

1. The Congregation Council of St. James Lutheran Church hereby authorizes the establishment of a Pastors' Discretionary subaccount of the St. James Endowment Fund with the funds being held in the name of this congregation.
2. This fund shall receive 5% of the quarterly dividends from the St. James Endowment Fund. It is understood that none of the funds in the discretionary fund are constructively received for tax purposes by the pastor.
3. The Congregation Council gives the pastors discretion to distribute money from this fund only for needs or projects that are consistent with this congregation's exempt purposes.
4. The pastors are prohibited from using any portion of the fund for personal purposes or making distributions to themselves or to any family member.
5. The Endowment Committee retains administrative control over this fund to ensure that all distributions are consistent with the congregation's exempt purposes.
6. The pastors shall report quarterly to the Executive Committee the Discretionary Fund balance and any distributions they have made including information regarding the purpose for which funds were distributed. Such distributions shall remain entirely confidential.

### **WHAT IS CHARITY?**

Pastors who are authorized to distribute discretionary funds for benevolent purposes must recognize that the IRS interprets the term charity very strictly. More is required than a temporary financial setback or difficulty paying bills. Pastors should keep this important point in mind when making distributions from a discretionary fund. The income tax regulations define "charitable" to include relief of the poor and distressed or of the underprivileged. The regulations define "needy" as being a person who lacks the necessities of life, involving physical, mental, or emotional well-being, as a result of poverty or temporary distress. Examples of needy persons include:

- a person who is financially impoverished as a result of low income and lack of financial resources,
- a person who temporarily lacks food or shelter (and the means to provide for it),
- a person who is the victim of a natural disaster (such as fire or flood),
- a person who is the victim of a civil disaster (such as civil disturbance),
- a person who is temporarily not self-sufficient as a result of a sudden and severe personal or family crisis (such as a person who is the victim of a crime of violence or who has been physically abused).

Treas. Reg. 1.170A-4A(b)(2)(ii)(D).