

Special Instructions in completing the Parochial Report

Diocesan Grants

Congregations receiving a COCL grant should report those grant awards as diocesan support on Line 7 and not as a part of Line A income

Seminarian Fund

Contributions to the seminarian fund should be included as operating revenue (included in the Mission Share calculation), and the cost of the parishioner attending seminary is an operating expense.

Directed (designated) gifts benefitting an individual, even though run through the parish books, are generally not deductible. However, please see the link below for IRS suggested language in the donor's receipt that allows deductibility - in the section titled "Benefiting Individuals".

https://www.americanbar.org/newsletter/publications/law_trends_news_practice_area_e_newsletter_home/planningcharitablegifts.html

Clergy Discretionary Fund

Contributions should be deposited with the church first, then the church write a check to the discretionary account.

Reasons

- Discretionary fund is audited each year and ensure compliance with church's internal controls
- Depositing into the general operating account allows for proper reporting on the parochial report as a 'pass thru' donation and expense
- Allows for a formal thank you and tax deduction letter to be written in the normal process
- Ensures gift is added to the donor's total contribution to the church for that year

Reporting Church Building Improvements

Since major improvements are recorded as a Non-Operating Expense on Line 15 *Major improvements and capital expenditures*, then the related income designated by the vestry for that purpose must be non-operating income in order to make operating income equal operating expenses. Income received that is used (designated by the vestry) for improvements in the current year or future years is reported as Non-Operating Revenues (Restricted/Designated) on Line 8 *Capital funds, Gifts and additions*.

Since the income used for improvements is reported as Non-Operating Revenues on Line 8, then it is not included in Line 3 *Plate offerings, pledge payments, & regular support*. (The Line 3 instructions appear to be misleading; the Examples of Income to Report include “All payments toward pledges”).

Note that instructions for Line 15 *Major improvements and capital expenditures* define a major improvement or capital expenditure as “that would be capitalized in conventional accounting”. In conventional accounting, thresholds are considered. Therefore, income used for small improvements (and repairs) would be reported on Line 3 as Operating Revenues, not line 8. For additional guidance, please contact the DSO Finance Department at 800-582-1712.

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