BY-LAWS

OF

TRUSTEES AND COUNCIL

DIOCESE OF KENTUCKY

(REVISION OF 2007; AS AMENDED THROUGH JANUARY 2016)

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I. TRUSTEES AND COUNCIL

Section I.1. Executive Committee. The Executive Committee of Trustees and Council shall consist of the Bishop, the Vice President, the Secretary, the Treasurer, the Chancellor, and one (1) member-at-large elected from and by Trustees and Council. No action may be taken by the Committee in the absence of more than one (1) of the six (6) designated members.

(a) The Executive Committee shall meet at the call of the Bishop to consider and act upon, as necessary, such matters as in the Bishop’s opinion require attention prior to the next meeting of Trustees and Council but do not justify the calling of a special meeting of Trustees and Council. The Bishop shall make a full report to the next meeting of Trustees and Council upon the matters presented to the Executive Committee at any such meeting and of the action taken thereon. Each action of the Executive Committee must be ratified by Trustees and Council at the next regular or special meeting.

(b) Written notice of each meeting of the Executive Committee shall be given in advance to each member of Trustees and Council with a specific statement about the purpose of the meeting. Any four (4) members of Trustees and Council may cause the meeting to be canceled if they desire to call a special meeting, as provided in Canon 17, Section 4. The Executive Committee may also act as a Review and Agenda Committee and as such shall prepare the agenda for any forthcoming meeting of Trustees and Council, provided that when it is acting solely as a Review and Agenda Committee, no written notice shall be required.

Section I.2. Standards of Membership on Trustees and Council.

I.2.1 Committee. Election to Trustees and Council by the Convention or pursuant to the Diocesan Canons is a privilege and an honor. Acceptance of membership on Trustees and Council signifies acceptance of the administrative and fiduciary responsibilities placed upon Trustees and Council by the General Convention Canons, the Diocesan Canons and resolutions of the Convention. Fulfillment of these responsibilities requires the agreement of all members of Trustees and Council of the provisions of the following covenant.

I.2.2 Preparation and Materials.

(a) Members will review with care, prior to each meeting, all materials provided with respect to matters to be considered at the meeting.

(b) Each member who is responsible to provide materials to the members of the Trustees and Council agrees to use his or her best efforts to deliver them to the diocesan staff at least seven business days prior to the date of the meeting so that the staff can distribute the materials to the Trustees and Council in a timely manner. If the member is unable to meet this deadline, he or she will provide the materials to the other members of the Trustees and Council by mail, fax or email for delivery to the members.
at least two business days prior to the meeting. If any member distributes materials at a meeting, he or she will understand that the materials will be given only for information, and that Trustees and Council will not be asked to act on the information except in case of emergency.

(c) If materials relating to a matter that is to be considered at a meeting of Trustees and Council are emailed to a member, he or she will download and print the materials and bring them to the meeting.

I.2.3 Attendance and Participation.

(a) Members recognize that the Trustees and Council can act only if a quorum is present and that each appointment to the Trustees and Council is personal and cannot be delegated. Accordingly, each member will use his or her best efforts to attend in person all meetings of the Trustees and Council and will not be absent from a meeting except for serious reason such as personal illness or other reason not within his or her control. If a member misses more than two Trustees and Council meetings in a calendar year (except for serious reasons), he or she may be asked by the Bishop to resign from Trustees and Council and, if applicable, from the position that causes him or her to be a member of the Trustees and Council.

(b) Each member will use his or her best efforts to attend the meetings of committees, commissions, task forces and other working groups (collectively, “Groups”) on which he or she serves. Each member who is a Chairperson or convener of a Group will provide minutes of the Group to the diocesan office promptly after the minutes are prepared. If meetings are held by teleconferencing technology call, every member agrees to use his or her best efforts to participate in these calls. If a member is unable to attend an in-person meeting of a Group, he or she will attempt to attend the meeting by conference telephone call with the permission of the Chairperson.

(c) Each member will use his or her best efforts to be on time for all meetings and be present for the entire meeting.

(d) Each member will give full attention to each matter being considered and to listen respectfully to each person who speaks at the meeting. Each member agrees to express all questions, concerns and positions on all matters on which he or she has a question, a concern or a position.

(e) Each member will direct all comments to the substance of the matter being considered and will avoid all statements that might harm another or diminish another’s reputation.

(f) During the course of a meeting, each member will turn any cell phones off or adjust them (such as by putting them in “vibrate” mode) so that the receipt of a call will not disturb others. If a member receives a call that requires immediate attention, he or she will leave the meeting with decorum and participate in the call outside the room in which the meeting is being held and outside the hearing of those attending the meeting.
(g) Each member will act so that Trustees and Council fulfills its legal obligations to the Diocese and its people under the Kentucky Not-For-Profit-Corporation Law and the Canons of the General Convention and of the Diocese.

I.2.4 Conduct of Meetings.

(a) Each member will listen with care to the views and questions of others and to use best efforts to understand and appreciate the positions of all persons who address Trustees and Council.

(b) Each member will seek consensus on all matters presented to the Trustees and Council.

(c) Each member will seek to maintain an appropriate balance concerning the duration of discussions. Mindful of the value of the time of fellow members, each member will avoid making cumulative and repetitive comments. At the same time, each member agrees that all persons should be encouraged to speak at meetings. Trustees and Council should not unduly restrict discussion of any matter as to which members desire to continue deliberations.

(d) In making reports to Trustees and Council, each member can expect that all other members have reviewed written reports in advance of the meeting and that only highlights of the report, or other matters that are not readily apparent from the written material, should be presented orally at the meeting. Each member will answer all questions concerning his or her reports in appropriate detail.

I.2.5 Witnessing. Membership on Trustees and Council quite often needs the extra work of mediation; i.e., the work which we complete often must be interpreted and clarified to the Diocese through its congregations and groups.

I.2.6 Group Life. Members will maintain the life and cohesiveness of the group.

I.2.7 Worship. The life of Trustees and Council will include an expression of corporate worship at every meeting in which members of Council will participate.

I.2.8 Resolutions. In order to assure that the wording of motions is properly recorded, motions other than purely procedural ones shall be submitted in writing to the Secretary either before being made or promptly after having been made.

I.2.9 Right to Limit Debate. Whenever discussion on an issue becomes prolonged, a vote may be called for to: (a) refer to a future meeting’s agenda; (b) limit debate; or (c) call for the question.

I.2.10 Conflict of Interest. No contract or other transaction entered into by the Council, or the Executive Committee, shall be void, and no member of the
Council shall be deemed to have violated his or her fiduciary obligations to the Council or the Diocese, by reason of a direct or indirect conflict of interest if either the material facts of the contract or transaction and as to the member’s interest in such contract or transaction, or as to any common directorship, officer ship or financial interest, are disclosed in good faith or known to the Council or Executive Committee before the Council or Executive Committee authorizes such contract or transaction by a vote sufficient for such purpose without counting the vote or votes of such interested member, or the transaction, after completion, is found to have been fair to the Diocese. For the purpose of this By-Law:

(a) A conflict of interest is a transaction with the Council in which a member or officer has a direct or indirect interest.

(b) A member shall be considered to have an indirect interest in a transaction if (a) another entity in which he or she has a material financial interest or in which he or she is a general partner or shareholders is a party to the transaction; or (b) another entity of which he or she is a director, officer, trustee is a party to the transaction and the transaction is or should be considered by the Council or the Executive Committee.

II. UNITS THAT COMPOSE THE DIOCESE

Section II.1. Organizational Units of the Diocese.

II.1.1 Departments. Departments are responsible for comprehensive, ongoing work of the Church in relationship with the Bishop and receive their funding from, and report to, Trustees and Council. The present Departments are: Stewardship and Finance, Christian Formation, Justice and Jubilee, and Mission and Evangelism. Designated members of Trustees and Council serve as liaisons to each of the Departments. Communications among the Departments are coordinated by the Canon to the Ordinary.

II.1.2 Committees. Committees of Trustees and Council are each responsible for a clearly defined and limited area of responsibility and each reports to Trustees and Council. The Committees of Trustees and Council are: Finance Committee, Investment Committee, Budget Committee, Mission Funding Committee, Audit Committee, and Real Estate Committee. Other committees which report to either the Bishop or to the Diocesan Convention include: Standing Committee, Disciplinary Board, Committee on Canons, Committee on Church Architecture and Allied Arts, Committee of the Church Pension Fund, the All Saints’ Episcopal Center Board and the Board of Trustees of the Bishop Dudley Memorial.

II.1.3 Commissions. Commissions function as an extension of the Bishop’s Ecclesiastical role and are advisory to the Bishop. Present Commissions are: Commission on Ministry, Liturgical Commission and Ecumenical Commission.

II.1.4 Deaneries. Deaneries coordinate the talents of ministries of the Episcopal congregations in certain areas.
II.1.5. **Assistant Treasurer.** From time to time, on motion of the Treasurer, Trustees and Council may elect an adult confirmed member in good standing who is knowledgeable in the Business Methods in Church Affairs to fill the Office of Assistant Treasurer of the Diocese. Such person shall report to the Bishop and the Treasurer, shall serve at the pleasure of the Bishop, and shall be entitled, ex officio, to a seat but without vote in the Convention. The Assistant Treasurer shall execute a bond in such amount as the Finance Committee shall request, but in no case less than the sum of $100,000, the bond to be subject to the approval of the Finance Committee which shall be the custodian thereof. The necessary expenses thereof shall be paid by the Diocese.

The Assistant Treasurer shall carry out such duties as the Treasurer may assign, including assisting the Controller of the Diocese with the appropriate conduct of that office, and when needed, performing duties of the Treasurer when the Treasurer is absent or unable to perform his or her duties.

Section II.2. **Departments.**

II.2.1 **Department of Stewardship and Finance.** This Department is composed of a Chairperson, who is appointed by the Bishop, the Treasurer of the Diocese *ex officio*, the President of the Bishop Dudley Memorial Fund, Inc. *ex officio*, and the Chairpersons of each of the following Committees of Trustees and Council: the Finance Committee, the Investment Committee, the Budget Committee, the Mission Funding Committee and the Audit Committee. The Department coordinates the activities of the constituent committees and reports to the Bishop and Trustees and Council. In addition to other duties, the Chairperson of the Department plans and promotes programs to encourage each person’s pledging of time, talent and treasure to the Lord’s service throughout his Church with the assistance of such additional volunteers as the Chairperson may enlist from time to time. The Controller is staff liaison to this Department.

II.2.2 **Department of Christian Formation.** This Department conducts, coordinates and encourages Christian formation activities including Education for Ministry programs, and develops and distributes resources for use throughout the Diocese. The Department is composed of a Chairperson, who is appointed by the Bishop, and such other persons who are nominated by the Bishop and confirmed by Trustees and Council. The diocesan Youth and Young Adults Director is staff liaison to the Department of Christian Formation. The Department shall coordinate, review and approve resources for Christian Formation and make them available to Parishes, Missions, Diocesan organizations and clergy involved in college ministries. The Department will solicit and distribute resources for church school, adult education, leadership training, camps and conferences. The Department may sponsor and promote programs in any of these areas as needed by the Church. The Department shall coordinate the Diocese’s programs and ministries for youth and young adults in order to provide continuity of concept and content for youth and young adults despite the great flux among youth and young adults themselves. The Department shall report concerning its programs to Trustees and Council.
II.2.3  **Department of Justice and Jubilee.** This Department explores religious and social outreach opportunities in response to diocesan and social needs, and assists the Bishop and others to advance responses in the community. The Department is composed of a Chairperson, who is appointed by the Bishop, and such other persons who are nominated by the Bishop and confirmed by Trustees and Council. The diocesan Communications Director is staff liaison to the Department of Justice and Jubilee. The Department shall explore the social implications of the Gospel as they affect the communities in which parishes and missions are located, assist the Bishop, the diocesan staff, Departments and Commissions, individual congregations, and Episcopalians in advancing gospel-based responses to community needs, keep the Bishop and Trustees and Council informed about which concern the Church, and be available to advise the Bishop and/or Trustees and Council on request. The Department will assist Trustees and Council in the evaluation of all programs, including without limitation the United Thank Offering, the Episcopal Relief and Development and the Millennium Development Goals, which constitute part of the Church’s response to social needs. The Department will serve as the channel through which funds are provided in the operating budget for projects supported.

II.2.4  **Department of Mission and Evangelism.** This Department oversees and promotes diocesan and congregational mission planning and implementation, and submits periodic reports to Trustees and Council concerning its activities. The Department is composed of a Chairperson, who is appointed by the Bishop, and such other persons who are nominated by the Bishop and confirmed by Trustees and Council. The Canon for Congregational Vitality is staff liaison to the Department of Mission and Evangelism. This Department coordinates its work with the Mission Funding Committee by submitting recommendations from time to time concerning the merits of funding requests for grants and loans to the Mission Funding Committee. The Department also coordinates its work with the Budget Committee by submitting recommendations annually concerning the merits of requests from missions and ecclesial communities for funding in the next annual budget of the Diocese. The Department shall have a special concern for the evangelistic role of the Church. It will keep before the congregations of the Diocese the challenge of a clear presentation of the Good News which expects and receives a response from Christians through the living out of their baptismal covenant. Members of the Department will stay informed on styles and methods of evangelism elsewhere in the Church and serve as a resource to congregations interested in special programs of evangelism and assist them to the extent possible when asked.

Section II.3.  **Committees of Trustees and Council.**

II.3.1  **Finance Committee.**

(a) The Finance Committee is the entity within the Diocese which is created in accordance with Diocesan Canon 17, Section 8. The Finance Committee shall consist of a Chairperson who is a lay person who is appointed by the Bishop, the Treasurer of the Diocese *ex officio*, the President of the Bishop Dudley Memorial Fund, Inc. *ex officio*, and such additional members as are nominated by the Bishop and approved by Trustees and Council.
(b) The Finance Committee shall supervise on behalf of Trustees and Council compliance with the “business methods in church affairs” which are set forth in General Convention Canon I.7.1(a), Diocesan Canon 15 and Section III of these By-Laws, and shall report to Trustees and Council from time to time concerning compliance therewith. The Finance Committee is also responsible for: fiscal planning for the short and long range financial support of the Diocese; the administration of funds budgeted for diocesan operations, purposes, goals, and principles; reporting to Trustees and Council on the status of accounts; evaluating recommendations provided to Trustees and Council associated with annual audits of diocesan fiscal affairs; and general oversight over the income and expenses of the Diocese.

(c) The Committee will receive reports on the real and personal property of the Diocese and on trusts and reserve funds and their investment and may make recommendations on policies governing the purchase, sale, and disposition of real and personal property of the Diocese or property in which the Diocese has an interest and on policies governing the purchase, sale and disposition of securities held by trusts and reserve funds and on interest received by them, although the responsibility for the proper investment of the funds shall reside in the Investment Committee. The Committee will review the regular financial statements prepared in the diocesan office and, working with the Treasurer, will make certain that funds are available for authorized expenses.

(d) The Finance Committee will receive recommendations from the Mission Funding Committee concerning proposed grants from the Forward Fund or the Advance Fund. If the Finance Committee agrees that a recommendation of the Mission Funding Committee complies with the requirements for the proposed grant, determines that sufficient resources are available and that the applicant is in compliance with diocesan Canons and policies, the Finance Committee will approve funding for the grant. If the amount of the grant as approved by the Finance Committee is $10,000 or less, the Chairperson of the Finance Committee may authorize the Treasurer of the Diocese to fund the grant and will report the making of the new grant to Trustees and Council at its next regular meeting. If the amount of the grant as approved by the Finance Committee is in excess of $10,000, the application must be approved in advance by Trustees and Council. If Trustees and Council approves the funding of the grant, Trustees and Council shall authorize the Treasurer of the Diocese to fund the grant.

The Finance Committee will receive and process applications for loans from the Marmion Revolving Loan Fund pursuant to By-Law III.5.2. If the Finance Committee determines that the application complies with the requirement for the proposed loan, sufficient resources are available and that the applicant is in compliance with diocesan Canons and policies, the Finance Committee may approve the loan. If the amount of the loan as approved by the Finance Committee is $20,000 or less, the Chairperson of the Finance Committee may authorize the Treasurer of the Diocese to fund the loan and will report the making of the new loan to Trustees and Council at its next regular meeting. If the amount of the loan as approved by the Finance Committee is in excess of $20,000, the application must be approved in advance by the Trustees and Council. If Trustees and Council approves the funding of the loan, Trustees and Council shall authorize the Treasurer of the Diocese to fund the loan.

The Finance Committee shall monitor compliance by the recipients
with the terms of all *Forward Fund* and *Advance Fund* grants. The Finance Committee shall monitor compliance by the recipients with the terms of all *Marmion Revolving Fund* loans that are disbursed, and the Committee shall, if appropriate, refer defaulted loans to the Chancellor for collection.

(e) The Committee shall meet at least four (4) times each year, shortly prior to regular meetings of Trustees and Council. The Committee may have such other meetings as the Chair shall determine.

II.3.2 **Investment Committee.** The Investment Committee is the entity within the Diocese which is created by Diocesan Canon 17, Section 11. The Investment Committee shall consist of three (3) persons, one of whom shall be the Chairperson, who is appointed by the Bishop, and two (2) additional persons, one of whom shall be a member of the Clergy, who are nominated by the Bishop and approved by Trustees and Council. At least one member of the Investment Committee shall be a member of Trustees and Council. The Investment Committee shall have the responsibility, either by itself or through agents of its choosing, to provide for the investment and reinvestment of the securities and other intangible property of the Diocese, without the prior approval of any transaction by the Trustees and Council, subject to the limitations of Diocesan Canon 17, Section 11. The Investment Committee shall supervise the investment and reinvestment of funds of the Episcopal Church Foundation of the Diocese of Kentucky in accordance with the provisions of Diocesan Canon 39. The Investment Committee shall report concerning the investment results and compliance with the Canon and diocesan policies to Trustees and Council.

II.3.3 **Budget Committee.**

(a) At a regularly scheduled meeting of the Trustees and Council before July 1 of each year, the Bishop shall appoint a Budget Committee which shall consist of a Chairperson, who is a member of Trustees and Council and appointed by the Bishop, and not less than four (4) nor more than six (6) additional persons who are nominated by the Bishop and approved by Trustees and Council. A majority of the members of the Budget Committee, including the Chair, shall be members of Trustees and Council.

(b) The Committee shall solicit requests for, and opinions concerning, funding the annual operations of diocesan programs and operations from diocesan officers, Departments, Committees, Commissions, missions and other ecclesial communities and church related institutions. The Committee shall review all such requests and opinions and present a recommended Diocesan operating budget for the coming year to Trustees and Council at a regularly scheduled meeting before July 1 of each year. Proposed expenditures shall be balanced against anticipated available income and other resources.

(c) At the meeting of Trustees and Council after July 1 of each year, a list of all organizations supported in the current Diocesan budget will be submitted to Trustees and Council showing the amount involved, the purpose of the organization,
and the nature of Diocesan participation. Trustees and Council will instruct the Budget Committee on any desired changes in support prior to the preparation of the Diocesan budget for the following year. Continuing support will go to the line item budgets for the organizations and will not be itemized in the Diocesan budget. (Examples of organizations in this category are ESMA, EDEO, Episcopal Peace Fellowship.)

(d) Prior to the preparation of the Diocesan budget in each year, any agency of community service supported by the Diocesan budget will be expected to present a written request for assistance on a form prepared by and furnished by the Diocese. The organization will be asked by that form to justify its need for the coming year, and to present a moving three-year projection of its program which can be looked at in relation to the Mission Statement and Goals of the Diocese. (Examples of organizations in this category are St. George’s Community Center, and Aaron McNeil House.)

(e) As a normal practice, the Diocese will pay its “fair share” of any support of any organization in which the Trustees and Council has or the Diocesan Convention has concluded that the Diocese shall have membership, as determined by the Board of the organization, if the Diocese is officially represented on the Board. Should there be a request for more than what is deemed by the Diocesan representative to be such fair share, specific action by Trustees and Council authorizing payment of such a request must be taken in advance of payment. In the event that Trustees and Council determines that other member organizations are not paying their fair share, the Diocese will pay no more than twenty percent (20%) above the average being paid by other members. (Example: If the average support is seventy percent (70%) of the amount requested, the Diocese will pay not more than ninety percent (90%) of its requested amount.) (Examples of organizations in this category are: Kentucky Council of Churches, Kentuckiana Interfaith Community.)

(f) Trustees and Council shall cause the Committee’s proposed Diocesan budget, as tentatively adopted by Trustees and Council, to be published to each congregation.

(g) Not less than thirty (30) days prior to the next annual Convention the Committee shall review the actual amount of income pledged by the congregations. In the case of any congregation which has not submitted a pledge, the Committee may estimate the amount it believes such congregation will ultimately pledge, based on reliable information the Committee has developed, including but not limited to the past history of the congregation’s acceptances and verbal assurances or estimates from congregation leadership. The Committee may add to such income anticipated from congregations, if it thinks it proper to do so, all or part of its estimate of the income to be derived during the budget year from surplus or endowed funds, bearing in mind the provisions of Canon 39, Section 2. Proposed expenditures shall be reviewed and adjusted to balance with anticipated total income. The budget thus developed by the Committee shall be recommended to Trustees and Council for adoption in time for distribution along with Advance Reports to the Clergy and elected deputies prior to the convening of the Convention.
II.3.4 Mission Funding Committee.

1. General. The Mission Funding Committee shall consist of a Chairperson, who is appointed by the Bishop, and such additional members as are nominated by the Bishop and approved by Trustees and Council. The members of the Committee shall include at least two (2) members of the Department of Mission and Evangelism. Members of the Mission Funding Committee will be asked to serve three-year terms, with one-third of the members rotating off each year. The Mission Funding Committee shall be responsible for processing applications for grants from the Forward Fund and the Advance Fund and recommending the funding of worthy requests to the Finance Committee in writing. The Mission Funding Committee’s report to the Finance Committee shall include the Mission Funding Committee’s assessments concerning the priority it assigns to the approved grant applications in the event that sufficient funds are not available to provide for full funding of all approved applications. The Mission Funding Committee shall review requests from congregations for subsidies in the next year’s annual diocesan budget and recommend the funding of worthy requests to the Budget Committee in writing. The Mission Funding Committee will report concerning the number of applications received and acted upon to Trustees and Council at its next regularly scheduled meeting.

2. Processing Applications for the Forward Fund. The Mission Funding Committee will be responsible for the selection of congregations and officially constituted bodies within the Diocese to receive funding from the Forward Fund for new, creative, and innovative programs that will further the ministry of the Church. Projects must be presented by an organizational unit of the Diocese: Parish, Mission, Department, Committee, Commission, or church-related institution. The Committee must report its actions to Trustees and Council at the next regularly scheduled meetings, including ways in which each grant fulfills the Fund objectives.

(a) All proposals for funding must be in writing. The proposal will state the purpose, timetable, and leadership of the project as well as standards against which success will be measured. The primary criterion used by the Committee will be whether the project proposed will strengthen, renew, or build up the ministry of the Episcopal Church. Additional considerations will give preference to originality and potential success and will preclude budgetary support for any ongoing project or program. The Committee will work with the applicants to modify their applications to help them conform to the goals of the Forward Fund.

(b) No Forward Fund monies will be used to balance the Diocesan Budget. The Forward Fund corpus will not be reduced except by vote of the Diocesan Convention.

(c) The following criteria will guide the Committee:

(i) Special preferences and attention will be given to new modes and expressions of Christian ministry.

(ii) Only proposals with definite time frames and (if needed) plans for future funding will be considered for assistance.
(iii) Low priority will generally be accorded proposals dealing with routine costs or "survival" programs.

(iv) The presenting body is expected to demonstrate its support of the proposal through a commitment of additional funds, leadership, and volunteer services, as appropriate.

(v) Preference will be given where two (2) or more units of the Diocese are cooperating in the project or when it is ecumenical in nature.

(vi) Projects must be consistent with the goals and objectives of the Diocese of Kentucky.

(d) Recipients will be notified by the Chair of the Committee who will inform them of expectations in terms of progress reports, financial statements, and evaluations to be submitted to the Committee. If a grant made has not been drawn within eighteen (18) months by the recipient, the commitment to the recipient shall lapse unless the recipient requests and the Committee approves an extension.

(e) The Finance Committee shall advise the Mission Funding Committee at least semi-annually as to the Fund income balance available for distribution.

3. **Processing Applications for the Advance Fund.** The Mission Funding Committee will be responsible for the selection of congregations and officially constituted bodies within the Diocese to receive funding from the Advance Fund. The Advance Fund is a general fund within the Episcopal Church Foundation of the Diocese, described in Diocesan Canon 39, in which is placed funds awaiting expenditure for capital projects and funds received for expenditure rather than permanent endowment.

II.3.5 **Audit Committee.**

(a) The Audit Committee shall consist of a Chairperson appointed by the Bishop and such additional members as are nominated by the Bishop and approved by Trustees and Council. This Committee is responsible for recommending the selection of a firm of certified public accountants to Trustees and Council and negotiating with the selected firm the terms of engagement for annual audits of all diocesan accounts, including the permanent and endowment funds of the Episcopal Church Foundation of the Diocese, and for such additional work as Trustees and Council and the Audit Committee deem prudent concerning the financial affairs of the Diocese.

(b) Upon approval of the Finance Committee and then Trustees and Council, the Chairperson of the Audit Committee shall sign a letter of engagement on behalf of Trustees and Council with a firm of certified public accountants. The diocesan staff will provide copies of the letter of engagement to at least the Bishop, the Treasurer, the Chairperson of the Finance Committee, the Canon to the Ordinary and the Controller.

(c) The Audit Committee will assist the diocesan staff during the conduct of annual audits of diocesan accounts. Upon completion of the auditors' work pursuant to the letter of engagement, the Audit Committee will review the auditors' report.
or reports and their management letter or auditors’ comments, the Audit Committee shall forward the results of the audit and the auditors’ comments to Trustees and Council, and the Audit Committee shall convey to Trustees and Council the Audit Committee’s own recommendations and comments concerning the audit and the audit process to Trustees and Council. The sequential order of approval of the annual audit shall be: (1) the Audit Committee; (2) the Finance Committee; and (3) Trustees and Council. Each member of Trustees and Council will receive original copies of the auditors’ reports and auditors’ comments. The Controller shall make copies of the most recent annual audit of diocesan accounts available for review in the diocesan offices by any Episcopalian who requests it and, upon payment of the copying cost thereof, may send copies thereof to any Episcopalian.

(d) The Audit Committee shall design and supervise the implementation of appropriate procedures and policies concerning annual audits of all parishes, missions and other ecclesial communities in order to promote compliance with the letter and spirit of Diocesan Canon 15, Section 2 and General Convention Canon I.7.1(a).

(e) The Chairperson of the Audit Committee shall work with the Controller and/or the bookkeeper in regard to any data directly concerning the quarterly reports of the Diocese’s “net assets”, financial position, activities and cash flows. The Controller shall mail copies of diocesan financial reports to the members of the Audit Committee not less frequently than quarterly.

II.3.6 Real Estate Committee. The Real Estate Committee shall consist of a Chairperson appointed by the Bishop and such additional members as shall be nominated by the Bishop and approved by Trustees and Council. In the absence of another selection, the Vice Chancellor shall serve ex officio as the Chair of the Real Estate Committee. The Committee shall advise and assist the Bishop and Trustees and Council on the purchase or sale of real estate for the Diocese, take steps to compile and preserve complete records on all real estate belonging to the Diocese and report to Trustees and Council concerning compliance with Diocesan Canon 17, Section 10.

Section II.4. Diocesan Institutions and Other Organizations. Trustees and Council has the responsibility, on behalf of the Diocese and the Episcopal Church, to exercise control and accountability over the following institutions and organizations whose income tax exemption is provided by the Episcopal Church. Each of the following institutions and organizations reports concerning its programs to the Bishop and Trustees and Council.

II.4.1 Board of All Saints’ Episcopal Center. The Board of All Saints’ Episcopal Center will be named from time to time by the Bishop. The Board will recommend to the Bishop and Trustees and Council ways and means to fulfill its mission statement, which is “To inspire, renew and equip through loving example and service those who break bread with us and share in the quest for spiritual renewal and Christian community” at the Diocese’s camp and conference center in Grayson County, Kentucky. The Board will: administer the funds and physical resources of the Church at All Saints’;
appoint, after consultation with the Bishop, a Center Director; set policy for operations of the center; enhance the mission of the Church and to develop Diocesan usage; supervise the work of the Center Director; and establish procedures governing the use of All Saints’ Episcopal Center.

II.4.2 St. George’s Community Center. An affiliated corporation manages a Center in Western Louisville which serves youth and elderly persons through innovative and creative educational programs and meaningful activities. The Center is managed by a Board of Directors who are appointed from time to time by the Bishop for three year terms.

II.4.3 Episcopal Housing Corporation. This affiliated corporation promotes housing for low to moderate income persons. The corporation is managed by a board of directors, which consists of Trustees and Council as its members change from time to time, and an Executive Committee consisting of the corporation’s officers.

Section II.5. Deaneries. Deaneries consist of geographical groupings of congregations. The Bishop, with the concurrence of the Standing Committee, has commissioned five deaneries within the Diocese: the Four Rivers Deanery, the Twin Rivers Deanery, River Cities Deanery (Louisville West), Beargrass (Louisville Southeast), and Northeast Jefferson/Shelby County. Diocesan deaneries function to provide collegial life support and, where appropriate, enhanced joint ministry in their respective regions. The clergy of each deanery select their own deanery leader. The frequency of deanery meetings and functions are determined by the deanery’s constituency.

III. ADDITIONAL BUSINESS METHODS IN CHURCH AFFAIRS

Section III.1. Special and Emergency Needs. When special and emergency needs of a Diocesan nature come to the attention of the Bishop between meetings of Trustees and Council, the funds needed shall be taken from the contingency item in the Budget and not from lapsed balances. The Bishop is authorized to draw on the contingency item for such special and emergency expenses between meetings of the Council with respect to any single item of $200 or less. For items in excess of $200, but not in excess of $700, the Bishop shall also secure the approval of any two (2) of the following: the Treasurer, Vice-President of the Council, and the Chair of the Finance Committee. At each meeting the Bishop shall inform the Council in writing of all expenditures thus made since its last meeting.

Section III.2. Expenditures Made By Various Departments. The Treasurer or Controller of the Diocese will advise each unit head of the status of that unit’s financial position each month. Should it be necessary to over-expend a unit’s budget, the matter will be taken up by the unit head in consultation with the Treasurer of the Diocese and the Chair of the Finance Committee before such over-expenditure is made. If in the opinion of the Treasurer and the Chair of the Finance Committee the expenditure is justified, such over-expenditure can be approved. The Finance Committee or Department head may refer any such questions to Trustees and Council for final action.
Section III.3. Adjustments by Departments, Committees, Commissions and Boards of their Budgets. Departments, Committees, Commissions, and Boards are authorized to make necessary adjustment in allocations within their overall budgets provided that: (1) the adjustment does not tamper with any salary or other personnel commitments; (2) the adjustment does not initiate any new ongoing work or program; (3) the adjustment is made in consultation with the Bishop and reported to Trustees and Council at the next meeting.

Section III.4. Purchases of Tangible Personal Property. Whenever it shall seem appropriate to the Bishop to acquire for the Diocese one (1) or more unbudgeted items of tangible personal property having an estimated useful life of not less than three (3) years and costing in the aggregate more than $2,000 but less than $10,000, the Bishop is authorized to acquire the same and charge the cost thereof to such capital fund or funds of the Diocese, as in the opinion of the Bishop, is most appropriate. In no one (1) calendar year shall the Bishop make such expenditure in the aggregate in excess of $10,000. The Bishop shall, in every case, report any such acquisitions to the next meeting of Trustees and Council. The Budget Committee, in preparing the Diocesan budget for the next succeeding four (4) calendar years shall provide for restoring any capital fund so charged out of regularly budgeted funds at the rate of twenty-five percent (25%) per year of the total so expended. Acquisitions costing less than $2,000 shall be charged to the appropriate budget line item in the year in which the cost was disbursed. Acquisitions costing more than $10,000 shall not be acquired unless first approved by Trustees and Council after receiving recommendations of the Bishop and the Chair of the Finance Committee. In approving any such unbudgeted acquisition, Council shall determine the appropriate funding mechanism.

Section III.5. Episcopal Church Foundation.
The trust, permanent, endowment and capital funds of the Diocese are known as the Episcopal Church Foundation of the Diocese of Kentucky. They may be placed with one or more financial institutions as selected by Trustees and Council upon the recommendation from time to time of the Finance Committee and the Investment Committee. (Article VI of the Charter of Trustees and Council; Diocesan Canons 15 and 39).

1. Endowment Fund. The Endowment Fund consists of 18 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by Trustees and Council to function as endowments. The Endowment Fund currently consists of the following Funds: Virginia Gibbs, Marsha Hite, Edith Parker, E.C. Clingman, W.A. Roberts, Pauline Watt, Carpenter-Diocese, Christian Social Relations, Gresham & Doris Marmion, Carpenter-Bishop, St. John’s Morganfield, St. Martin’s Mayfield, Caroline Pilcher, James Glazebrook, Philip Lanier, J.E. Buckner, J. Grier and H. Ormsby. These funds are subject to the 5% endowment spending policy established in Diocesan Canon 39.

2. Other Restricted Funds. Permanently restricted funds held by Trustees and Council (unless otherwise noted) are: the Terry Trust (managed by a trustee), Brennan Theological Trust (managed by a trustee), the Forward Fund, the Kohler Family Fund, and the Bishop Dudley Memorial Fund (managed by its trustees). Other temporarily restricted funds held
by Trustees and Council include: the Advance Fund, Brennan Lecture, Brennan Theological, Capital Campaign, the Diocese’s funds in the Commingled Fund, Edith Parker, Plant Fund, Episcopal Housing Corporation, and the Marmion Revolving Loan Fund.

3. Commingled Fund for Investment. The Commingled Fund is a collection of separately identified funds which are managed, along with parish-owned agency funds, as a single fund solely for investment purposes. The Investment Committee and the Audit Committee shall ensure that the constituent funds of the Commingled Fund are accounted for separately in periodic and annual accountings provided to Trustees and Council.

Section III.6. Marmion Revolving Loan Fund

1. History. The Marmion Revolving Loan Fund, originally called the Revolving Loan Fund, resulted from a capital campaign in the 1950’s whose purpose, in part, was to create a permanent fund whose principal could be loaned from time to time to members of the Clergy to assist with the purchase of residences for themselves and their families and to Congregations for the purchase or improvement of their worship spaces. The Marmion Revolving Loan Fund is managed by the Treasurer and the Investment Committee and is accounted for separately from the Diocese’s other permanent and endowment funds. A portion of the Marmion Revolving Loan Fund may be invested in cash equivalent securities so that the Treasurer and the Controller may use a portion of the Fund to cover short-term liquidity needs which occur in the annual diocesan budget cycles because of, among other causes, slow receipt of congregational pledges or because distributions from the Commingled Fund may only be received at the beginning of each calendar quarter.

2. Processing Applications for the Marmion Revolving Loan Fund. Applications for loans from the Marmion Revolving Loan Fund shall be made to and evaluated by the Finance Committee who shall forward the applications to Trustees and Council along with the Committee’s recommendations. Trustees and Council shall receive and evaluate and, if determined to be in the best interests of the Diocese, make loans from the Marmion Revolving Loan Fund to Clergy (for the purchase of real property) and to Parishes, Aided Parishes, and Mission Congregations or such other groups or agencies directly related to the Diocese (for the purchase of real property, or the construction, expansion, or major repair of any improvement to real property) subject to the following terms of this Bylaw.

3. Calculation of Interest Rates for Loans.

(a) Promptly following the beginning of each calendar year, the Treasurer, in consultation with the Controller, shall ascertain the average market rate of interest applicable to U.S. Treasury Securities maturing in five (5) and (10) years, respectively, as of the first business day of the year. Loans approved during each calendar year shall bear interest, fixed by the Treasurer for the life of the loan, at seventy-five percent (75%) of the interest rate so ascertained in that year for comparable maturities of U.S. obligations, or three (3%) percent, whichever is greater. With the approval of Trustees and Council, payment of the initial installment of interest may be deferred once for a period not exceeding twelve (12) months.

(b) Notwithstanding the provisions of paragraph 3(a) above, Trustees and Council may reduce the interest rate payable on Marmion All Saints loans, the Marmion Diocesan search loan, and the Marmion Diocesan computer systems loan to 1% effective October 1, 2011, for the balance of 2011 and for the years 2012, 2013, 2014, 2015 and 2016. (These loans totaled
approximately $231,030 in 2011.) Unless Trustees and Council takes further action at a later date, the interest rates on all Marmion Revolving Loans outstanding on December 31, 2016 will revert to the terms of the original promissory notes or paragraph 3(a) for years after 2016.

4. Advice. The Chairman of the Finance Committee, the Treasurer, and Trustees and Council may solicit advice concerning loan applications from the Department of Mission and Evangelism and from the Mission Funding Committee. All loan applications which are approved by the Finance Committee shall be forwarded to Trustees and Council for consideration.

5. Repayment terms. Repayments of the principal amount shall be made according to an agreed-upon, periodic repayment schedule. No repayment period shall extend beyond ten (10) years from the date of the loan.

6. Further Terms. No individual loan to a congregation or other entity may exceed $100,000 and the total of all Marmion Revolving Loans to a congregation may not exceed $100,000. The Finance Committee or Trustees and Council may impose such further conditions upon loans as they may deem appropriate.

7. Relation to Loans from Commercial Banks. A congregation making a request for a loan from the Fund need not first have applied for a commercial loan unless there are two (2) or more pending requests for loans which exceed the available funds.

8. Requirements for Clergy Loans. All loans to clergy of the Diocese shall be subject to the following conditions:
   (a) The loan shall be solely to assist such clergy with making a down payment on the purchase of a residence for themselves and their families.

   (b) The loan shall be repayable in not more than one hundred twenty (120) equal installments, such payments to be applied first to the payment of interest on the unpaid balance, with the remainder of each payment to be applied to the reduction of the principal.

   (c) The loan may not exceed $20,000.

   (d) No loan shall be made to the Bishop or any other member of Trustees and Council unless each of the members of Trustees and Council who assents to or participates in the making of such loan agrees to be personally liable to Trustees and Council for the amount of such loan until the repayment thereof. (KRS 273.241).

9. Security for Repayment. Every Marmion Revolving loan shall be secured by a duly recorded first or second mortgage in favor of the Diocese on the property to be purchased or improved with the proceeds of the loan (unless the property is owned by the Diocese), unless there shall be such other arrangement for securing the loan as may be deemed appropriate under special circumstances by the Finance Committee or Trustees and Council.

10. Limit on New Loans. No loan shall be made if after such loan would be disbursed there shall remain in the Marmion Revolving Loan Fund $100,000 or less available for lending to congregations.
11. Liquidity Loans. Not more frequently than once a year, Trustees and Council may designate an amount up to $50,000 within the Marmion Revolving Loan Fund which the Controller, acting with either the oral or written approval of the Bishop, may request in writing from time to time to be used to avoid default upon short-term diocesan obligations in anticipation of revenues within the following thirty (30) days. The Controller’s request shall be made to the Treasurer, with a copy to the Chairman of the Finance Committee. Upon receipt of written approval from the Chairman of the Finance Committee, or in his or her absence from the Vice President of Trustees and Council, the Treasurer may liquidate sufficient securities in the Fund and cause the proceeds to be transferred to a Diocesan checking account designated by the Controller. All such short-term loans shall be recorded as receivables in the accounts of the Marmion Revolving Loan Fund and as payables in the current accounts of the Diocese.

12. Reports to Trustees and Council. The Treasurer of the Diocese shall include a statement of financial condition of the Marmion Revolving Loan Fund as an addition to each periodic report to Trustees and Council. The report shall include, at least, the following detail: the most recent balance of invested securities and cash held in the Fund, the total of all outstanding Marmion loans to congregations, clergy and other entities together with the names of the obligors, the maturity dates of the loans and their status (current, late, etc.), the available amount in the liquidity account, and the total balance of the Marmion Revolving Loan Fund.

**Section III.7. Use of Unrestricted Gifts, Bequests, etc.** When the Diocese receives money or other marketable assets by gift, bequest, or otherwise, from sources which are not part of the Diocese’s regularly budgeted income earned on its invested Capital Fund, and the purpose for which has not been clearly limited or designated by the source furnishing the money or marketable assets to the Diocese, Trustees and Council shall make a determination as to what shall be done with such money or other marketable assets under the following options:

(a) Add it to the Commingled Fund with a designation by Council as to the purpose or purposes for which the income from such cash or marketable assets shall be used (subject to Council’s modification or alteration of such purposes from time to time).

(b) Add it to the Endowment Fund.

(c) Place it in the Advance Fund to be expended for a need of the Diocese not otherwise provided for, the need for which shall be clearly stated in the resolution of Council making such determination.

(d) Divide it among any of the above options in such proportion as Council may deem appropriate and such designation shall be clearly set forth in Council’s resolution making the determination.

**Section III.8. Reimbursement of Travel Expenses.** The Diocese will reimburse travel expenses for any member of the Diocese who travels at the request of the Bishop or a designee of the Bishop to attend Diocesan meetings or events from some county other than the county in which the meeting or event takes place. The Diocese
will reimburse for use of a personal vehicle at a mileage rate which corresponds to the IRS rate for charitable travel, and other out-of-pocket expenses limited to tolls, meals, overnight accommodations, and registration fees. Claims for reimbursement under this policy must be submitted in writing and supported by appropriate documentation. When approved by the Bishop, or a designee of the Bishop, they will be paid as submitted. This policy does not apply to the Bishop of the Diocese, other employees of the Diocese whose principal office is at the Diocesan Office, or those who are otherwise reimbursed.

**Section III.9. All Saints’ Episcopal Center Endowment Fund.** There is hereby established within the Episcopal Church Foundation a fund to be known as The All Saints’ Episcopal Center Endowment Fund. Gifts of money or securities to the Episcopal Church Foundation and designated for the endowment of All Saints’ Episcopal Center shall be credited to The All Saints’ Episcopal Center Endowment Fund. The proceeds of such gifts may be placed in the Commingled Fund for purposes of management and investment. The principal of the gifts and the income there from shall be recorded in The All Saints’ Episcopal Center Endowment Fund.

Income from The All Saints’ Episcopal Endowment Fund shall be distributed quarterly, or at such other intervals as Trustees and Council may from time to time designate, to or on behalf of the Center. No distribution other than a quarterly one need be made unless the then accumulated balance totals at least $250. If the present All Saints’ Episcopal Center shall cease to exist and not be replaced by another Conference Center owned by the Episcopal Diocese of Kentucky, the principal of The All Saints’ Episcopal Center Endowment Fund shall nonetheless remain intact. Income from the Endowment Fund shall thereafter be used for the support of mission congregations within the Diocese of Kentucky.

**Section III.10. Use of Discretionary Funds.** All funds held in the “discretionary fund” of any Bishop of the Diocese, whether active or retired, shall be used only for purposes consistent with the charitable nature of the Church’s activities, such as support of the poor, hungry, homeless, and other needy, as well as for expenses of such Bishops in the conduct of the business of the Church, including those items which the Internal Revenue Service (IRS) would consider as justifiable business deductions. No such funds shall be expended for any personal purposes of the Bishop.

**Section III.11. Preparation for the Erection of Buildings by Congregations.** It is the policy of the Council to insist that a congregation focus its attention on its worship and program of total activities, outreach and evangelism, rather than on the erection of a building that may not be commensurate with the congregation’s ability to pay, and will cause the congregation to exhaust more of its energy on raising money to pay off capital debt for years to come, than on its primary tasks of worship, witness, and evangelism. Any Parish or Mission receiving aid from this Diocese, in considering plans for the erection of a church building or parish house shall:

(a) Study carefully, with outside consultant help, its future needs for a house of worship or parish house facilities, its opportunities for serving the community, and the possible use of its facilities during the week as well as on Sundays.
Use the good offices of the Department of Mission and Evangelism whose approval for the proposed building shall be secured before an architect is engaged, where the building is for a mission.

Consider needs and opportunities over a long period of time in the congregation and community.

In keeping with the Diocesan Canons, submit to the Committee on Church Architecture and Allied Arts initial proposed plans for any anticipated buildings, and that Committee shall consider the appropriateness of the building’s ecclesiastical structure and arrangement, as well as its suitability for the program envisioned by the congregation in the future before any detailed plans are requested of any architect, which plans in turn must receive the approval of the Committee.

Section III.12. Annual Rental Allowance for Missionaries. Each missionary of the Diocese shall receive an annual rental allowance (including utilities) of not less than $1,000, and if no amount is specified in the annual budget, it shall be presumed that the first $1,000 paid to a missionary in any year is for such rental allowance.

Section III.13. Electronic Participation and Unanimous Action. Meetings of Trustees and Council and any of its committees may be conducted by teleconferencing communications technology at which a quorum of Trustees and Council and any of its committees is present and able to hear each other speaking throughout. Any action which may be taken at a meeting of Trustees and Council and any of its committees may be taken without a meeting if a consent in writing which sets out the action so taken has been signed by all members of Trustees and Council and any of its committees. Such consent shall have the same force and effect as a unanimous vote and may be stated as such in any articles or documents filed with the Secretary of State.


Every request for transfer of monies authorized in the Diocese’s annual budget shall require a standard requisition sheet (voucher) which explains the purpose of the transfer and which is signed by the Bishop, the Canon to the Ordinary, an officer of Trustees and Council, the Controller, or the Chairperson of a diocesan Department, Committee or Commission.

All transfer of monies from one Diocesan account to another shall name “Diocese of Kentucky, Account # _________” as payee. If a check is to a brokerage account, the name of the broker or investment manager shall be the payee but the Diocesan account number shall appear next to said name on the payee line and if the check is for more than $10,000.00, the check shall be signed by two officers of Trustees and Council (including the Bishop but excluding any staff person).

The Controller, or the bookkeeper, shall have no check signing authority. The Controller shall reconcile, or supervise the reconciliation of, all checking accounts of the Diocese on a monthly basis.