent with all canons - for parish life and programs
- Have responsibility for calling a Rector, PIC or Interim Rector with the consent of the Bishop
- Have responsibility for arranging for supply clergy in the absence of a Rector, PIC or Interim Rector
- Provide for the holding of public worship in the absence of a Rector, PIC or Interim Rector
- Work with the Rector to determine fees the parish will charge for use of facilities, scheduling, etc.
- Take Dismantling Racism Training: Training on dismantling the institution and individual behavior of racism is required of all clergy, Vestry members and all lay employees every 5 years.
- Take Training for Preventing Sexual Misconduct and Abuse: Sexual misconduct and/or abuse will not be tolerated in this Diocese. All clergy, Vestry members and lay employees are required to take this training. It is strongly encouraged that all volunteers in the church take this training and it is required that anyone dealing with children, youth or young adults have this training.
- Demonstrate a positive attitude
- Model excitement about the parish and its mission
- Model direct and Christ-like communication
- Practice confidentiality
- Be willing and able to speak up at Vestry meetings.
- Be willing and able to listen at Vestry meetings.
- Risk and to have a vision, goals and objectives of the ministry of the church that goes beyond the immediate interests and survival needs of the congregation. Vestry work involves not only maintenance but also mission. Vibrant parishes connect all of the ministry activities of the parish to their broader mission.
- Vestry members who are unwilling to support the mission of their parish and the Church should sincerely consider resigning their positions. We cannot ask others to do what we are unwilling to do.
- Vestry members should never use money as leverage. It is never appropriate for a Vestry member to cut his or her giving as a protest against the Rector or the Church.

## **Best Practices of the Vestry**

### ***A Theology of Community***

In the Episcopal Church, we place great value on the wisdom of group discernment and decision making. There are very few decisions that any individual is solely authorized to make at parish, diocesan or national levels, any of which are outlined in the Constitution and Canons of The Episcopal Church.

The shape of authority and decision making is derived from our understanding of the nature of God as well as the patterns of healthy community emphasized in the Bible. The Hebrew Scriptures (Old Testament) is the story of God's relationship with a group of people, not a single person. The Christian Scriptures (New Testament) demonstrate that the Word of God itself must be understood in community (2 Peter 1:20-21). The Acts of the Apostles reveal that from the beginning, the Church listened to the Holy Spirit and made important decisions in community.

This general theology of community is the foundation for healthy leadership and shapes the following best practices for your vestry.

### ***Prayer***

Prayer and the study of Scripture should always be a central part of the life of the Vestry. Setting aside ample time at the beginning of each meeting will help center and guide the work and ministry of the Vestry. In addition, a strong private life of prayer is essential to fulfilling our baptismal Covenant and to remaining in a bonded relationship with Christ.

### ***Vestry Covenant***

Vestries are strongly encouraged to develop and then regularly review a Vestry Covenant. This covenant outlines agreed upon expectations and norms for the work and behavior of vestry members. Covenants help build trust and mutual respect as well as strengthening the vestry's ability to make wise decisions. Contact the Canon to the Ordinary for covenant templates.

### ***Meetings***

It is customary for the Vestry to meet once a month. The Rector (Interim Rector or Priest in Charge) has the prerogative to preside at all Vestry meetings. The meetings are open to the congregation and votes are recorded in the minutes, which are also available to the congregation. Executive Session may be called so that the elected vestry members may discuss sensitive topics in private, but the results of the discussion will always be transparent to the congregation. Executive session is usually only appropriate when discussing personnel matters, legal matters, or issues related to the sale of property.

Special meetings may be called by the Rector (Interim Rector or Priest in Charge) or, in the absence of ordained leadership, the Senior Warden. It must be done with knowledge of and consent of the Rector in writing and the purpose of the meeting must be made clear in the notice. No Vestry meeting may be held in the absence of the Rector (Interim Rector or Priest in Charge).

When the Rector's annual salary, compensation and mutual ministry review is to take place, the Vestry may wish to ask the Rector to leave the room and the meeting will be presided over by the Senior Warden.

Often the Clerk, or secretary, thinks that it is important to transcribe virtually every comment at the meeting. It is not. Efforts to produce “verbatim” minutes will both exhaust the person taking notes and make the important information hard to find. The Clerk should feel free to gently interrupt the proceedings in order to ask about these elements. Doing so will often help keep the meeting on track!

Minutes need contain only the following elements:

1. What was decided?
2. What is the next step?
3. Who will do it?
4. When will they report back?
5. How will we know when the task is complete?

Minutes and the budget are public documents and should be posted in the parish hall or other accessible place.

### ***Deliberations***

Vestry deliberations should take place in the meeting, not beforehand on the telephone, at the coffee hour, or in the parking lot. When deliberations happen in these informal venues, not everyone on the Vestry is privy to them, members do not get to hear the discussions or know who the speaker is. In addition, conversations are often remembered inaccurately.

This does not mean that Vestry members cannot discuss church affairs outside the meeting, but they are cautioned to do so carefully. With other Vestry members, they should only try to clarify their thoughts so they will be clear in the meeting. (They should not try to persuade.)

With parishioners who are not members of the Vestry, Vestry members should, as will be presented below, listen more than they talk, provide factual information where appropriate (like, “That is on the agenda,” or “We are over budget for that line item,”), and assure parishioners that matters are being appropriately handled at meetings (which are open to the parishioners).

Subcommittees of the Vestry, of course, are doing the work of the Vestry, which often includes making a recommendation to the Vestry. Subcommittee meetings are an appropriate place for subcommittee members to consider the topic at hand.

### ***Consensus decision-making***

Important decisions such as the calling of a new Rector or establishing a new direction for the parish should be made by consensus. A consensus decision should not be reached until the Vestry has had adequate opportunity to talk together and listen to what everyone has to say long enough for clearness to emerge. If there is no consensus, then the decision should not be acted upon.

If you agree to a consensus decision, you must be willing to abide by the following three statements:

1. I can support the decision, even if it is not my first choice.
2. I would be willing to help implement the decision if asked.
3. I will never speak against the decision to anyone.

These three elements prevent someone who agrees to the decision from later undermining it. They point to the crucial importance of proceeding carefully and, especially, of not appearing to “go along” with a consensus decision when you have reservations. An ancient maxim of ethics is, “Silence, when there is a duty to speak, implies consent.” Remember, you were elected to represent the parish, and you have a duty to speak up if you have concerns. If you do not, then you have lost your right to raise those concerns.

### ***Majority vote decision-making***

Majority decisions are those made with one more than half of the group present voting together. This form of decision-making may work if the decisions are routine or commonplace.

### ***Don't poll the parish.***

Governance in the Episcopal Church is a version of a “representative democracy.” You were elected to represent the parish in making decisions essential to the church. Members of the Vestry (and the Vestry collectively) often have information and insights that many in the parish do not have.

Only in rare circumstances is it advisable to involve the whole parish in discernment on certain important matters (For example: gathering information for a parish profile; surveying the parish on major building renovations). However, keep in mind that if you poll the parish, (a) you get input from parishioners who might not have the background to make an informed decision and have not had the benefit of deliberations, and (b) once the vestry makes a decision, those polled are often left with residual anxiety because they did not participate in determining the final outcome.

### ***Don't Lead by Division***

This is a tactic whereby a vestry member goes around behind the Vestry recruiting parishioners to support the member's position by putting pressure on the Vestry. This has many of the same disadvantages of polling. Parishioners often do not have the information they need to make an informed decision; they might be a “single issue” advocate without having the Vestry's responsibility for the operation of the entire church and the balancing of concerns; they are often not given a balanced view of the issue; and this tactic spreads anxiety through the parish. This tactic is also universally resented by those targeted by it. It also runs a serious risk of fracturing relationships and dividing the parish into opposing “camps.”

Parishioners are welcome to express their concerns to Vestry members. They are also welcome to attend Vestry meetings and, if given voice by the Vestry, to express their concerns there. Those scenarios are vastly different from a Vestry member cultivating organized opposition to a viewpoint that member opposes.

### ***Behavior norms***

As mentioned earlier, Vestries are encouraged to discuss and establish behavior norms in a Vestry Covenant for the wellbeing of the group. In our baptismal covenant, we are commended to respect the dignity of every human being — including our fellow Vestry members and the clergy. We are to speak in truth and love and build up the Body of Christ. Vestry members occasionally may have conflicting views on issues. It is critical that such disagreements not become personal. There is a huge difference between saying, “I find something wrong with your position,” and “I find something wrong with you.” Stick to the issues and avoid saying anything demeaning, insulting, or humiliating to another Vestry member.

Vestry members are obligated to speak their concerns, questions and ideas at the Vestry meeting — not after the meeting. This is especially hard for some people; therefore, it may be helpful to have outside assistance to teach how to communicate in meetings in a precise, non-judgmental manner.

It is also a norm that a Vestry person who has an issue with or conflict with another Vestry person or the clergy will directly address the issue with that person rather than go behind the person to others to get resolution. Such “triangulating” is very easy, but can be very destructive. The harder path of dealing directly with someone is unquestionably more difficult but is also very important. There are skills trainers in our Diocese who can help vestries create effective, supportive behaviors that celebrate the common goals and values and help minimize destructive behaviors. Once a decision is made, it is made.

### ***Vestry Retreat***

Ideally the Vestry should hold an annual planning meeting or retreat to discuss the goals and expectations of the congregation and the Vestry. This is a time to focus on the mission and ministry unique to your parish and how the congregation’s resources are being used and can be better used to further the work of Christ in your location. Often an outside facilitator is useful in guiding the conversation and work of the retreat.

## **The Relationship Between the Vestry and the Rector**

### ***Collaboration between Vestry and Rector***

The relationship between the Vestry and the Rector is essential. The fundamental characteristic of a healthy relationship is trust. Trust must be developed and nurtured over time. When trust is present, anything is possible and God’s kingdom is within reach. Without it, much less is possible because time is consumed on the conflict in the relationship rather than the mission and ministry of the Church. Therefore, it is essential the Vestry and the Rector work together as a team. Both the Rector and the Vestry should be concerned about the spiritual life of the congregation and both should be concerned about the more mundane matters such as money and the leaky roof. The best working model for Vestry and Rector is one of mutuality and collaboration, strengthened by regular communication and informed by clarity of role and responsibility.

### ***The Rector’s Tenure***

A Rector is called to a parish for life. The pastoral relationship may not be dissolved without the mutual consent of the Vestry, the Rector and the Bishop (**Title III, Canon 9, Section 14 and Section 15**). If consent is not mutual, the Bishop will act as arbiter to resolve the impasse. It is to the benefit of all to make the match an enduring one. The Bishop must give his/her consent for the resignation of the Rector when the Rector is called to a new parish.

### ***The Rector’s responsibilities***

The Rector is responsible for the worship, music, education and spiritual welfare of the congregations. These duties are described in **Title III, Canon 9, Section 6**. Of particular note is that the Rector is responsible for the use of all Parish buildings (but should coordinate scheduling and fees charged with the Vestry.) The rector works with a church musician, but is solely responsible for music and worship.

### ***Hiring and Supervising Assistants/Associates***

The Rector may want to hire lay or ordained assistants to help in specific areas of ministry such as youth, outreach, education or pastoral visitations. The hiring decision belongs to the Rector alone, however the Rector must obtain the Bishop's consent to the hire of any assisting clergy (**Title III, Canon 9, Section 3c**). The Vestry or another committee, upon the Rector's invitation, may act as a screening committee to help the Rector make the best choice possible. The Canon to the Ordinary can also help in these searches. The Bishop must approve any candidate for clergy positions.

### ***Hiring and Supervising Lay Staff***

All paid staff are accountable to and hired by the Rector. All volunteer staff who perform specific functions with job descriptions and clear areas of responsibility are also accountable to the Rector. It is important that the lines of authority, communication and responsibility are clearly articulated and reviewed periodically.

### ***Compensation Packages for Clergy***

The Vestry, in consultation with the Bishop's Office, negotiates salary at the time of the call. The Canon to the Ordinary consults vestries in this process. The Total Package includes: Compensation (a base cash stipend) + (if church provided housing; a housing allowance and utilities); 18% pension on the compensation; health insurance for the cleric (if possible health insurance for cleric's family); a minimum of \$1,000 stipend for continuing education; reimbursable travel allowance of at least the current IRS rate; reimbursable business expense funds; and vacation and continuing education time away from the church. Most congregations also negotiate moving costs.

**Health Insurance** - The parish must offer the cleric insurance through the Denominational Health Plan. Costs are available on the diocesan website. The diocesan policy regarding insurance is also available. While parishes are only required to offer single person coverage, and may require the cleric to pay up to 20% of the premium, to restrict the clergy's compensation in these manners will significantly reduce applicants. Those who signed Letters of Agreement before the policy went into effect should be considered "Grandfathered in." The clergy's family, however, is not required to participate in the DHP and can be insured through, for example, BCBS, but the policy must be comparable. Beginning January 1, 2016, parishes are required to observe the "parity rule," requiring that the same level of insurance be offered to all lay or ordained employees who work at least thirty hours per week. Vestries should plan carefully.

**Life Insurance** - For all clergy insured with Church Pension, there is an automatic insurance policy in place. In addition, for clergy enrolled with Church Medical Trust, there is an optional \$50,000 life insurance policy.

**Pension** - Pension assessments are 18% of the cleric's salary, housing, tax reimbursement, or utilities. Pension assessments are required for clergy serving full- and part-time, as well as those in supply or interim positions, when they are paid \$200 or more per month, exclusive of travel expenses, for three or more consecutive months by the same employer.

**Continuing Education and Sabbatical Leave** - The norm in this Diocese is that every full time parish Rector will be given a minimum of two weeks annually for continuing education time away from the parish. The Bishop and the Vestry should be given a copy of the Rector's continuing education plans. Time for continuing education does not accrue and should be used for study on an annual basis.

The Vestry will plan for the sabbatical by annually budgeting an amount equal to at least 1.5 weeks of the Rector's salary and benefits to be placed in a reserve fund for the benefit of the parish. These funds are to be used first to offset the expenses the parish incurs as a result of the priest's absence (supply, sabbatical replacement, pastoral care on call, etc.) After five calendar years of employment, a Clergy person should receive a minimum of ten weeks paid sabbatical leave, to which can be added his or her annual vacation time, for a period of rest, renewal, refreshment and study. The full policy is attached to the original Letter of Agreement signed when the priest was called. The priest is required to remain parochially active one (1) full year after the sabbatical.

### ***Letter of Agreement***

When a new Rector is called, a covenant is signed between the Rector, the Senior Warden, the Bishop and the Canon to the Ordinary outlining the compensation details and the work expectations of the Rector. In addition, a more detailed and specific job description is usually agreed upon so that the Rector and the congregation are clear in their respective areas of leadership and support.

## **The Relationship Between the Parish and the Diocese**

### ***Diocese***

A diocese is the fundamental geographical unit of the church. It is the only ecclesiastical entity whose boundaries are precisely defined by Canon Law (the law of the church). The Bishop's jurisdiction is the geographical confines of the diocese. The Diocese of Western North Carolina comprises the 28 western-most counties west of the state. There are 70 parishes and chapels and about 17,000 Episcopalians.

### ***The Bishop***

The Bishop is the chief pastor of the Diocese. Because the Bishop is unable to be present in each congregation each Sunday, presbyters, or priests, serve as his or her delegates and representatives in local congregations. Clergy are not members of their congregation but are canonically resident in the diocese in which they serve.

The Bishop is required by canon law to visit each parish at least once every three years. The rotation of visitations by the Bishop of WNC is approximately 18 months. The Bishop's official visitations are scheduled regularly but the Bishop frequently visits on other occasions such as to celebrate new ministries, meet with the Vestry, dedicate new buildings, and lead special worship services. The Bishop also works with parishes in conflict and congregations seeking new clergy.

The purpose of the Bishop's official visitation is to be present as the chief pastor of the Diocese to teach, preach, celebrate the Eucharist, baptize and confirm (if there are candidates) or receive new members into the Episcopal Church, and examine the parish register and other records (Title III, Canon 12, Section 3.a.1). The Bishop is not a visiting dignitary or guest in the parish, but comes as the leader of the church in the Diocese to learn of the parish's vision of mission and ministry, to hear the hopes and concerns of parishioners, and to remind the congregation that it is a part of a national and worldwide church called to mission and ministry in some areas of the world where most members of the congregation are never likely to go. Typically the Bishop meets with the Vestry during his/her annual visit.

### ***Parishes Are an Extension of the Bishop's Ministry***

While the relationship between Parishes and the Bishop are often governed by canon law, theologically Parishes are an extension of the ministry of the Bishop and the Diocese. It is very important that Vestries work cooperatively with the Bishop and the diocesan staff. Always remember that your Parish is not "The Church." You are part of the larger Body of Christ. While that has many implications, one implication is that you are interconnected with, and mutually responsible to, your Sisters and Brothers in Christ in the Diocese of Western North Carolina. The Bishop is a partner in mission alongside every parish in the diocese and endeavors for each congregation to thrive in ministry.

### ***Canon to the Ordinary***

The Canon to the Ordinary reports directly to the Bishop and functions as both Chief of Staff and Transition Officer. The Canon also assists the Bishop with supporting clergy and congregations in their wellbeing and ministry.

### ***Deaneries***

The Diocese of WNC is subdivided into 6 Deaneries and is comprised of the clergy and congregations resident within its boundaries. Each Deanery is presided over by a Dean nominated by the Deanery for a two-year term. "In each Deanery it shall be the duty of all Clergy to meet at regular times scheduled by the Dean, to discuss affairs of diocesan and local concern and other matters that strengthen collegiality and further the work of the Church." (Canon 15, Diocese of Western North Carolina)

### ***Parish Property is Held in Trust for the Diocese***

The title to property is held by the Vestry in trust for the Episcopal Diocese of WNC (Title 1, Canon 7, Section 3 -4) and is secured against alienation from the Diocese of WNC. This includes both real estate and financial resources. This in no way inhibits the right of the Rector and Vestry to the control of the property for the purpose of carrying out the mission and ministry of the congregation. The Vestry is responsible for the maintenance and upkeep of the property. Any encumbering or alienating of property must be approved by the Bishop, the Executive Council, the Standing Committee and the Trustees. Contact the Canon to the Ordinary to learn more.

### ***Parishes Have an Obligation to Support the Diocese***

Just as Vestry Members should model joyful, generous, and grateful giving, so should Parishes. The policy in the Diocese of Western North Carolina is for parishes to give 10% of their Net Disposable Budget Income. You will receive a notification from the Diocese informing you of what the minimum giving amount is and providing you with a schedule for responding.

### ***Conflict***

A certain amount of conflict is healthy and, not only normal, but sometimes desirable. Moving forward into God's mission means people will have different views, desires and thinking. Therefore, it is important early on to create an atmosphere of trust and respect where differing views can be shared, heard and negotiated.

Unacknowledged or unresolved conflict is destructive. The Bishop's office has trained professionals who can help vestries and congregations with deep, unresolved conflict.

If the clergy and the parish are in deep conflict, the Bishop should be notified immediately. Wardens may bring issues to the attention of the Bishop, but they should know that all proceedings will be as transparent as possible so that all parties may resolve the conflict. A congregation may not “fire” its Rector at any time. The Rector will be brought into all discussions. The Bishop should be notified long before this point in the conflict so that he may work with all the parties toward resolution. (**Title III, Canon 9, Sections 14-15**)

### ***Election of Delegates to Annual Convention***

Diocesan Convention is the annual gathering of lay delegates elected from each parish and all active clergy. The Annual Convention is part legislative session and part family reunion. It is presided over by the Bishop and adopts a budget as well as setting priorities for the Diocese.

The congregation elects two (2) delegates to Diocesan Convention, at some appropriate occasion, usually the Annual Parish Meeting.

### ***Those Seeking Holy Orders***

When a member of the congregation begins discerning a call to Holy Orders, that person must first get the Rector’s support to begin the process. For the person to be approved, the Vestry is required to make a recommendation to the Bishop. The aspirant must have a Parish Discernment Committee that must follow the practices and procedures in the Diocese of WNC, making a recommendation to the Vestry. The path to ordination is a long one, and the Bishop and Commission on Ministry manage most of it.

### ***Training by the Diocese***

The diocese hosts special workshops and retreats for Vestry members throughout the Diocese as well as workshops for leaders of smaller congregations and leaders of specific areas of church life (such as Godly Play, adult Christian Formation, youth activities, Stewardship). These are wonderful opportunities for sharing experiences, strengths and tips with colleagues as well as learning the best practices and any diocesan expectations of Vestry leadership. Those congregations receiving financial assistance from the Diocese are required to attend and participate in training offered by the Diocese.

## **Financial Affairs and Business Methods of the Church**

### ***The Vestry’s Fiscal Responsibilities***

The responsibility and accountability for the stewardship of church money and property, as well as the general fiscal well-being of the parish, required of the Vestry and treasurer is described on the canons. The Vestry must see that the facilities are maintained, salaries are paid, and all bills (including payroll taxes!) are paid. If there is a deficit at the end of the year, the Vestry must eliminate it either by subscription from parishioners or by personal contributions. The Vestry is responsible for seeing that every member of the parish is asked to make a financial pledge for the support of the mission for the church. The Vestry approves the annual budget and is responsible for seeing that the parish’s annual pledge to the mission of the diocese for the coming year is received at the Bishop Henry Center by December 10th of every year.

The Vestry is also responsible for seeing that there is an annual audit of all financial records (including the Rector’s Discretionary Fund). The Vestry is the sole representative of the congregation in its relationship with the clergy of the parish. The diocesan Chief Financial

Officer and staff are available to assist parishes in identifying and implementing these areas of responsibility. Below is a listing of various canons, resolutions and policies of which a Vestry member should be aware.

### ***Business Methods and Accounting Principles***

The responsibility and accountability for stewardship of church money and property is delineated in Title I, Canon 7, of the Canons of the Episcopal Church. Certain business methods and accounting principles and practices were approved by General Convention in 1979, to be implemented in every parish and diocese. By resolution, the General Convention authorized publication of the Manual of Accounting Principles and Recording Practices for Episcopal Diocese, Parishes and Missions. The General Convention authorized the Executive Council to revise and update the Manual periodically. The current edition is now titled the Manual of Business Methods in Church Affairs.

### ***Full Disclosure of Financial Records***

All parish financial records, (excluding the individual pledge records and names of people being helped through the Rector's discretionary fund) should be a matter of public scrutiny. The church is a public-servant institution and there the constituency has a right to full disclosure. There should be no secret funds and the salaries of all employees should be readily available.

### ***Full-disclosure reporting***

Non-profit organizations have the responsibility of reporting to their contributing sources (which includes the parishioners in a parish) all the assets, liabilities and fund balances belonging to the organization. Full disclosure requires that all funds of a parish, regardless of source, structure or separation of management, should be reported on a single set of financial statements with appropriate supporting exhibits and data relating to the various fund balances. For example: operating funds; endowment and trust funds; discretionary funds; funds of parish organizations; real estate funds including land, buildings, furniture and equipment and the cost of improvements. The expenditures within a fund should be properly outlined.

### ***Annual audit***

All accounts of parishes and aided parishes **MUST** be audited annually by an independent certified public accountant, or independent licensed accountant, or an audit committee authorized by the diocesan CFO.

All audit reports, including any memorandum issued by the auditor regarding internal controls or other accounting matters, together with a summary of action taken or proposed to be taken to correct deficiencies or implement recommendations contained in the memorandum, should be filed with the Bishop's office not later than 30 days following the date of the report, and in no event later than Sept. 1 of each year, covering the financial reports of the previous calendar year. (National Canon 1.7 .1.5) Reports sent to the diocese should include the Statement of Financial Position and the Statement of Changes in Financial Position.

It is expected that the larger parishes will comply with an audit by a CPA. If the parish uses an audit committee, it is recommended that the parish conduct a CPA audit every three years. Audit guidelines and procedures area available from the diocesan finance office.

### **Parochial report**

Each organization is required to submit an annual report on the appropriate parochial report form by March 1 of each year. (Title I, Canon 6, Section 1)

### **Diocesan commitment**

Each organization is requested to submit its financial commitment to the diocese prior to the Diocesan Convention in November and not later than January 15th. Ten percent to sixteen percent of the Total Operating Revenue (line B, p.3) shown on the most recently filed Annual Parochial Report (usually 2 years behind, i.e., the 2009 APR is used for the 2011 budget) shall be the expected minimum level of giving in support of the Ministry & Mission Budget of the diocese.

### **Insurance: Property & Casualty**

All church property is held in trust for the Diocese. As such, The Episcopal Church specifies in the canons (TEC Title 1, Canon 7. Sec. 1.h) that faithful stewardship of all church property must include sufficient insurance. Canon 7:Sec. 1(g) of The Episcopal Church states: "All buildings and their contents shall be kept adequately insured." Likewise, Canon 12.4 of the Diocese of Western North Carolina provides:

It shall be the duty of each Parish to comply with the business methods in church affairs prescribed by Title I. Canon 7 of the Constitution and Canons of the Episcopal Church. Each Parish shall maintain (1) adequate casualty insurance coverage to insure all buildings and personal property titled to the Parish or titled to the Diocese and used by the Parish, and (2) in respect to all activities of the Parish, adequate liability insurance coverage to insure against any liability of the Parish, its Clergy, Wardens, Vestry and all other agents or employees of the Parish and of the Diocese who may share such liability. Appropriate evidence of such insurance shall be supplied annually to the Diocese.

The minimum insurance requirements as determined by the Trustees of the Diocese of Western North Carolina are as follows:

COMMERCIAL PACKAGE POLITY, to include the following minimum limits:

Building and Contents	Insured to Replacement Value, "All Risk" Coverage			
Flood Coverage	Insured to Replacement Value, "All Risk" Coverage			
Commercial Crime			Minimum	\$25,000
Comprehensive General Liability	Occurrence	\$1,000,000	Aggregate	\$5,000,000
Pastoral Counseling Liability	Occurrence	\$1,000,000	Aggregate	\$5,000,000
Employee Benefit Liability (EBL)	Occurrence	\$1,000,000	Aggregate	\$1,000,000
Medical Payments	Each person	\$15,000	Occurrence	\$60,000
Sexual Misconduct Liability	Occurrence	\$1,000,000	Aggregate	\$2,000,000

DIRECTORS' & OFFICERS/EMPLOYMENT PRACTICES, to include the following minimum limits:

Directors' & Officers Liability (D&O)				\$1,000,000
Employment Practices Liability (EPL)	\$1,000,000	(including Sexual Harassment)		

**WORKERS' COMPENSATION**

Bodily Injury by Accident	Each accident	\$500,000		
Bodily Injury by Disease	Policy Limit	\$500,000	Each person	\$500,000

**UMBRELLA**

As excess over Commercial General Liability, Pastoral Counseling, Sexual Misconduct, Directors' & Officers, Owned and Non-Owned Auto and Workers Compensation

Occurrence	\$1,000,000	Aggregate	\$1,000,000
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**OBTAINING COMPARISON AND BID FROM CHURCH INSURANCE COMPANY OF VERMONT**

The Trustees also require that Parishes that do not insure with Church Insurance Company of Vermont are required to obtain and consider a comparison of policies and bid from Church Insurance Company of Vermont before renewing any property and/or liability insurance from another source.

***Business methods for trust and permanent funds***

Parish trust funds, permanent funds and securities must be deposited with a bank, Diocesan Corporation or other approved agencies. Two signatures must be required for withdrawal. Records of trust funds must be kept, showing source and date, terms governing use of principal and income, frequency and recipients of reports of condition, and how the funds are invested. (Title 1, Canon 7, Sections 1-2)

***Fidelity bond***

Treasurers and custodians for any funds that exceed \$500 during any year shall be bonded. (National Canon 1.7.1.d) If you are insured by Church Insurance of Vermont, everyone the parish authorizes to handle money is bonded. If not, check with your insurer.

***Recordkeeping***

It is imperative that both the clergy and the parish keep good records. The parish register must be filled out in a timely manner, and is required to include baptisms, marriages, and burials. It must include the names of communicants; people confirmed or received; and people who died or transferred, among others. (Canon III.9.5.c) At every visitation, the register must be exhibited to the Bishop. (Canon III.9.5.b.5) By both the canons of The Episcopal Church and the canons of the Diocese, the register may not be removed from the church premises. Likewise all parish records, including financial records, must be kept on the premises or, if they are digital, they may be kept in the cloud if the diocesan CFO has access.

***Financial reporting***

The CFO of the diocese may require copies of any and all accounts of a parish (Title I, Canon 7, Section 1.i) All parishes and missions must prepare financial statements on a monthly basis. The standard financial statements required of each parish admission are: 1) statement of Financial Position (balance sheet); 2) Statement of Changes in Financial Position (income statement); and 3) a Cash Flow Statement. Budgeting of parish income and expense is essential to proper planning and control. It is essential that the monthly financial reports to the Vestry compare actual income and expenditures with the budget. Annual statements should be distributed at the annual meeting along with the annual budget. Individual contributor records should be private and not shared with the Vestry. The supporting financial system must be capable of segregating special funds for fund accounting and reporting budget vs. actual information. The financial system should also track contributions and pledges by individual.

Parishes need to comply with accounting standards including 2016-14 which requires a designation of Donor Restricted and Not Donor Restricted Fund Balances.

### ***Cash Basis accounting***

Parishes should keep their records and prepare financial reports on the cash basis. This does not preclude the use of accrual basis accounting by those desiring to do so.

### ***Fiscal year***

The fiscal year shall begin Jan. 1. (Title I, Canon 7, Section 1.j)

### ***Vestry's Financial Responsibility***

It is the Vestry's responsibility to meet all the current annual obligations of the parish. The Vestry shall pay with punctuality, at the intervals agreed, the stipulated salary of the Rector or Vicar and others.

### ***Operating fund deficit***

The canons state that if the treasury is deficient, the Vestry shall collect, as far as practicable, by subscription or otherwise, a sum sufficient to liquidate all of the current annual obligations of the parish. (Diocesan Canon 10)

### ***Payment of employee compensation***

The canons state that the Vestry shall pay with punctuality, at the intervals agreed, the stipulated salary of the Rector or vicar and others. (Diocesan Canon 10)

### ***Offerings***

The canons state that the Vestry shall inform themselves of the orders and times of ALL offerings required by the canons of the diocese and take measures for the obedient fulfillment and due liquidation of these obligations. (Diocesan Canon 10)

### ***Bishop's visitation***

It is customary that the undesignated plate offering received at the time of the Bishop's visit be designated to the Bishop's Discretionary Fund. The Bishop uses these funds to assist parishes and clergy in need. No money is to be given to the Bishop at his visitation. After it is collected, counted and deposited into church accounts, please send a check to the diocesan offices, attention the CFO.

## ***Lay Employee benefits***

A 1991 resolution of General Convention mandates that all lay employees working more than 20 hours/week must be included in a pension plan. WNC Canon 10.12 states: "It shall be the duty of Parish Vestries to provide all lay employees who have worked at least one year and who are paid for a minimum of 1,000 hours per year retirement benefits through participation in the Episcopal Church Lay Employees Retirement Plan or an equivalent plan, the provisions of which are at least equal to those of the Lay Employees Retirement Plan."

In 2009, the General Convention of the Episcopal Church made a health insurance system mandatory for lay and clergy employees working at least 1,500 hours a year. The same General Convention instituted a mandatory pension system for all lay employees annually working at least 1,000 hours. Both systems are to be run by the Church Pension Group (CPG). Parishes are required to be in compliance by December 31, 2012. For questions on specifics of the plan, call the Diocese.

The parish must offer to all employees working 30 hours a week or more, on an equal basis, Denominational Health Plan medical insurance. The parish must pay for at least 80% of the Diocesan Target Plan for employee insurance. The parish may offer to cover family insurance. This can be specified in your by-laws or policies. For more information, please contact the Chief Financial Officer of the Diocese.

## ***Clergy pension***

All parishes must pay the Church Pension Fund assessments due on the salaries and on the compensation of the clergy. (National Canon 1.8.3) Pension eligibility is based on the following criteria:

- **Mandatory Criteria:** Ordained, scheduled to be "regularly employed" for 5+ consecutive months and compensated (no dollar amount for pension benefit eligibility)
- **Regularly Employed:** Meet one or more of the following:
  - Letter of Agreement (contract of employment), OR
  - Duly called by bishop, vestry or rector, OR
  - Formal title indication substantial ongoing relationship, OR
  - Issued Form w-2, OR
  - Scheduled to work 20+ hours per week
- **Exception for Short-term Service:** Participation is optional if there is a letter of agreement directing payment of assessments for services of less than five months

This applies to full-time, part-time, supply or interim work. The pension is paid on Total Assessable Compensation (TAC) which is defined as the following:

1. Base salary (excluding housing) & scheduled taxable cash payments
2. Cash housing allowance and/or utilities
3. Employer contributions to a qualified or non-qualified plan
4. One-time payments
5. Value of employer-provided housing, which equals 30% of the sum of #1 through #4 above or, if higher, 30% of the Hypothetical Minimum Compensation, (HMC).

Note: Any form of severance (including pay continuation following a termination of employment) should be excluded in all cases.

### ***Clergy housing allowance***

The housing allowance is the most important single tax break available to clergy. Money spent by the cleric to provide, furnish and maintain a principal residence is excluded from federal income tax return subject to certain limitations. The Vestry must pass a resolution stating the cleric's housing allowance prior to the first paycheck each year. The cleric advises the Vestry of the amount of his/her compensation to be designated as housing allowance. There is no limit on the cleric's compensation that can be designated by a church as a housing allowance. The cleric is responsible for reporting to the Internal Revenue Service the lowest of the following amounts: (a) actual cash spent; b) fair rental value of the house (if parish does not provide a residence for cleric), fair rental value of the furnishings, maintenance, taxes, insurance, and utilities; and c) amount specified in the Vestry minutes before the money is paid. The cleric should be given a letter from the Vestry stating the resolution for IRS compliance and documentation. Sample Vestry housing allowance resolutions are attached.

Churches that fail to designate an allowance in advance of calendar year should do so as soon as possible in the New Year. Churches should consider adopting a "safety net" allowance to protect against the loss of this significant tax benefit due to the inadvertent failure by the church of designate an allowance. The amount of the housing allowance may be amended during the year if the original allowance proves to be too low. However, the amended allowance will only operate prospectively. Under no circumstances can a cleric exclude any portion of an allowance retroactively designated by a church.

A housing allowance is excluded from federal income tax: however, it must be included in a cleric's self employment earnings.

Who is eligible for a housing allowance? The Tax Court ruled that a minister is one who satisfies all five of the following factors: 1) administers sacraments; 2) conducts religious services; 3) management responsibility in a local church or religious denomination (control, conduct, or maintenance of a religious organization); 4) ordained, commissioned, or licensed; and 5) considered to be a religious leader by one's church or denomination. If a person serves as a minister of music of his/her religious organization, but is not authorized to perform all of the religious duties of an ordained minister in the church, even though he/she is commissioned as a minister of the gospel, he/she cannot exclude from income a housing allowance or the value of a home provided.

### ***Worker's Compensation***

Every parish or mission with any regular employees or contractors must provide Worker's Compensation insurance coverage. The exception to contractors is if the contractor supplies their own worker's compensation insurance. This is a separate policy from the property insurance coverage that must be purchased.

### ***Financial Support for parishes***

Diocesan financial support of parishes in need is based on the expectation that these parishes should plan internally to phase out the diocesan support over a mutually agreed period of time, depending upon the circumstances of each case. The following documents this expectation:

1. Each aided parish is expected to conduct a face-to-face every-member commitment stewardship program each year. Financial support will not continue to any aided parish that fails to conduct its stewardship in terms of this commitment. Diocesan assistance for inaugurating such a program is available.
2. Each aided parish will be contacted annually to ascertain how much more financial support can be assumed by the parish in the coming year without diminishing its diocesan commitment. It is expected that each aided parish will have a five-year plan in place to reduce and ultimately eliminate the diocesan aid.
3. Each aided parish is required to submit semi-annual reports to the diocesan finance office. Quarterly aid checks from the diocesan operating fund will be contingent on the timely receipt of these reports.

### ***Reporting clergy earnings to IRS***

All clergy employed by parishes and missions are considered employees for income tax purposes. They are considered self-employed for Social Security tax purposes only. Therefore, all clergy so employed must file a 1040 SE return and pay the self-employment tax. Only clergy who have exempted themselves from the Social Security system on the grounds of conscientious objection to the receipt of government-funded insurance are excluded from this requirement. Clergy should not receive a Form 1099 for reporting income from parishes. They should receive a Form W-2 showing the salary received. The W-2 differs from that of a lay employee of the parish. The primary differences are:

- 1) Social Security taxes are not withheld, because clergy are considered self-employed for Social Security purposes.
- 2) Federal income taxes are to be withheld based upon the cleric's wishes. The cleric may also request withholding to cover amounts due for the self-employment tax.
- 3) The income reported on Form W-2 should include salary, compensation for self-employment tax, auto allowance and any other compensation for which the cleric has not reported in detail to the parish. The auto allowance is excluded in this amount if the cleric is required to account to the parish for the expenses. A housing allowance is not required to be reported on Form W-2, provided the entire amount of the allowance is excluded under Section 107 if the Internal Revenue Code. However, IRS prefers that the housing allowance be reported on form W-2, as a separate memo notation.

The cleric should use Schedule C for reporting income and expenses related to self-employment, such as individual fees for performing marriages, baptisms and other personal services.

### ***Accountable plan***

An employee of a parish may establish an accountable or reimbursement plan with the parish for expenses paid or incurred by him or her solely for the benefit of the parish. Accountable plans can cover business expenses such as travel and automobile expense, meals and lodging when away from home overnight, allowable educational expenses and other expenses, which are solely for the benefit of the parish. Under an accountable plan, the Vestry establishes a written plan and adopts a resolution up to the budgeted amount. The plan must require the employee to substantiate within 60 days all business expenses using an account book, diary or similar statement. The plan must require that the employee return any amount in excess of the substantiated expenses covered by this arrangement within 120 days. If the employee conforms to all the above, the amounts paid to him or her may be completely excluded from the tax return and Form W-2.

## ***Discretionary funds***

The primary purpose of a discretionary fund is to assist people in time of need, or to be applied to such other works as in the opinion of the minister will further the work of the church. Although the better practice is for the parish to establish a fund for professional expenses, if the cleric does not have access to a separate fund for those purposes, the discretionary fund may be used for this as well.

The alms and contributions, not otherwise specifically designated, at the administration of Holy Communion on one Sunday in each calendar month should be allotted to the Rector's discretionary fund. In some parishes, the discretionary fund is included in the annual operating budget.

The discretionary fund must be an account of the parish and may have a specifically designated checking account. In Western North Carolina, the Rector controls how the funds are used, and has the following options available in the practice of distribution of funds:

1. Discretionary fund checks may be written by the cleric and the cleric maintains the confidential records of the fund. Again, the fund itself belongs to the parish and is not a personal account of the cleric.
2. Or, discretionary fund checks may be processed through the Treasurer and accounted for as a "restricted fund." This, of course, requires confidentiality on the part of the Treasurer, but it has the advantage of creating a "paper trail" that protects both the cleric and the Parish.

Discretionary funds remain at the parish when the cleric is called elsewhere (or retires). Discretionary funds are included in the annual parish audit. Discretionary funds may not be used to benefit the cleric or a member of his/her family.

Clerics may never borrow from the discretionary fund. Clerics may not accept contributions to the discretionary fund subject to an agreement (written, verbal, or understood) that the contributed funds will be given to a particular individual. (Such a practice removes the cleric's discretion as to how funds will be disbursed and can constitute tax fraud.) The cleric should respond to such an invitation by saying something like, "That is the sort of thing I use my discretionary fund for, but if a greater need were to arise before I use these funds, I would have to be free to use some of your funds for that." Do not accept checks that state, for example, "For Mary Smith's rent." If you have questions about the appropriate use of discretionary funds, call the Diocese.

## ***Tax-exempt status***

The Episcopal Church has been determined to be exempt from federal income tax an organization described in Section 501(c)(3) of the Internal Revenue Code of 1954. Copies of this exemption are available from the diocesan finance office for the parish's use in applying for grants under this status. Parishes may also need this documentation for opening accounts at a financial institution.

## ***Church building and financing***

The Vestry must notify the Bishop of any plans for new construction and/or building renovations, as well as any plans to borrow funds and encumber property. If a parish is encumbering property, the indebtedness must be approved by the Bishop, the Trustees, the Standing

Committee and the Executive Council of the diocese. Contact Canon to the Ordinary for assistance with this process.

### ***Church debt***

Indebtedness shall not be incurred by an aided parish without prior approval of the Bishop and the Department of Finance. If church property is used as collateral for a debt, the canons require diocesan approval. Otherwise, indebtedness may be incurred by a parish without the prior approval of the Bishop and the Department of Finance, where the debt service (i.e., annual payments of principal and interest), including debt service for all indebtedness heretofore incurred for current expenses and still existing, does not exceed 20 percent of the total annual receipts of such parish during the preceding fiscal year. Short-term indebtedness in excess of the 20% limit may be incurred when there is reasonable expectation that it can be repaid in its entirety out of parish receipts within the next three years, and budget provision for such repayments has been so made. No further indebtedness may be incurred without the prior approval of the Bishop and Department of Finance. The Bishop and Fiscal Ministries must be notified before any short or long-term indebtedness is incurred and any indebtedness that is secured by property must be approved by diocesan committees.

### ***Annual report of Vestry***

The Vestry shall write and deliver to the Rector or vicar a full, accurate and faithful statement of the temporal condition of the parish prior to the annual parish meeting. This statement should show what money, lands and other property have been received during the past year and from what sources; what money has been expended or mortgaged or sold and for what purposes; and what debts are owing by the parish and what security, if any, has been given; and what money, lands or other property are then owned by the parish.

### ***Doing Business with a Member of the Parish***

Parishes often hold "Work Days" or pay someone or allow volunteers to perform relatively small jobs that do not have significant consequences if not done well (such as cleaning gutters, washing windows, or repairing a leaky faucet). This policy is not concerned with those jobs. It is concerned with larger, more important goods and services that can be the source of conflict when the scope, quality, price, materials, or changes are not clearly articulated at the beginning. Examples of such services include construction, catering, plumbing, electrical, carpentry, landscaping, tree removal, roofing, etc. Examples of goods include lumber, drywall, office equipment, furniture, etc. It is important that the Vestry enter into agreements for these type of goods and services in a manner that will head off comments such as, "I didn't know he was being paid for that; I thought it was his contribution to the parish." "Why did he use that cheap material?" "Why did he use that expensive material?" "Who chose that awful color?" "I had no idea it was going to cost us this much!" "This work is lousy, but there's nothing we can do about it without hurting his feelings." "We all know him, so we didn't ask about a bond, and now we're holding the bag."

It is not uncommon that a parish needs goods or services described above that a member of the Vestry or congregation wants to provide. Because of the potential impact on the relationships involved, in an ideal world, parishes would not contract with members. In the real world, however, members often generously volunteer to give a discount price or to offer other incentives that are hard to resist, or the parish simply wants to give one of its members the work.

Entering into an agreement for goods and services with a parishioner is not prohibited, but mixing the relationship of parishioner and vendor can lead to poor business practices,

misunderstandings, and hurt feelings. To avoid this, such transactions should be handled with caution and transparency. The intent is most definitely not to indicate that any party is untrustworthy. The point is to avoid misunderstandings and hurt feelings by ensuring that all terms are understood up front and that no one, even unintentionally, exerts “undue influence” on the Vestry.

For these reasons, the following guidelines are offered:

1. Mixing business and church membership is a complicated undertaking. These guidelines exist as the result of unfortunate instances in which relationships have been damaged because business transactions with parishioners have been viewed in personal terms. That is certainly understandable, but to avoid that situation, it is important for any parishioner or Vestry member to know from the beginning that
  - these policies apply to everyone. No one is being singled out.
  - It is highly inappropriate for anyone, Vestry member or parishioner, to make acceptance or rejection of such an agreement “personal” or to resist implementing these policies on the grounds that they show a “lack of trust” or “ingratitude.” Such an attitude merely points out why these measures are needed, and would be grounds for not approving the contract.

If someone makes the inception of the agreement personal, it is unlikely that the parties will get through performance of the agreement without it becoming personal and damaging to the relationship.

2. The Vestry should determine whether the agreement should be in writing by exercising good business practices regardless of whether the agreement is with a parishioner. (This would certainly apply to agreements for construction, remodeling, roofing, provision of significant materials, regular landscaping, tree removal (get a bond!), significant plumbing or custodial services, etc.) When in doubt, it is wise to err on the side of a written agreement in order to avoid misunderstandings later.
3. As would be the case with a non-parishioner, the written agreement (typically) must cover cost, schedule, quality, materials, scope of the work, and change orders.
4. If the Vestry would vote on the agreement if it were with a non-parishioner, it must vote on the agreement with a parishioner. (Some parishes allow, for example, the Buildings and Grounds committee to enter into contracts below a threshold amount without Vestry approval. In that case, the committee must observe these rules as if it were the Vestry.) Action on the agreement should be an agenda item at a Vestry meeting, and members should have the agreement to review.
5. Interested parties (those who would be parties to the agreement), especially vestry members, must physically leave the room during the Vestry’s deliberations. This recusal of interested parties is standard practice for all organizations, and should be observed at Vestry meetings. The Vestry should consider the issue as if the agreement were not with a member. It might be appropriate, for example, for the Vestry to ask for additional bids or proof of bond.

Remember that doing business with a parishioner can sometimes promise significant advantages to the parish, but maintaining good relationships is more important than any

discount. Avoiding conflict, rumor, and misunderstanding at the back end of a project is best achieved by being very clear about expectations at the front end and ensuring that no one feels pressured by the threat that personal relationships could be at stake.

## **Frequently Asked Questions**

### **Q. Who calls the Rector and to whom does the Rector report?**

A. The Rector, with the consent of the Bishop, is called by the Vestry, usually upon the recommendation of a Discernment Committee. The Rector works in conjunction with the Vestry and is responsible to the vows taken at the time of ordination to obey the “doctrine, discipline, and worship of The Episcopal Church.”

### **Q. May the Vestry “fire” the Rector?**

A. No, the Rector has lifetime tenure and leaves a parish only through death, resignation to take another call, or removal under provisions of canon law. When there is conflict and both parties do not agree to the dissolution of the pastoral relationship, the Bishop must be called first as a mediator and as a last resort as the arbiter, in which case the Bishop’s decision is final and both parties must obey. (Title III, Canon 9, Section 14 – 15)

### **Q. Who hires an Assistant/Associate Rector?**

A. Following the approval of the Bishop, a Rector can then hire an Assistant (or “Associate”) and the Assistant, like all other staff members, serves at the pleasure of the Rector. In order for the Assistant to be paid, however, the Vestry must fund the position in the budget. At the Rector’s invitation, the Vestry, a subcommittee of the Vestry, or some other committee may act as an advisory hiring committee. (Title III, Canon 9, Section 3.c)

### **Q. Do the staff and Assistant Rectors have to resign when a new Rector is called?**

A. No. Since assistant or associate clergy serve at the pleasure of the rector with the consent of the Bishop, these positions could be reviewed by the rector only in consultation with the bishop.

### **Q. We are in a search for a new Rector. Can the assistant Rector or our interim Rector become our new Rector?**

A. No. An assistant Rector may NOT be called to be the new Rector, and the interim Rector may NOT be called to be the new Rector.

### **Q. We have a great, experienced organist and I don’t like the music the new Rector is choosing. Who has the final say about music in our worship?**

A. Title II, Canon 5 and Title III, Canon 9, Section 6.a.1, give full authority to the Rector in this matter, but you are encouraged to speak with him or her about your concerns.

### **Q. Who hires the parish administrator, organist and paid bookkeeper?**

A. The Rector.

### **Q. What if a member of the church staff complains to me about the Rector?**

In most cases, you should curtail the conversation as soon as possible by telling the staff person that they need to deal directly with the Rector (who is their boss). If they are afraid to do this, you can offer to go with them to see the Rector (not as their advocate, but merely as an impartial witness). The exception to this rule is when the nature of their complaint relates to potential misconduct by the Rector. In that case, you should contact the Canon to the Ordinary.

**Q. Who nominates the Vestry? Can the Rector choose his or her favorites?**

A. The Rector may not choose the members of the Vestry. Anyone who is 16 years of age or older, has been faithful in attending worship, and has made a financial commitment to the congregation for the previous six months is eligible for election to the Vestry. Many churches have a nominating committee that is charged with creating a slate of volunteers to be considered for the Vestry.

**Q. I can't attend our annual meeting and I really want to vote for someone. Can I send a proxy with a friend?**

A. If the parish bylaws do not specify the manner of voting at the annual meeting, then it is advised to not allow for absentee ballots or proxy ballots. Nominations will be invited from the floor at the annual meeting so a prepared ballot will not necessarily include all names of nominees.

**Q. Does the congregation approve the parish budget at the annual meeting?**

A. No, the Vestry is fully responsible for the financial matters of the parish. At the same time it is incumbent on the Vestry to give a full accounting to the congregation as to the financial health of the parish. An annual audit must also be held and the results should be shared with the congregation. At the Annual meeting the Parish reviews the budget but does not vote on it.

**Q. What if there is no money to pay salaries?**

A. The Vestry is responsible for paying all salaries, whether through soliciting additional contributions from the congregation or by borrowing money. Serious financial strains experienced by the congregation should be shared with the Bishop.

**Q. The Rector wants the Vestry to designate 100% of her salary for housing. Must they do this?**

A. Yes. Any cleric employed by a parish may designate any percentage of his or her salary as housing and the Vestry must do this. The Vestry is required to record this designation at the beginning of each year in the minutes of a regular Vestry meeting. Clergy are then accountable to the IRS on these matters.