

Instructions and Guidelines
**For Part II of the 2018 Diocesan Report,
Report of Operating Income and Audited Financial Statement**

Financial data are reported to the Executive Council in *Part II, Diocesan Report of Operating Revenue and Audited Financial Statement*'.

The deadline for filing is September 1, 2019.

The Diocesan Report of Operating Income has been updated to accommodate currently accepted FASB guidelines. The financial report is now a simplified reconciliation and summary report of revenue used for normal operating expense. This should be filed and submitted with a copy of your audited financial statement to the General Convention Office. The treasurer/finance officer or controller may complete this report separately and attach it to the diocese's consolidated audit report or request that the auditor(s) complete the form for the finance officers' review and signature.

If you have any questions about the Preparation section of Part II, review the *Instructions for Filing the 2018 Diocesan Report to Executive Council*, which can be found on The Episcopal Church website at

<https://www.episcopalchurch.org/research/forms-and-instructions>

A General Guideline for this report:

In determining operational income, all unrestricted, restricted or designated income, trust or endowment which is used for the normal operating budget of the diocese (adopted at diocesan convention) should be reported as operating income. This is all income reported on the consolidated audited financial statement plus or minus the adjustments indicated on page 2 (Revenue used for Operations). If not part of the adopted operating budget of the diocesan convention, do not report the income as operating revenue.

**Line-by-line guidelines for
Part II: Diocesan Report of Operating Income**

I. Pledge Payments from Congregations:

Report: All funds reported from Congregations in Column 1. Funding may be called assessments, quotas, fair share, askings, pledge of income, etc. to the diocese. Include any assessments or reimbursement billings for payroll and insurance paid on behalf of congregations.

Deduct: Any adjustment for bad debt included in reported funds, such as unfulfilled pledges or assessments reported as expense on accrual basis financial statements (column 2, Adjustments).

Deduct: Any pass-through income, such as payroll or insurance payments included in pledge payments and paid out by the diocese on behalf of congregations (column 2, Adjustments).

Do not deduct: Income from pledge payments that is used to subsidize missions or other congregations, including support for parish clergy. If a congregation is partially aided, the portion of the overall support that is contributed by the congregation to the diocese as a pass-through for the support may be deducted.

- The net support from congregations for diocesan operations and program budget is entered in column 3 (Adjusted Amount), section I of the report.

II. Contributions from Organizations

Report: Revenue items received from diocesan organizations (e.g., ECW) and/or entities for support of the operating budget of the diocese (in column 1), less any amounts paid by the diocese on behalf of/or for the benefit of the same organizations or entities (in column 2). Enter the adjusted amount in column 3.

Example: An organization contributes \$10,000 of its income for the Diocesan Operating Budget, plus it reimburses the Diocese \$20,000 for the salary paid by the Diocese for the organization's staff. \$30,000 would be reported in column 1; (\$20,000) would be reported in column 2; and \$10,000 (net operations income) would be reported as the adjusted amount in column 3.

III. Investments Used for Operations:

Report: Income, and/or principal, any realized gains or losses, transferred to the operating budget from trusts or endowments for operating purposes (enter in column 1). Do not report net gains or losses to your endowment. Also, do not report the total corpus of your endowment or investments. Only report funds from your endowment, investments or trusts used for operations in 2018.

Add: any income, and/or principal, any realized gains or losses, paid directly from Trust or Endowment Funds for operating purposes (enter in column 2).

Deduct: amounts added (or returned) to investment or endowment balances in column 2 from operating budget.

Enter adjusted amount in column 3.

IV. Unrestricted Gifts and bequests

Report: All funds received or any portion of gifts and bequests used for operating purposes.

Example: \$30,000 is received from an unrestricted bequest. \$10,000 is used to fund the operating budget, \$20,000 is invested in endowments, and \$10,000 is reported as operating income.

V. Other Operating Income:

Grants received and any other income used for the Diocesan Operating Budget not noted elsewhere less any costs incurred or paid for by the diocese.

Rental of property income	\$	_____	Include V. a.
Less: direct expenses	- \$	_____	Record this on V. c.
Net rental income	+ \$	_____	

Column totals should balance across totals row and down column 3. The total adjusted operating income is actual income used for operating expenses.

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THE MOST COMMON NORMAL OPERATING EXPENSES THAT RELATE TO OPERATING INCOME:

1. Salaries (Include housing and Social Security allowances): bishops, executive business staff and officers, program staff, support staff, etc.

2. Pensions
3. Employee Social Security expense
4. Employee insurance benefits: health, dental, life insurance, etc.
5. Travel expenses, which includes business use of company provided vehicles
6. Moving expenses, cost of employee search including bishop's election and consecrations
7. Office expenses: telephones, utilities, printing, supplies, subscriptions, internet fees, etc.
8. Rental or lease costs
9. Insurance: property, worker's compensation, fidelity bond, D&O, etc.
10. Commission on Ministry, Executive Board or Council, diocesan conventions, deputy convention expenses and program committee expenses and reimbursements, etc.
11. Audit and legal expenses
12. Episcopal church covenant and province assessment payments
13. Communications: diocesan newspapers, pamphlets, etc.
14. Budgeted program costs: Christian social ministry, youth programs, ecumenical mission and congregational support, stewardship, Christian education, human needs, evangelism, new work, chaplaincies, etc.
15. Direct support for organizations and entities: diocesan camp and conference centers, cathedrals, etc.
16. Budgeted capital expenditures should be adjusted out.

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Accounting Manual: The accounting policies and practices to which the Episcopal Church subscribes as a religious not-for-profit organization are described in the Manual of Business Methods in Church Affairs. To download it, go to: <https://www.episcopalchurch.org/manual-business-methods>

Questions or Comments:

For questions regarding forms and filing contact Iris DiLeonardo, Data and Research Specialist, at 212-716-6159 or dr@episcopalchurch.org.

For questions regarding **reporting of revenues or expenditures** contact the General Convention Treasurer, Mr. Kurt Barnes, at (212) 922-5296 or kbarnes@episcopalchurch.org.

If the audit is not complete as of September 1, 2019, please email the completed form and indicate online on the "preparation" page when the audit will be received. Email to dr@episcopalchurch.org

Marking Part I and Part II of the report complete, successfully submits a completed report to the Executive Office of the General Convention.