

Central Synagogue
Clergy-Directed Fund Policy
Effective Date: June 1, 2014

Policy Intent

The Board of Trustees of Central Synagogue (the “Synagogue”) believes it is consistent with the Synagogue’s mission to maintain funds for use by authorized pulpit clergy (“authorized clergy”) as a means of making available to individual authorized clergy specifically designated Synagogue funds that they may direct at their discretion exclusively for charitable and religious purposes consistent with the Synagogue's mission and tax-exempt status. These specific funds, which are herein referred to as clergy-directed funds, may be directed by the authorized clergy member (or, in certain cases, by groups of clergy and/or staff) to congregational, individual or community charitable or religious needs, consistent with this policy, for the purposes of (i) assisting individuals in need (whether congregants or non-congregants); (ii) supporting other 501(c)(3) organizations whose purpose or mission is consistent with the mission, purpose or organizational goals of the Synagogue; and (iii) enhancing or supplementing educational and communal programming for the congregation and generally supporting the initiatives, programs and practices of the Synagogue.

This document is intended to outline the mechanics and guidelines under which clergy-directed funds shall be established and administered, and should serve as a guide in relation to the appropriate use of the clergy-directed funds. Any exceptions to these guidelines require the formal written approval of the President of the Synagogue or his/her duly authorized designee, with the understanding that all authorized expenditures from the clergy-directed funds must be made consistent with the rules and regulations governing duly established 501(c)(3) tax-exempt organizations.

Clergy-Directed Funds

The Clergy-Directed Fund (the “Fund”) refers to the *aggregate* annual allocation of funds under the operating account of the Synagogue and not a separate fund or bank account owned by the Synagogue. The Board of Trustees as part of the regular annual budget approval process must approve the annual appropriation to the Fund. For purposes of clarity, the “Fund” refers to the total dollars allocated by the Board of Trustees to the authorized clergy, while a “clergy-directed fund” refers to that portion of the Fund allocated to an individual authorized clergy member or to a pooled fund (see *Allocation of the Fund*).

Ownership

The Synagogue solely owns all assets allocated to the Fund and under no circumstances should such funds be considered assets owned or controlled by one or more authorized clergy members. Thus, the authorized clergy member has no ownership claim to the Fund, or other property (e.g., books) purchased with Fund assets, at any time, including upon his/her departure under any circumstances from his/her role with the Synagogue. All assets remain the property of the Synagogue.

Clergy Contracts

All clergy contracts shall include a provision that specifically states that it is the responsibility of the authorized clergy member to adhere to these guidelines. Additionally, each contract shall contain a provision that affirmatively states that the authorized clergy member understands that his/her clergy-directed fund can only be used to further the religious mission and tax-exempt purposes of the Synagogue and that upon termination of employment for any reason, the assets included in his/her clergy-directed fund will remain the exclusive property of the Synagogue.

Confidentiality

These guidelines attempt to be sensitive to the confidentiality issues that naturally exist between our clergy and the people that they serve who may be beneficiaries of a distribution from the Fund. Every effort has been made to strike an effective and sensitive balance between the complex legal landscape and regulatory and tax requirements and the need for transparency and accountability. As a guiding principle, the confidentiality relating to beneficiaries of disbursements from the Fund shall be a high priority.

Source of Fund Capital

All assets for the Fund shall come directly from the general operations of the Synagogue and, as previously indicated, shall be authorized and allocated as part of the annual budgeting process. The Fund may not be a vehicle for making contributions directly to an authorized clergy member for his/her use; rather, congregants or others who wish to make a gift in honor of a clergy member or any other staff member shall be directed to make that gift directly to the Synagogue's general fund, payable to "Central Synagogue", and sent to the attention of the Synagogue's Finance Department, with a notation of whom the gift is being made in honor. The Finance Department shall have procedures for informing the clergy or staff member being so honored on a timely basis and the Development Department shall have procedures for providing recognition to the donor. Should a clergy or staff member receive a contribution directly, she/he shall immediately direct the funds to the Finance Department.

The Synagogue shall take steps to inform congregants about the opportunity to honor clergy and staff via donations to the Synagogue's general unrestricted fund.

As part of the Synagogue's annual budgeting process, the Executive Committee, after consulting with the Senior Rabbi, the Chair of the Finance Committee, and the Senior Director (or equivalent), shall recommend to the Board of Trustees, as part of the Synagogue's regular budget process, the amount of funds that should be budgeted for the coming year to the Fund. Total contributions to the Synagogue's general fund in honor of the clergy and staff over the prior one to two years will be a major consideration in establishing the recommended amount. Upon approval of the fiscal year operating budget by the Board of Trustees, the amount of the Fund shall be set for that fiscal year; provided, however, that the Senior Rabbi may request, and the Executive Committee shall consider, increases or decreases to the Fund during a given fiscal year.

Allocation of the Fund

Once the amount of the Fund has been established, the amount allocated to each clergy-directed fund shall be determined by the Senior Rabbi, after consulting with the President and the Chair of the Finance Committee, and shall be approved by the Executive Committee. The Synagogue shall endeavor to inform each authorized clergy member within 15 days of the start of a fiscal year what level of funds he/she may have discretion over for that fiscal year.

In addition to allocations to individual authorized clergy members, an allocation may be made to a pooled clergy fund, a pooled senior leadership fund, and/or a pooled fund representing all Central employees. The purpose of a pooled fund is to provide all applicable individuals with a single fund out of which they can make disbursements on behalf of the relevant team (e.g. “on behalf of the Clergy of Central Synagogue” or “on behalf of the entire Central Synagogue team”).

The Synagogue shall have in place all appropriate and necessary protocols for tracking clergy-directed fund balances. To the extent that a balance remains in any clergy-directed funds at the end of a fiscal year, such balance shall be credited to the general unrestricted fund of the Synagogue and shall not be carried forward.

CLERGY-DIRECTED FUND EXPENDITURES

The Synagogue has established basic guidelines for expenditures from clergy-directed funds and each authorized clergy member is expected to follow these guidelines in evaluating need and the appropriateness of any proposed expenditures from a clergy-directed fund.

Permissible Expenditures

Direct Support of Individuals or Qualified Organizations

Expenditures will be made from the Synagogue operating account (and deducted from the clergy-directed fund allocation) to cover expenses or reimbursements.

Typical expenditures under this category include:

1. Donations to people in need, including congregants and non-congregants, so long as such individuals are not related by blood or marriage to the authorized clergy member. Any donations to employees of the Synagogue, or personal expenses paid on behalf of such employees, would be characterized as imputed income to the employee and as such must be reported to the Human Resources Manager so that the payment may be added to the employee’s earnings in the payroll system.

Factors for determining need may include the following:

- a) Clergy counseling.
- b) Documentation of vendor debt owed by individual asking for help.
- c) Lifestyle demonstrates need.
- d) Known history of need.

Expenditures to a single individual aggregating to more than \$5,000 in any fiscal year, from any clergy-directed fund including a pooled fund, must be approved by the President or her/his designee.

When possible, payments to assist individuals in need should be remitted directly to the vendors or service providers to insure that funds are used for the specific requested purpose.

2. Donations made directly to other 501(c)(3) organizations consistent with the Synagogue's mission (listed in priority order):
 - a) Provide support to institutions or organizations dedicated to the cause of liberal Judaism in the USA and abroad, including Reform institutions and congregations.
 - b) Other Jewish causes primarily local and national (by way of example - AJC, ADL, RAC).
 - c) Other Jewish causes primarily international (by way of example - ARZA, Israel Religious Action Center, American Jewish World Service).
 - d) Other Israel-related.
 - e) Support of multi-faith work in which the Synagogue is directly involved or which directly benefits our members.
 - f) Institutions that provide social welfare benefits to citizens of New York City to combat poverty, hunger, homelessness and related issues.

Expenditures to a single organization aggregating to more than \$7,500 in any fiscal year, from any clergy-directed fund including a pooled fund, must be approved by the President or his/her designee.

Supplemental Customary Synagogue Expenses

Expenditures will be made from the Synagogue operating account (and deducted from the authorized clergy member's clergy-directed fund allocation) to cover expenses or reimbursements.

Typical expenditures under this category include:

- a) To support Synagogue educational programming, including the honorarium and expense of a guest speaker (expenses related hereto must be paid directly by the Synagogue and may not involve reimbursement to a clergy member).
- b) To support Synagogue special programs and initiatives that are underfunded or were not initially budgeted.
- c) To support clergy travel to other locations to visit with congregants (i.e. College trips or Sunbelt members) where the primary purpose of travel is for religious, community building and/or educational purposes.
- d) To 3rd-party service providers (e.g., caterer, servers, etc.) in connection with appropriate Synagogue member entertainment at the clergy member's home for Synagogue mission-related purposes or event.
- e) To support Synagogue staff dinners with the clergy member outside of clergy homes up to \$500; of greater than \$500, but less than \$5,000, with the additional approval of the Senior

Rabbi, and greater than \$5,000, by the President. The purpose of such event shall be to further community, communication and workplace cohesiveness.

- f) To support the purchase of tangible physical property (such as computers, Judaica, furniture and books) which shall be owned by, and remain at, the Synagogue but used by the clergy for the purpose of enriching or supporting the clergy member's ministry to the congregation.
- g) Expenditures authorized at the explicit direction of the Audit Committee Chair or President after receiving a written request and supporting documentation that includes a description of how the expenditure furthers the mission of the Synagogue.

Expenses Generally NOT Permitted

Typical proposed expenses under this category include:

- a) Payments made directly to, or that are intended to personally benefit, the authorized clergy member who is making the allocation from the clergy-directed fund under his/her control or discretion.
- b) Payment of professional dues.
- c) Attendance at conferences, events, educational programs.
- d) Payment for events benefiting a 501(c)(3) organization that the clergy member, his/her spouse, dependents or any other related person is attending.
- e) Payments made for expenditures relating to a spouse, dependents, or any other related person, for any purpose, shall be prohibited unless the Audit Committee Chair or President approves such expenditures in advance with sufficient documentation.
- f) Payments for lobbying or political contributions are strictly prohibited.
- g) Payments to 3rd-party service providers, where there is either an appearance or actual conflict of interest on the basis of a close personal relationship between the authorized clergy member and the proposed recipient of the payment and where the purpose is not aligned with a charitable purpose or on the basis of the individual's personal needs (e.g., caterer is the sibling of the authorized clergy member).
- h) Any expenditure that is not permissible under tax rules or regulations is strictly prohibited.

ADMINISTRATION OF THE FUND

The Finance Department of the Synagogue shall administer the Fund out of the operating account of the Synagogue and shall maintain all of the necessary records to support the initial allocations and annual expenditures from each clergy-directed fund.

Expenditures will be supported by the submission of check requests to the Finance Department signed by the authorized clergy member with a designation that the expenditure is to be taken from the clergy-directed fund allocation. For the purpose of administering any pooled fund, the Senior Rabbi, or a fellow clergy member specifically designated in advance in writing by the Senior Rabbi, shall be the only parties authorized to submit check requests.

Checks will be cut by the Finance Department and signed by the Senior Director or her/his authorized designee and an officer of the Synagogue pursuant to standard disbursing procedures. Consistent with the guidelines and procedures outlined in the Synagogue Purchasing Procedures Manual, the Finance Department shall use its reasonable efforts to expedite payments relating to direct support of individuals if the clergy check request indicates that the payment is “highly time sensitive and emergency in nature.”

The check request and supporting documentation noted in the Synagogue’s Purchasing Procedures Manual must be provided to the Finance Department. Supporting documentation should include the following: For new vendors, a W-9 form and a Vendor Information Form. Supporting documentation for all payments should include proof of purpose, including the nature of the expenditure, such as “meal with congregant” and a vendor invoice, a credit card statement, a contract, or where these are not available, a note or a memo describing the nature of the expenditure. Clergy must keep specific records of any expenditure to a congregant or a member of the staff, including name and context for the expenditure.

Expenditures relating to a spouse, dependents or other related person would be characterized as imputed income to the authorized clergy member unless the spouse, dependents or other related person is substantially contributing to the success of a Synagogue event, trip or activity in a deliberate and continuing way throughout the particular activity. Any imputed income must be reported to the Human Resources Manager so that the payment may be added to the employee’s earnings in the payroll system.

REPORTING & OVERSIGHT

The Executive Committee and the Senior Rabbi shall receive at least annually a report showing the total amount of contributions made to the Synagogue’s general fund in honor of authorized clergy members and other staff members. The Executive Committee and the Senior Rabbi shall also receive at least annually a report for each clergy-directed fund and for all pooled funds setting forth disbursements and including the following data: the total amount disbursed by quarter, the total number of separate transactions by quarter, and the amount disbursed by category (see *Permissible Expenditures*).

To ensure transparency, all authorized clergy members and the Senior Director (or equivalent) shall receive a report at least annually listing the recipient and amount of all disbursements from all pooled funds over the prior twelve months.

Since the clergy-directed funds will be under the general operating account of the Synagogue, an independent audit of the Fund will not be necessary as it will be covered by the annual Synagogue audit prepared by an independent accounting firm.

At least annually, and preferably semiannually, the Audit Committee Chair will perform a review of the Fund’s records.

Failure to comply with the provisions and expectations outlined in this Clergy-Directed Fund Policy may result in the authorized clergy member losing future clergy-directed fund allocations. Additionally, if a

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distribution from a clergy-directed fund is deemed inappropriate, this shall be reported to the Audit Committee Chair, who in consultation with the President, the Finance Committee Chair and other members of lay leadership as he/she deems appropriate, will determine whether to request that the funds be reimbursed/returned to the Synagogue, or whether some other corrective or disciplinary action is required.

This policy is intentionally designed to empower the lay leadership with the responsibility of annually determining the appropriate allocation of Synagogue resources to the Fund based upon the financial condition of the Synagogue and other considerations.

The Board of Trustees retains the right to modify the terms of this Clergy-Directed Fund Policy.

Approved by the Executive Committee of Central on March 6, 2014.