

Episcopal Diocese of Rhode Island

Income Subject to Apportionment

The income subject to Apportionment will be Box A of the Parochial Report. This line is also entitled "Subtotal Normal Operating Income."

The five types of Operating Income are:

1. Plate Income (line 3)

- All unpledged and undesignated offerings.
- All loose offerings at services.
- All seasonal offerings, such as, Easter, Christmas, etc.

2. Pledge Payments (line 3)

- All payments made on pledges to the congregation.
- All recurring check payments from a person who has made no specific pledge.
- All amounts designated for general parish expenses, such as, heating oil offerings.
- All prepaid pledges received in the current year.
- All payments made to complete payment on a previous year's pledge.

3. Regular Support (line 3)

- All offerings from person attending Church School.
- All amounts donated by the organization within the parish for the general operation of the parish.
- All amounts paid directly by the organization within the parish for the general operation of the parish.

4. Money from Investments (line 4)

- Any withdrawals from Endowments/Investments used by the congregation for general operating purposes.
- Dividends and interest received used for parish operating expenses and/or Diocesan and National Church programs.
- Dividends and interest received on funds the donor designated for parish operating expenses.
- Dividends and interest received from any fund designated by vestry action regardless of purpose.

5. Other Operating Income (line 5)

- Donations made in memory of a person which can be used by the parish for general operating purposes.
- The net rental income from property. *Note: Only known direct expenses can be deducted from the rental income – no estimated expenses.*
- The net income from fundraising events, such as, fairs, bazaars, etc.
- The net income from the sale of objects donated to or owned by the parish, such as works of art, etc.
- The net proceeds from sale of a donation of marketable securities (stock).
- Grants for operating purposes from non-church sources.
- Any other income that can be used by the vestry for any operating or non-operating purpose as the vestry chooses.

6. Unrestricted Bequests Used for Operations (line 6)

- The principal of all unrestricted bequests. Bequests specifically mean gifts by will or trust after the death of a donor (Bequests that are invested should be reported on Line 9).

Income Not Subject to Apportionment

1. Assistance from Diocese for Operating Budget (line 7)

- Any grant from the Diocese is not subject to apportionment even though the grant might have been used to support normal operating programs of the congregation.

There are four types of Non-Operating Income, they are:

1. Funds received for Capital Projects (line 8)

- All designated or restricted contributions, pledged or otherwise, for the purpose of purchasing land or buildings.
- All designated or restricted contributions, pledged or otherwise, for the purpose of major construction projects. Note: routine maintenance is not a major construction project.

2. Additions to Endowment & Other Investment Funds (line 9)

- Additions to the principle of all endowment funds, unrestricted memorial gifts, legacies and bequests if not used for operating purposes.

3. Contributions & Grants for Congregation Based Outreach & Mission Programs (line 10)

- Congregation-run **programs** (soup kitchens, after-school programs, shelters, summer day camps, senior citizen programs, etc.) that are formal programs with staff, identifiable participants, regularly scheduled events and that serve those in need. This does not include use of the building by external groups (AA, scouts, etc.), costs associated with having your building open for visitors or non-outreach events (concerts, education events, etc.). If your church manages a preschool or other income producing entity, gifts designated for that program are not apportionable but income from such entity that is used to pay utilities or is put into the church operating budget is apportionable.

4. Funds for Transmittal to other Organizations (line 11)

- All designated offerings and gifts for purposes outside the parish, such as, Episcopal Relief and Development, United Thank Offering, local charities and agencies that serve those in need, the parish or bishop's discretionary funds and diocesan funds or groups - - Episcopal Charities, Episcopal Conference Center, the Center for Reconciliation, Church Beyond the Walls, the diocesan seminary education fund or other diocesan endowment funds.

Deductions from Income Subject to Apportionment

There are four deductions approved by Diocesan Convention, they are:

1. The Basic \$5,000 deduction:

- Each congregation deducts the first \$5,000 of its income.

2. The Housing Allowance Deduction:

- If a congregation provides a cash housing allowance rather than a rectory to any of its clergy, that congregation may deduct 50% of the housing allowance provided that the housing allowance is not more than 25% of the total salary and housing paid the clergy person.
- Amounts designated by vestry as cash housing allowances to clergy living in church provided housing are not included in this deduction.
- In effect, this means the maximum deduction is 25% of the cleric's salary and housing. [This maximum deduction is accomplished when housing is equal to or exceeds cash salary.]
- The housing allowance used is the amount designated by the Vestry. The amount the cleric actually spends on housing is not considered for apportionment purposes.

3. The Capital Expense Deduction:

- This deduction is allowed if the amount a parish spends on construction, major structural repair or acquisition of tangible property.
- Exceeds \$3,000 and has a useful life of at least five years.
- Income deducted was included in the income subject to apportionment. This means that capital items paid with dollars not subject to apportionment, (building funds and/or funds transferred from endowment principal) cannot be deducted.

The Commission on Finance assumes that parishes with deficits who also have capital expenses, paid for the capital expenses with the transfer of principal hence from non-operating sources.

The Apportionment Rate

The percentage for the Apportionment is set each year at Convention and reflected in the apportionment worksheet sent annually to Treasurers.