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Parochial Returns

To enable allotment to be calculated in a fair and equitable manner, there must be full financial disclosure from each and every parish. This disclosure must include all sources of income, including that generated by every organization within the church. It must also include interest earned by, and donations made to all funds or accounts maintained by the parochial corporation, including memorial accounts.

The financial reporting sheets consist of two pages, one for income, and one for claimed exemptions. The sheets are designed to accommodate parishes that have from one to five separate congregations.

The financial sheets have seven columns for figures. The seventh or right hand column is reserved for horizontal totals. There is a box at the bottom of the seventh column for the total of this column. Column 1 (Income Page) should be used for the Parish, if the Parish generates any money independently of the congregations. If the Parish generates no money independently, then this column may be used for the first congregation. It is this column that will be used for a single point parish. Single point parishes do not need to fill in the right hand column as well. For these parishes, there is a total box at the bottom of this first column.

For those parishes that have six or more congregations, it will be necessary to use two income sheets, and two claimed exemption sheets. Place the income data for the parish and congregations 1 to 5 in the six columns of page 5. Determine the horizontal totals, and place these not in column seven, but in column one of the new page. Then place the figures for congregations 6 to 10 in the next five columns. Again, determine the horizontal totals, and place these in column seven of the new page. Repeat this process for claimed exemptions, again using two pages.

PLACE THE NAMES OF THE CONGREGATIONS IN THE LARGE BOX AT THE HEAD OF EACH COLUMN.

CROSS REFERENCING - CRITICAL!

In order for Diocesan reviewers to determine which figures from the Parish or Church Financial Statements have been used in calculating each line on the Parochial Return Form, it is important to use a cross-referencing technique. Beside each figure on the Financial Statement, indicate the line number from the Parochial Return Form.

For example, write "101" beside all items on the Financial Statement used to arrive at the figure placed on this line in the Return Form. These would include such items as Regular Envelopes, Christmas, Easter, Lenten folders, etc. Do this for all income and exemption lines in the Return Form. This will not only assist Diocesan reviewers, but also help with the completion of the return form at the Parish level.

INCOME

In the income sheet, there are a variety of sources of money, with brief descriptions. Each of these will be described in detail in the following paragraphs. Several blank lines for writing in the name of a source are unique to a parish or congregation are provided. For ease of reference, each source is given a unique number beginning with # 101. If writing in a unique source uses one of the blank lines, assign a number to it, and use this number when cross referencing material in the parochial financial statements.

Within each congregation and parish, the transfer of money from one account to another is quite common. This can lead to some confusion when totalling the income under each of the categories shown on the income sheet. With lateral transfers, it is very easy to include a portion of an organization's income twice and, thus, arrive at an assessable income that is larger than it should be. For example, if an ACW raises \$4,500 and transfers \$2,500 to the church's general account, there are two ways of keeping track of the amount transferred:

- (a) The \$2,500 can be shown as income coming into the general account, and the congregational treasurer can include this sum in one of the categories. In this case, the ACW must treat this transfer as an expense and subtract it from their total income in order to arrive at an assessable figure for that organization.
- (b) The congregational treasurer can exclude the transfer to the general account, and the ACW can show its entire income without dealing with the transfer as an expense.

Of the two methods, "b" is preferable, as the income that will be recorded in the parochial returns for the ACW will be that organization's total income. This method will give full credit to each organization for every dollar raised.

101: Offerings, Envelopes, Loose Collection

The income figure shown in this box should contain the following:

- (a) regular contributions through envelopes.
- (b) loose change placed in the trays.
- (c) initial donations to cover the cost of envelopes.
- (d) donations to the church for general use.
- (e) coin folders, cards or boxes.

102: Sunday School Income

Sunday School income, from whatever source; loose change, envelopes, special fund raising events, and interest on bank accounts (if one is maintained).

103: Building Fund

This is usually a separate account to handle the expenditures involved in managing and maintaining the parochial buildings. These expenditures may be electricity, heat, rectory taxes, telephone and regular maintenance and repair.

Congregations may have other funds that perform the same purpose as above, such as Maintenance Fund, Restoration Fund, Rectory Fund, Hall Fund, and others. If this is the case, place the income in box #105 - #108. If the figure represents the income from more than one fund, show a compiled list in the financial statements, and cross-reference this to the appropriately numbered box in the parochial return.

If there is more than one Building Fund in the parish, show each separately.

104: Memorial and Other Funds

Use boxes 104-108 to enter the income generated or donated to other funds, such as the organ fund, memorial fund, computer fund, siding fund, land fund, needy fund, glebe fund, miscellaneous account and others. *Placing money in a memorial account does not constitute a memorial.* Use additional lines for more than one fund.

The circumstance under which money raised and spent on capital and memorial projects can be exempted from allotment is explained in detail later in this book. See pages 8-10.

If the number of lines is insufficient for the number of accounts, tabulate these on a separate page, and transfer the total to the income sheet, suitably cross-referenced.

109: Specific Appeals

This category is designed to hold the total amount donated specifically to a fund that is destined for use outside the parish. This will include but not be limited to:

- (a) Bishop Inglis Foundation
- (b) Primate's Fund (PWRDF)
- (c) Canadian Bible Society
- (d) Diocesan Times
- (e) AST or Theological Education
- (f) Foster Parent Agreements
- (g) Cathedral Restoration
- (h) others

Since there is only one line on which to insert a total amount, it is recommended that a list be included in the parochial financial statements outlining the amount contributed to each fund. This contribution will include money received in envelopes or by hand, that is specifically marked for a definite fund, or donations made by any of the church organizations. This money was formerly known as '*Flow Through Income*'. The counterbalance to this income is shown in the claimed exemptions #209. This is explained later.

110: Investment and Endowment Income

This box will show the total amount of interest generated by one or more permanently invested funds, exclusive of cemetery funds, as well as donations of new money specifically marked to be invested as an Endowment Fund. Usually the trust that governs the management of these funds prohibits the withdrawal of any of the principal, but allows the parochial or church council to use any or all of the interest generated for any purpose. Include bank interest generated in the parochial bank accounts.

#113: Approved Project Transfer (Subsequent Expenditures)

This new account works in conjunction with those funds collected under item #213. When sums of money are moved to operating fund (or paid from funds) previously exempted in #213, these sums have to be shown in #113 and #210.

120 to 125: Anglican Church Women (ACW) & Other Organizations

The total or gross earnings for the year for this group or organization must be entered here. This gross amount will include all the money that has been generated through the activities of the ACW. At this point, do not subtract any expenses. This will be covered later in these instructions. [See Page 11]

Starting with #121 there are several lines in which the user can insert names and figures of other church organizations, such as:

- | | |
|---------------------------------|---------------------------|
| (a) Choir(s) | (b) Wednesday Night Group |
| (c) Willing Helpers | (d) Christian Fellowship |
| (e) Thrift Shop | (f) Merrymakers |
| (g) Pastoral Outreach Committee | (h) Church Guild |
| (i) Jubilee ACW | (j) Chancel Guild |
| (k) Mothers' Union | (l) Men of Emmanuel |
| (m) others | |

If the number of blank lines is insufficient to accommodate the church organizations, tabulate these on a separate page, and transfer the total to the income sheet.

130: Special Events

This category is designed to record the gross income for an event conducted by either the parish or one of the congregations, and where this event is not conducted by one of the church organizations listed in lines 120 to 124 (above).

135: Rental Income

Gross income from rentals of Church facilities should be shown on this line. (Related expenses reported on line 235.

136: Cemetery Income

This box will contain the total amount of donations to and interest generated by the cemetery investments. The cemetery accounts are the only parochial funds where the donations and interest must be used solely for a specific purpose, that is cemetery upkeep. The figure in the box will also include money derived from the sale of grave lots. Cemetery income is also the only source of money that is automatically exempt from allotment. This amount should be reported on line 236.

140: Grants

This box will contain a figure representing money given to the parish or congregation as a non-repayable sum or donation. This could be money from a grant from the Anglican Foundation of the Anglican Church of Canada, a heritage grant from a government agency, or a grant from another external source.

There will be a counterbalancing figure for the grant or grants entered on line #240 of the Claimed Exemption sheet. This figure must appear there to prevent the grant from being subject to allotment.

Please note that because of the constraints imposed by the reduction of the allotment rate, Diocesan Council has determined that “Grants to Parishes” from the Diocesan Budget will not be made during 2010. In past years, the purpose of these grants had been to assist parishes that had been paying allotment in full to pay the clergy stipend/benefits.

During 2010, parishes may apply to the Parish Relations Sub-Committee for loans from the Diocesan Church Extension Fund in order to assist with building maintenance expenses and capital expenditures. Diocesan Council will set the terms of these loans at its February 2010 meeting after considering the Administration and Finance Committee’s recommendation, and the loans policy will be communicated to the parishes soon after.

Diocesan Synod and not Diocesan Council sets the parameters governing the use of the Diocesan Church Extension Fund, and only Diocesan Synod could amend the parameters to authorize loans from the Fund for other purposes.

141: Bank or Diocesan Loans

The total amount of money borrowed during the current year from a bank or other lending agency, or the Diocesan Extension Fund must be recorded here. The counter balances to this figure are explained further in the paragraphs dealing with claimed exemptions. See page 8-10.

142: HST/GST Refunds

The total amount of sales tax refunds must be entered here. It will be noted that the same amount will be entered in #242 in the claimed exemptions. This will ensure that no allotment is paid on this income. It can be argued, that in most cases, the HST refunds are received well after the expenditures were made that caused the payment of this tax. Going a step further, it is most likely that refunds received in one year were connected to purchases made the previous year, and most likely, the allotment was paid on the money in that previous year. Thus to charge allotment on these refunds would be to tax the money twice. In the case of a HST refund on an approved capital expenditure, allotment will not have been paid. However, since the sums involved are usually not large, the Diocese makes no attempt to differentiate.

143: Insurance Claims:

This box records the income received from an insurance company as a result of a claim. A counterbalancing figure will be placed in line #243.

Summary of Income (Totals)

For multi-point parishes, total the entries horizontally for each category and enter the figures in column seven. Add up column seven and place the total in the box at the lower right.

For single-point parishes, only column one will be used. Add this column and place the total in the box at the bottom of the column.

Claimed Exemptions

This is the area in which the parish and the congregations apply for exemption from allotment. In the cases involving church organization income, the allowable expenses **must** be tabulated or otherwise identified in the parochial financial statements. It would assist the Diocesan reviewer if a number were placed in brackets next to this tabulation. For example, the expenses for the ACW should be tagged with '[220]' to indicate that this is the origin for the dollar figure that appears in a particular box on line 220 in the 'Claimed Exemption' sheet.

203: Special Events

This line records the total of the cost of items of a non-durable nature that must be purchased in order to put on the special event. This could include the list below, as well as serviettes, paper plates & cups, plastic cutlery, and other disposable items. Durable items may not be counted as an expense. An example would be the purchase of a large pot or cauldron especially required for a particular event, but which remains stored in the parish hall kitchen for future use.

Allowable expenses are defined as money spent in order to make money. These may be, but not limited to the following:

- (a) cost of food in putting on a supper (or other meal).
- (b) cost of advertising for a fund raising event.
- (c) cost of material involved in the making of craft items for sale.
- (d) rental fee for a table at a flea market.
- (e) cost of calendars which will be resold.
- (f) cost of commemorative mugs and plates to be sold.

204: Purchases of Approved Permanent Memorials

Expenditures approved by the Parish Relations Committee from memorial funds for memorial items of a permanent nature, other than normal repair, maintenance or replacement, which are undertaken and dedicated as formal memorials. Such funds must have been given for a specific permanent memorial or endowment fund and not taken from the general operating funds, or other funds of the parish. A separate list of approved expenditures should be attached.

205: Endowment Investments

The figure shown in this box will be made up of several totals, as follows:

- (a) interest from endowment investments that is being re-invested in the principal amount of the fund.
- (b) new money donated by parishioners and others to be invested in the fund.

The figure shown in #205 will be equal to #110 only if no accumulated interest was transferred to another account (usually the general account); hence the figure in #205 may be equal or less than #110, but it cannot be greater.

209: Specific Appeals

This is the line in which the parish or congregational treasurer should show the total amount of money sent to charitable organizations outside the parish. A partial list of these charities is shown in the description of line #109. The money sent directly to charities by church organizations (see comments in #220) should be included here (#209) as well. In addition to the money received which is specifically designated to go to a charity, add to this total any amount donated as a result of a Parish or Church Council vote to be paid from general funds.

210: Permanent and Approved Capital Expenditure

This is the amount of money spent during the reporting year on a major capital expenditure for which approval has been obtained from Diocesan Council or the appropriate advisory sub-committee or special committee of Diocesan Council for the construction of a new church or rectory or parish hall in accordance with Canon 38 , Parochial Property.

Canon 16, Section 1(6) defines a capital expenditure as “an expenditure made on new construction or major improvement or reconstruction, that is other than normal repairs, maintenance or replacement of a fixed asset, and that adds materially to the scope of or use of a building or facility and includes an expenditure that is defined by regulations of the Diocesan Council from time to time as a capital expenditure for the purposes if this Canon.”

Parish Returns in which exemptions are claimed must include appropriate documentation to substantiate the exemption. In other words, there must be notations in the financial statements indicating which figure in a column is an exemption, preferably **accompanied with a short footnote or explanation, and a copy of the memo or letter authorizing the project must be appended to the return. Without this documentation, any figure entered in line #210 that cannot be verified, will be removed prior to calculating the assessable income. Amounts can be entered in #210 in two ways:** (a) **If this expenditure is in the same year as the receipt of funds – entries would be in #110-#142 and #210.** (b) **If expenditures are from funds collected in prior years (and entered in #213 as exempt) then entries would be made in #113 and #210 – for the expenditures made in the current reporting year.**

211: Interest Paid on Loan for Approved Project

Interest paid on a bank or Diocesan loan, where the loan was used to embark upon an approved capital expenditure as described in #210.

212: Capital Paid on Loan for Approved Project

Principal payments on a bank loan or Diocesan loan, again, only if the loan was used for an approved capital expenditure.

213: Money Raised and Saved for Approved Project

Money raised for an **APPROVED** capital expenditure that will be spent in a future year. This is money that has been donated for a specific approved item and has been placed in a special account. The money raised for this project during the reporting year should be shown on one of the lines immediately below line #104. If this account earns interest during the year, this interest should be added to the total for box #213 and also the box in the 100 series that has been designated for that fund.

For example, a church may decide to replace an old electronic organ with a new pipe organ. The first step is the Parish must write to the Parish Relations Committee stipulating how much money is going (or expected) to be raised over a definite period of time. This might be \$30,000 over a five year period. Assuming that the Parish Relations Committee has granted permission for this purchase to be allotment free, the Parish or Church may open up a dedicated account (an account in the parish ledgers may or may not be a separate bank account) for the receipt of donations. This dedicated account enables the church to put aside money that is free from allotment, even though the expenditure has not yet been made. When subsequent expenditures occur, a sum will be placed in Box #113 and the same amount will be shown in #213. However, it is possible that a church may have several dedicated accounts in use at the same time. When this occurs, box #213 will hold the sum of all of these accounts. In each year, the figures that appear in the Income category boxes should contain only the amount that has been donated or earned in that year, and not the accumulated total.

Example of a Loan for Approved Project (Exceptions Claimed on Lines #211 and #212)

A parish obtains a loan of \$80,000 from a bank or the Diocesan Extension Fund to construct a new rectory. Assume that the parish has received written approval from the Parish Relations Committee in that the money raised to pay off the loan and the accrued interest will be exempt from allotment. The figure of \$80,000 will be entered in line #141, and again in #241. Since these two figures counter balance, no allotment will be calculated on this amount. The figure of \$80,000 will appear in these two lines only for the year in which the loan was obtained. In the following year, assuming no new loans are obtained by the parish, lines #141 and #241 will contain zero, even though the parish may still be spending part of the loan in the second year.

Assume that during the reporting year, the parish makes five monthly payments of \$1,000 towards paying off the loan and accrued interest. Also assume that this \$5,000 total represents \$3,500 in interest and \$1,500 in capital or debt retirement. Then the figure \$3,500 will appear in line #211, and \$1,500 will appear in line #212. This money must have

come from one or more of the entries from #101 to #142. In this manner, the total of the figures in lines #211 and #212 will be exempt from allotment.

Example of a Loan for General Purposes

A parish obtains a bank loan of \$10,000 to pay some or all of its current bills during a period when contributions through the collection process slows down. This amount will be shown in lines #141 and #241 in the same manner as the previous example. The money raised to pay off this loan and the accrued interest will not be listed as exempt, and hence zero will be shown in lines #211 and #212.

Example of Approved Project and No Loan (Line 210)

A parish has obtained written approval from the Parish Relations Committee to exempt the cost of installing a kitchen and two washrooms in its parish hall, and the estimated cost is \$20,000. In addition, the parish plans to finance this project with its own funds. The expenditure made in the reporting year will be entered in line #210. If the work is carried out over a two-year period, the amount spent in the first year will be shown in line #210, and the remainder will be shown in the same box the following year.

Multiple Loans

If a parish or church is working with more than one loan during the year, then lines #141 and #241 will contain the total of these loans. If this is the case, it is strongly recommended that a page be inserted in the parochial financial statements giving the details of these loans.

Line 214: Sunday School/Youth Programs/Servers Guild

Synod 2004 approved the following exemption for all parishes;

“That the first \$1,000.00 of expenditures relating to all funds spent for assistance to Sunday Schools, Youth Programs and Servers Guilds, including funds spent for curriculum materials, social events and supplies, incurred by any parish shall be exempt from allotment.”

IF THIS ITEM IS NOT CROSS-REFERENCED, IT WILL BE EXCLUDED AS AN EXEMPTION.

220 to 225: Anglican Church Women (ACW) & Other Organizations

The expenses for these groups are basically the same as #203 – and are intended to show the necessary expenses relative to fund raising activities. Donations made directly by the Group (or Organization) to charities outside the Parish are to be included in #209, along with those donations to outside charities made from the operating fund. Charity amounts (E.G. PWRDF and other charities outside the Parish) forwarded from the Group (or Organization) to the Parish Treasurer – (to be sent along with like donations) can be ignored at the Group level (or Organization) and included in #109 and #209 at the Parish Level.

Following line #220 there are a number of blank lines in which the expenses for other organizations can be entered. They should be assigned a number from #221 to #225, and these numbers used for keying off. Again, should the number of blank lines be insufficient, compile the data on a separate page in the parochial financial statements, and insert the total in line #220 or one of the blank lines immediately below #220.

A list of some of the other church organizations that may be tabulated in lines #221 to #225 is shown in the description for line #120.

231: Housing Allowance (If Paid By A Parish)

Any amount in excess of \$5,000.00 paid on Clergy Housing Allowance may be claimed as an exemption.

235: Rental Expenses

This exemption should be used to show the total of expenses necessary to produce the “Rental Income” –shown in Line #135. It is requested that a worksheet be included (with the return) – showing how the amount in #235 was calculated.

236: Cemetery Income

In nearly all cases, the figure that will be entered in this box will be the same as that shown in #136.

240: Grants

Grants are not subject to allotment, thus the figure that appears in line #140 must appear in line #240.

241: Bank or Diocesan Loans

The total dollar amount of all loans obtained by the parish or church during the reporting year. The figure in line #241 must be identical to that recorded in line #141. Loans are not subject to allotment, but the money raised to pay off the loan may be. See the description of the two examples involving loans on page 10 and 11.

242: HST/GST Refunds

Harmonized Sales Tax refunds are not subject to allotment. Thus the same figure that is entered in line #142 must be shown in line #242. See description for line #142.

243: Insurance Claims

This line records money paid to the parish or church as a result of fire, theft or damage, and this sum is exempt from allotment. It can be argued that this money will probably be paid out by the parish or church to replace something that was lost through no fault of the parish or church. The amount shown in boxes #143 and #244 must be the same.

244: Required Civic Improvements

This is a rare case, but there may be an occasion whereby the municipal or civic government requests that a parish or church undertake some work to bring a building or fixed asset up to a new standard, or a municipal government carries

out work, with the cost assessed to the church; for example, sidewalks, sewers, etc. The cost of undertaking this work is exempt from allotment.

Because this cost is free from allotment, there is no corresponding figure in the 100 series on the income page. However, should it be necessary for the parish or church to obtain a loan in order to carry out this work, the case would be treated in the same manner as described in the example of a loan for an approved project. In this case, the amount of the loan would be shown, or added to, line #141, and the corresponding figure entered in line #243. In addition, the interest and capital spent to pay off this loan will be entered in lines #211 and #212.

If the parish or church carries out this work using its own funds, the cost of this work will be entered in line #243, and nothing in lines #141, #211 and #212.

245: Building Repairs and Maintenance Projects

Please complete and submit the form included with the return.

Commenced with 2009 Reporting – Intended to relieve the Parish of the task of applying to Parish Relations Sub-Committee for exemption on maintenance and repair projects.

Summary of Parochial Returns

In completing these parochial return income and claimed exemption sheets, enter the figures rounded to the nearest dollar. Thus, a total such as \$2,804.76 would be entered as \$2,805 and \$746.39 as \$746.

In the parochial, congregational, and organizational financial statements, it is strongly recommended that explanatory notes be inserted wherever some ambiguity may arise. Keep in mind that a number of persons will be using these financial statements that do not have the on-site knowledge to know what is happening in the parish or congregation. In addition to the notes, use a keying off or cross-referencing procedure.

In these parochial returns there is a sheet in which the parish is requested to tabulate the amount of money contained in every account as of 31 December prior to the reporting year. This is historical data that plays no part in the calculation of allotment. However, it is vital information to the Parish Relations Committee for those parishes that are applying for a Diocesan grant.

There is also a sheet for the parish statistics, such as the number of persons in the parish, and so on. This must be completed, as the Diocese is obliged to complete a diocesan summary to send to the national office in Toronto. This summary contains not only the statistical figures, but also a condensed version of the financial data. There is a deadline

imposed on the Diocese for this report, thus the Diocese must impose deadlines on the parishes for the submission of these parochial returns. These parochial deadlines are shown on page 2 of the return forms.

The purpose of the parochial returns is to enable the Diocese to set an equitable allotment for each parish in order that the Synod may carry out its work. The major items for which allotment is paid are as follows:

- (a) National Church, Missions; North American and Overseas;
- (b) Assistance to Mission to Seafarers
- (d) Programs for assistance to parishes, such as Stewardship, Planned Giving, Spiritual Development, Christian Education, Resource Centre;
- (e) Diocesan Times;
- (f) Relocation of clergy from parish to parish;
- (g) Administration of Diocese, Synod and Committees;
- (h) Formation training for divinity students;
- (j) Diocesan housing;
- (k) Travel for Diocesan committees;
- (l) Meetings, conferences and Synod meeting;
- (m) Cost sharing of Clergy Benefits;
- (n) Salaries of the Bishops, Chaplains and Diocesan Staff.

For a detailed breakdown of expenditures, the Annual Diocesan Budget is posted on our website at:
http://www.nspeidiocese.ca/forms_applic/documents/2012Budget.pdf