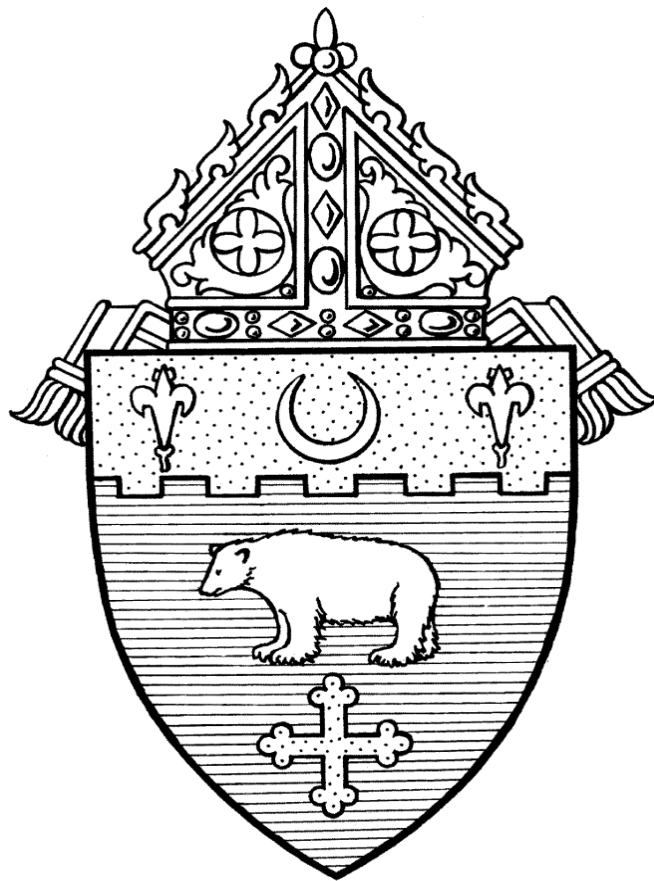


Financial Administration Policies and Procedures Manual



Diocese of Kansas City-St Joseph
March 2014

Table of Contents ([click policy to follow link to page](#))

ii.	Finance Officer's Message
iii.	Introduction
iv.	Resources and Reference Manuals
v.	Schedule of Due Dates
10.0	Financial Management and Internal Control
10.10	Parish Finance Councils
10.15	Accounting Norms
10.20	Accounting Software
10.25	Segregation of Duties
20.0	Revenues and Related Activities
20.10	Processing Receipts
20.15	Offertory Collection Procedures and Safeguards
20.20	Fundraising
20.25	Accepting & Acknowledging Contributions
20.30	Restricted Donations
20.35	Contributions to Capital Campaign
20.40	Processing Receipts - Schools
20.55	Scrip Programs
20.60	Unrelated Business Income
30.0	Expenditures and Related Activities
30.10	Cash Disbursement - General
30.15	Petty Cash Disbursements
30.20	Accounts and Loans Payable
30.25	Credit Card Usage
30.30	Auxiliary Organizations-Procedures and Controls
30.35	Construction/Renovation Projects
40.0	Employee/Independent Contractor Activities
40.10	Employment Classifications
40.15	Payroll & Related Activity
40.20	Reporting Payments for Services Rendered (Non-Payroll)
40.25	Clergy and Religious
50.0	Cash Management
50.10	Parish Bank Accounts
50.15	On-Line Banking
50.20	Bank Reconciliation
50.25	Deposit and Loan Fund
60.0	Parish Financial Reporting
60.10	Chart of Accounts
60.15	Financial Management Reports
60.20	Budgeting
60.25	Reporting
60.40	Records Retention
60.50	Parish Financial Reviews

Finance Officer's Message

In introducing you to the Financial Administration Policies and Procedures Manual ("Manual"), I am introducing you to what I feel will be a valuable reference and helpful tool for the always challenging tasks of financial administration and proper stewardship of gifts entrusted to us. This Manual is a comprehensive updating of the previous Parish Financial Administration Handbook, which was instituted under the leadership of Bishop John J. Sullivan in 1993, updated in 2002 under the leadership of Bishop Raymond Boland and updated yet again under the leadership of Robert W. Finn. This new Financial Administration Policies and Procedures Manual is no doubt a substantial revision, providing more detail and more clear definition of a wider compilation of required policies and procedures, as well as articulating the reasoning behind many of the policies and procedures.

Please review this Manual carefully, thoughtfully and completely, and feel free to contact the Diocesan Accounting Office if you have questions or require assistance.

Dave Malanowski
Diocesan Finance Officer/Treasurer
Director of Finance and Management Services

iii. Introduction

This manual has been prepared to provide all Diocesan institutions with one comprehensive document containing the financial administration policies and procedures of the Diocese to which all Diocesan parishes, missions, schools and early childhood centers must adhere. It is intended to serve as a reference guide to all who are involved in finances. The manual is organized by classification of financial activities into six major categories:

1. Financial Management and Internal Control
2. Revenues and Related Activities
3. Expenditures & Related Activities
4. Employee/Independent Contractor Activities
5. Cash Management
6. Parish Financial Reporting

There is a significant responsibility associated with being stewards of the temporal resources of the Church: responsibility to safeguard the Church's assets, to exercise prudence in financial matters, to be accountable to those who provide monetary support to the Church, and to comply with all civil regulations. The financial policies and procedures contained in this manual have been established to assist those entrusted with this responsibility. The following concepts serve as the foundation for these financial policies and procedures:

- Accountability to parish and school communities
- Use of generally accepted accounting practices
- Adoption of a systematic approach to internal controls
- Adherence to governmental regulations and Church policy.

In order to fulfill the responsibilities of stewardship, these policies and procedures must be adhered to by all Diocesan parishes, missions, schools and early childhood centers. It is the responsibility of parish pastors, school principals and early childhood center directors to enforce compliance with the policies and procedures contained in this manual. It is the responsibility of the Diocesan Finance Office to monitor compliance. It is incumbent on all involved in finances to understand and embrace their roles in complying with these policies and procedures.

iv Resources for Additional Assistance

Whom to Contact – 816-756-1850

Clergy Benefits:

Office of the Vicar General

Benefits Office

Diocesan Directory:

Office of the Chancellor

Lay Employee Benefits:

Benefits Office

Parish Facility Usage:

Property Management Office

Human Resources:

Human Resources Office

Insurance Office

Finance Office

Property and Construction:

Property Management Office

Resources for Additional Assistance:

Procedures and Benefits for Diocesan Priests

Stipends for assigned clergy, stipends for visiting priests, room and board, auto expenses, personal effects insurance

Group health, dental, life/disability programs, long term care, insurance claims administration, §403(b) savings plan

List of parish and diocesan personnel, Pastors/Parish Administrators, religious, retreat centers, associated agencies

Employee Benefit Book

Group health, dental, life/disability programs, retirement plans, insurance claims administration, 125 Cafeteria plan, §403(b) savings plan

Changes in property use (tax exempt vs. non-tax exempt purpose, leasing parish facilities, AHERA (Asbestos Hazard Emergency Response Act) requirements for schools

Employee Policy Manual

Human Resources issues; employment, hiring and terminating, record keeping and policy making, compensation program management; employee vs. independent contractor issues

leasing from others, insurance requirements and claim reporting

No Sales Tax Due letters; liquor license applications; State Sales Tax Exemption letter; §501(c)3 determination letter-group ruling

Guidelines for New Construction & Major Renovation Project

Purchases/sales of real estate; leasing of diocesan property, water and mineral rights; major renovations or repair; new construction

Parish Accounting:
Accounting Office

Parish Financial Administration Policies & Procedures:
Accounting; administrative, budgeting, general ledger questions; monthly billing

Risk & Insurance Management:
Insurance Office

Property and Casualty Insurance Handbook
Property and liability insurance; worker's compensation; auto insurance; safety and loss control

Schools, Preschools, Early Childhood Centers, Day-Care Centers:
Diocesan School Office

School Administration Handbook
Policies and procedures for schools; teacher contracts

Stewardship and Development:
Office of Stewardship and Development

Stewardship – Assistance with formation, development of parish stewardship committees and annual giving

Planned Giving – Education services/programs in the areas of estate planning & charitable giving

Investment Management – Investment and management services for certain endowment funds.

Stock Donations – Facilitates the receipt and sale of stock donated to parishes.

Youth Protection
Office of Child and Youth Protection

Ethics in Ministry document, safe environment training, safe environment compliance, Virtus, employee/volunteer background checks, victims advocate

v. Schedule of Due Dates

ITEMS DUE THE DIOCESAN OFFICES

WHEN	WHAT	TO WHOM
<u>MONTHLY</u>		
15 th	Diocesan Assessment, Insurance Premium, Benefits Premium and Renewal/Replacement Deposit	Accounting
<u>SEMI-ANNUALLY</u>		
May 31 st	Asbestos Surveillance Report (schools with Asbestos)	Property Management Office
Nov 30 th	Asbestos Surveillance Report (schools with Asbestos)	Property Management Office
<u>ANNUALLY</u>		
June 1 st	Safe Environment Training Audit Report	Office of Child & Youth Protection
July 15 TH	Diocesan Directory Information	Chancellor's Office
July 31 st	Parish Internal Control Checklist	Accounting
July 31 st	Parish Financial Report	Accounting
Sept 1 st	Spirituality Report	Vicar General's Office
Sept 20 th	NCEA Report	Diocesan School Office
Sept 30 th	AHERA Notification of school asbestos management plan	Property Management Office
Oct 1 st	Safe Environment Compliance Audit Report	Office of Child & Youth Protection
Oct 15 th	Annual Certification Letter	Bishop's Office
<u>OTHER</u>		
Every 3 rd Yr	AHERA Triennial Inspection	Property Management Office
<u>NEW EMPLOYEE</u>		
1 st day of hire	Ethics in Ministry	Office of Child & Youth Protection
1 ST day of hire	Employment/Change Addition	Humanics*
1 st day of month (following hire date)	Benefits Elections	Benefit Focus*

*Updates to the HRIS platforms satisfy the requirement to notify the Human Resources and Benefits Offices of these changes.

10.10 Parish Finance Council

Policy: Each Pastor/Pastoral Administrator shall establish a Parish Finance Council consistent with guidelines stated in this document.

Purpose: To provide guidance on the establishment of a Parish Finance Council who will assist the Pastor/Pastoral Administrator in the most responsible stewardship of resources given for carrying out the work of the Church in the parish and beyond.

Scope: Applies to all parishes and missions

Background:

In 1983, the Code of Canon Law was revised and enhanced to describe the responsibilities of the Pastor/Pastoral Administrator to establish a Parish Finance Council to assist and advised in the fiscal matters of the parish. In particular, Canons §532 and §537 require that a Parish Finance Council be established.

Canon §532

The pastor represents the parish in all juridic affairs in accord with the norm of law; he is to see to it that the goods of the parish are administered in accord with the norms of Canon §1281-1288.

Canon §537

Each parish is to have a Parish Finance Council which is regulated by universal law as well as by the norms issued by the diocesan bishop; in this council the Christian faithful, selected according to the same norms, aid the pastor in the administration of parish goods with due regard for the prescription of Canon §532.

I. Function and Competence of the Parish Finance Council

- A. The Parish Finance Council assists the Pastor/Pastoral Administrator in the responsible planning and administering of all parish financial matters and in setting of parish financial policy and procedures to provide effective management and stewardship of parish assets.
- B. The Pastor/Pastoral Administrator has authority from the Bishop and the universal laws of the Church to decide and act on behalf of the Parish (Canon §532). The Parish Finance Council is advisory to the Pastor/Pastoral Administrator and its recommendations are valid only when accepted and endorsed by the Pastor/Pastoral Administrator. Therefore, it is important that the Pastor/Pastoral Administrator be involved in the deliberations and functioning of the Parish Financial Council. The relationship between this Council and the Pastor/Pastoral Administrator is meant to be supportive and, by no means, adversarial.
- C. In order for the Parish Finance Council to fulfill its mission, it must have access to the financial information needed for its deliberations, i.e., parish operating statements, account balances, revenue and expenditures statistics, and other information related to the financial status and operations of the parish. Such information must be shared in confidence, with prudence as a guideline for discussion.
- D. Although the Pastor/Pastoral Administrator is not held by any strict obligation to the recommendations of the Parish Finance Council, he/she should not depart from the Council's recommendations unless required by some particular Diocesan law or some grave reason of conscience. If the Pastor/Pastoral Administrator, in good conscience, feels he/she cannot accept the recommendations of the Council, he/she shall fully and frankly communicate his/her reservations to the Council's membership.

- E. The Parish Finance Council is directed by the faithful stewardship of the gospel as well as by sound business practice. **Efficient and effective use/management of parish resources must be measured by their contribution to parish mission and ministry as by commonly accepted business standards.**

II. Membership/Term of Office

- A. Members are to be men and women of integrity who are active, registered members of the parish who are skilled in financial, business or legal matters. Members are to represent the diversity of the parish and its ministries.
- B. Three to nine members of the parish are to be appointed by the Pastor/Pastoral Administrator. The size of the Parish Finance Council is to be reflective of the size of the parish.
- C. Members of the Parish Finance Council are appointed for a three year term with the option for a second term of three years. Members **may not** serve more than two consecutive terms. Terms should be staggered so that one-third of the members' terms end each year.
- D. The Pastor/Pastoral Administrator is a member of the Parish Finance Council and serves as convener.
- E. The parish bookkeeper or business manager shall not be a member of the Parish Finance Council. However, his/her attendance at meetings should be required.
- F. The Pastor/Pastoral Administrator may appoint a Chairperson of the Parish Finance Council. The Chair assists the Pastor/Pastoral Administrator with coordinating the work of the Parish Finance Council, preparing for the meetings and implementing those proposals of the Council which have been accepted and ratified by the Pastor/Pastoral Administrator.
- G. Members of the Parish Finance Council may not have a conflict of interest due to relation, business affiliation, or other reason. (See Attachment 10.10-1 Conflict of Interest Policy).
- H. Members of the Parish Finance Council may not be related to the Pastor/Pastoral Administrator or other parish employees.

III. Responsibilities

- A. To become aware of and adhere to (a) diocesan fiscal policy as presented in the Financial Administration Policies and Procedures Manual and (b) norms as stated in Canon Law (See Attachment 10.10-2 Canons §1281-1288) and to assist the Pastor/Pastoral Administrator in fulfilling the responsibility to administer parish goods according to Church law.
- B. To coordinate the preparation of the annual parish budget and a long range financial plan in accordance with the mission, values and goals set by the Parish Pastoral Council and in consultation with other committees (see 60.20 Budgeting). To provide assistance to parish ministries and committees in preparing and submitting budgets by providing guidelines, timelines and resources. To ensure that accurate annual budgets and annual parish financial reports are submitted to the Diocesan Finance Office by July 31st.
- C. To periodically (at least quarterly) evaluate the financial condition of the parish by analyzing revenues and expenses against the budget for revenues and expenses.
- D. This analysis should also include a thorough review of the statement of financial position (or balance sheet), which must be inclusive of all parish financial assets. This includes providing assistance to parish ministries and committees and related organizations (such as PTO, Athletic Boosters, Men's Club, Altar Society, etc.) in preparing and submitting reports to the finance committee by providing guidelines, timelines and resources.
- E. Reports reviewed at each Parish Finance Council meeting shall include:
 - 1. Year-to-date budget vs. actual financial statements

2. Report of open accounts payable and aging
 3. Review of bank statements and bank reconciliations
 4. Report on change in restricted funds balances
 5. Diocesan obligations and loan balances
 6. Report of school tuition receivable, total estimated uncollectible and the amount of uncollectible tuition written off.
- F. To ensure completion of an accurate inventory of the parish's movable contents.
- G. To submit the Annual Certification Letter to the Bishop/Diocese by October 15th. (See Attachment 10.10-3)
- H. To ensure that permanent, accurate and complete minutes are kept as a record of all Parish Finance Council meetings.
- I. To provide parishioners with annual (preferably semi-annual) written reports on the financial condition of the parish (see 60.30 Reporting to the Parish). The reports are to include a summary of revenues and expenses as well as a summary of the balance sheet.
- J. To meet no less than quarterly (see Attachment 10.10-4 Sample Parish Finance Council Meeting Agenda).
- K. To approve Fundraising Event Applications (see 20.20 Fundraising) and receive the final accounting of the results of fundraising events.

Resource Constrained Parishes

Recognizing the reality of resource constrained parishes and missions, the Diocese recognizes that there is a need for flexibility in implementing these norms.

IV. Suggested Consultations

The Pastor/Pastoral Administrator should consider consulting with the Parish Finance Council in the following circumstances:

- A. To evaluate extraordinary or unbudgeted expenditures.
- B. To evaluate acceptance or disposal of all personal or real property offered to the parish as a contribution.
- C. To evaluate the potential addition or withdrawal of funds to or from a parish savings account, Diocesan deposit account, or other investment account.
- D. To facilitate a system of internal controls that will protect the assets and employees of the parish and encourage accurate and timely performance of fiscal responsibilities.
- E. To ensure that parish activities are in compliance with federal, state and local laws.
- F. To monitor all debt and loan activity, including entering into or reduction of any debt, and ensure the parish is current with all debts.
- G. To evaluate potential operating lease transactions against the alternative of purchasing.
- H. To ensure that the parish accounting system and chart of accounts are appropriate and are in compliance with those recommended by the Diocese.
- I. To provide consultation in the hiring and dismissal of the parish business manager and/or bookkeeper.
- J. To review the Parish Financial Review and implement recommendations as appropriate.
- K. To evaluate the purchase of significant or unbudgeted goods/services.
- L. To evaluate the alienation of property.
- M. To evaluate the implementation of special parish collections.
- N. To evaluate the acceptance/refusal of a major bequest.

NOTE:

Choosing to receive consent on certain acts of extraordinary administration does not grant the Pastor/Pastoral Administrator final authority to execute. The Pastor/Pastoral

Administrator will receive final approval from the Bishop, and in many cases, it will be the Bishop as President of the Diocesan Corporation who executes the administrative act.

V. Relationships

A. *Parish community*

The Parish Finance Council is to assist in the oversight and responsible use of the financial resources entrusted to the parish by the parish community. The Parish Finance Council is to report annually (preferably semi-annually) in writing on the use and condition of parish financial resources.

B. *Pastor/Pastoral Administrator*

The Parish Finance Council is to assist the Pastor/Pastoral Administrator in a consultative manner on matters regarding the financial administration of the parish.

C. *Parish Business Manager/Bookkeeper*

The Parish Finance Council is to serve as a resource for the parish business manager or bookkeeper. The Parish Finance Council should review monthly financial reports prepared by the bookkeeper. The Parish Finance Council should assist the bookkeeper or business manager as necessary in the preparation of the annual budget, annual financial report to the Diocese, and periodic financial reports to the parishioners.

D. *Parish Stewardship Committee*

The Parish Finance Council should be an integral part of the Stewardship Committee in financial matters, in particular with the "treasure" aspect of stewardship ministry. The Parish Finance Council with the Parish Pastoral Council works with the Stewardship Committee to help establish stewardship goals and priorities for the parish stewardship plan.

E. *Parish Pastoral Council*

The Parish Finance Council should be an integral part of the Parish Pastoral Council in financial matters. The Parish Finance Council should coordinate the preparation of the annual parish budget in accordance with the mission, values and goals set by the Parish Pastoral Council and in consultation with other ministries and committees. The Parish Pastoral and Finance Councils strive for effective, clear communication between each other, the parish at large and the Diocese.

F. *Parish Ministries and Committees*

The Parish Finance Council should assist parish ministries and committees in financial matters as needed.

G. *Parish Staff*

The Parish Finance Council is to provide assistance to parish staff during the budgeting process and provide broad budget oversight for all ministries and activities throughout the year.

H. *The Diocese*

The Parish Finance Council notifies the Diocese of membership on the Parish Finance Council through approval of the Annual Parish Financial Report and by signing the Annual Certification Letter (See Attachment 10.10-3) and ensures the timely and accurate completion of both.

I. *The Diocesan Finance Office*

The Parish Finance Council may use the Diocesan Finance Office as a resource to address questions regarding Diocesan accounting policies and procedures.

CONFLICT OF INTEREST POLICY

A conflict of interest can exist when persons serving on the parish finance council or other entity advisory or consultative boards or committees have a direct or indirect financial interest, as defined below.

Financial Interest

A person has a "financial interest" if the person has, directly or indirectly, through business, investment, or family (including spouses; brothers or sisters; spouses of brothers or sisters; ancestors; children, grandchildren, and great grandchildren; and spouses of children, grandchildren, and great grandchildren), any one of the following:

- a. An ownership or investment interest in any entity with which the entity has a transaction arrangement
- b. A compensation arrangement with any entity or individual with whom the entity has a transaction or arrangement
- c. A potential ownership or investment interest with, or compensation arrangement with, any entity or individual with whom the entity is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature.

Duty to Disclose

In connection with any actual or possible conflict of interest, an interested person must disclose the existence and nature of his or her financial interest and all material facts to the pastor and parish finance council and entity leadership.

Determining Whether a Conflict of Interest Exists

After disclosure of the financial interest and all the material facts, and after any discussions with the interested person, that person shall leave the applicable meeting while the determination of a conflict of interest is discussed and voted upon.

CANONS 1281-1288

Canon 1281

§1. With due regard for the prescriptions of their statutes, administrators invalidly posit acts which go beyond the limits and procedures of ordinary administration unless they first obtain written authority from the ordinary.

§2. The acts which go beyond the limits and procedures of ordinary administration are to be defined in the statutes; if, however, the statutes do not mention such acts, it is within the competence of the diocesan bishop to determine such acts for persons subject to him after he has heard the finance council.

§3. Unless and to the extent that it is to its own advantage, a juridic person is not held to answer for acts invalidly posited by its administrators. A juridic person, however, is responsible for acts illegitimately but validly posited by its administrators with due regard for the right to sue or to have recourse against administrators who have damaged it.

Canon 1282

All clerics or lay persons who through a legitimate title take part in the administration of ecclesiastical goods are bound to fulfill their duties in the name of the Church and in accord with the norm of law.

Canon 1283

Before administrators take office:

1. they must take an oath before the ordinary or his delegate that they will be efficient and faithful administrators;
2. they are to prepare, sign and subsequently renew an accurate and detailed inventory of immovable goods, moveable goods, either precious or of significant cultural value, or other goods along with a description and appraisal of them;
3. one copy of this inventory is to be kept in the archives of the administration; the other, in the curial archives; any change whatever which the patrimony may undergo is to be noted on each copy.

Canon 1284

§1. All administrators are bound to fulfill their office with the diligence of a good householder.

§2. For this reason they must:

1. take care that none of the goods entrusted to their care is in any way lost or damaged and take out insurance policies for this purpose, insofar as such is necessary;
2. take care that the ownership of ecclesiastical goods is safeguarded through civilly valid methods;
3. observe the prescriptions of both canon and civil law or those imposed by the founder, donor or legitimate authority; they must especially be on guard lest the Church be harmed through the non-observance of civil laws;
4. accurately collect the revenues and income of goods when they are legally due, safeguard them once collected and apply them according to the intention of the founder or according to legitimate norms;
5. pay the interest on a loan or mortgage when it is due and take care that the capital debt itself is repaid in due time;
6. with the consent of the ordinary invest the money which is left over after expenses and which can be profitably allocated for the goals of the juridic person;

7. keep well ordered books of receipts and expenditures;
8. draw up a report on their administration at the end of each year;
9. duly arrange and keep in a suitable and safe archive the documents and deeds upon which are based the rights of the Church or the institution to its goods; deposit authentic copies of them in the archive of the curia when it can be done conveniently.

§3. It is strongly recommended that administrators prepare annual budgets of receipts and expenditures; however, it is left to particular law to issue regulations concerning such budgets and to determine more precisely how they are to be presented.

Canon 1285

Within the limits of ordinary administration only, it is permissible for administrators to make donations for purposes of piety or Christian charity from movable goods which do not pertain to the stable patrimony.

Canon 1286

Administrators of goods:

1. are to observe meticulously the civil laws pertaining to labor and social policy according to Church principles in the employment of workers;
2. are to pay employees a just and decent wage so that they may provide appropriately for their needs and those of their family.

Canon 1287

§1. Both clerical and lay administrators of any ecclesiastical goods whatsoever which have not been legitimately exempted from the governing power of the diocesan bishop are bound by their office to present the local ordinary with an annual report, which in turn he is to present to the finance council for its consideration; any contrary custom is reprobated.

§2. Administrators are to render an account to the faithful concerning the goods offered by the faithful to the Church, according to norms to be determined by particular law.

Canon 1288

Administrators are neither to initiate nor to contest a lawsuit on behalf of a public juridic person in civil court unless they obtain the written permission of their own ordinary.

Reporting form to be used for certification of the parish finance council's activities

Due October 15, XXXX

Parish Letterhead

Dear Bishop:

Enclosed is the Annual Certification Letter for the fiscal period ended _____. Please accept this statement as the annual certification concerning financial governance of and financial reporting for _____ Parish for the current fiscal period. This is to certify to that:

1. The annual budget for XXXX/XXXX was made available to parishioners on _____ (date).
2. The periodic financial statements (including the year-end financial statements)for XX/XX were made available to parishioners, as follows:

Date of Financial Statements

Date Issued to Parishioners

3. The finance council has reviewed the XXXX/XXXX year-end parish financial statements and, based on its review, is not aware of anything that causes the finance council to believe that the information as presented is inaccurate or incomplete. (Review was limited to information provided.)
4. The finance council regularly reviews and discusses the budget and periodic financial statements. Meetings of the finance council during the above period, and since the end of the period, were held on the following dates:

Dates of Meetings

5. The Pastor (or Pastoral Administrator) and the finance council have not received any credible report (that has not been reported to the Bishop or his delegate) of fraud, abuse or misappropriation of assets.
6. The individual signers below have not engaged in any activity with the parish from which he/she or his/her family could personally benefit and could be considered a conflict of interest without fully disclosing the conflict to the pastor and finance council, and such conflict has been reviewed by the finance council.
7. The individual signers below have read the current Diocese of Kansas City-St Joseph

Printed Name _____ Occupation _____ Signature _____

Sample Parish Finance Council Meeting Agenda

[Parish Name]
Finance Council
Meeting on [date]

Time	Topic	Person
	Call meeting to Order	Pastor/Chairperson
7:00 – 7:05	Opening Prayer	Pastor
7:05 – 7:10	Review & Approve Minutes from Prior Meeting	Council Secretary
7:10 – 7:15	Review Meeting Agenda, Old Business Updates	Council Members
7:15 – 7:45	Committee Reports (examples) <ul style="list-style-type: none"> • Stewardship & Development • Buildings & Grounds (projects) • Capital Campaign • School Marketing • Fundraising Event 	Committee Chairs
7:45 – 8:00	Financial Reports (parish & school) <ul style="list-style-type: none"> • Statement of Activities (Statement of Profit/Loss) • Statement of Financial Position (Balance Sheet) • Cash Flow Statement • Budget vs. Actual Variance Report • Report of Open Accounts Payable and Aging • Review of Bank Statements and Reconciliations • Report on Change in Restricted Fund Balances • Report on Diocesan Obligations and Loan Balances • Report of School Tuition Receivable (including estimated uncollectible and accounts written off) 	Business Manager, Bookkeeper, Pastor
8:00 – 8:15	New Business	Council Members
8:15 – 8:30	Pastor's Comments	Pastor
8:20 – 8:30	Schedule of Future Meetings	Pastor/Chairperson
8:25 – 8:30	Closing Prayer & Adjournment	Pastor/Chairperson

Parish and school auxiliary organizations should be required to update the Parish Finance Council about their activities, revenues, expenses, needs, etc. during the budget cycle in addition to providing at least quarterly financial statements (see 30.30 Parish Auxiliary Organizations). Their reports could be made after the opening prayer and then the organization(s) representative(s) excused. Alternatively, these reviews could be done at a separate meeting devoted solely to budgets.

Parish school - The Parish Finance Council may require the school principal to make a report at each meeting. The principal report could be added to the agenda after the opening prayer with the principal then excused if attendance at the total meeting was not appropriate.

Parish Business Manager/Bookkeeper – Financial reports should always be provided to Council members prior to each meeting. The Council meeting time allotted for the financial review should be to answer questions and/or to clarify points.

10.15 Accounting Norms

- Policy:** Each parish, mission, school and early childhood center must follow the accounting norms set forth by the Diocese.
- Purpose:** The establishment of consistent, efficient, and flexible concepts to manage the temporal goods of the church and its human and fiscal resources.
- Scope:** Applies to all parishes, missions, schools and early childhood centers.
-

General Comments:

The purpose of this policy is to provide an accounting system that will enable the parishes, missions, schools and early childhood centers (entity) to classify financial transactions consistently, provide a uniform method of accounting and reporting throughout the Diocese and provide for continuity when there is a change in leadership. Important key accounting concepts which are considered as the accounting norms of all accounting systems across the Diocese are explained below. Some concepts require a more thorough treatment by an individual policy. In those instances, the reference to the policy is included.

I. Accounting Standards

- A. **Accounting System:** In order to fulfill the fiduciary responsibility of the Diocese, each entity must record all financial transactions of the entity properly according to the uniform internal accounting and control system of the Diocese. The entity shall have a General Ledger, Receipt/Disbursements Journal and proper Payroll Records.
- B. **Parish and School Records:** All records, including checkbooks, journals, ledgers, bank statements, canceled checks, etc., shall be kept on entity premises at all times. Records shall be retained per 60.40 Records Retention.
- C. **Fiscal Year:** July 1st to June 30th
- D. **Federal Tax Identification Numbers:** All parishes and Diocesan schools shall have a unique Federal Tax Identification Number.
- E. **Monthly Billing:** On the 15th of each month, all entities will receive the monthly Diocesan billing which includes: the Diocesan assessments, Insurance Premium, Lay and Clergy Benefits Premium, Renewal/Replacement Deposit, Loan Interest and other fees. Payments shall be made by the 15th of the following month.
- F. **Social/Community Grants:** Parishes/schools shall not apply for nor accept social/community grants from gambling casinos located in or outside the Diocese.
- G. **Correspondence from Federal, State and Local Tax Authorities:** All correspondence received from Federal, State and/or Local Tax Authorities shall be opened by the Pastor/Pastoral Administrator or Diocesan School Principal.
- H. **Important Concepts:** To provide an understanding of the structure and intent of the accounting system and to ensure its maximum utilization, the following important concepts are reviewed:

Cash and Accrual Basis of Accounting- Entities will record transactions using a cash basis for accounts payable. In general, expenses are recorded when invoices are paid. However, recording of accruals may be necessary for some transactions (i.e. Accounts Receivable/tuition), depending on the administrative burden on the accounting staff and their level of expertise. Interim accrual of accounts payable may be necessary when a entity is unable to pay their current invoices so that there is an accurate picture of entity indebtedness. The annual report submitted to the Diocesan Finance Office must be on a cash basis, therefore, any accruals that may have been posted should be adjusted before submitting the annual report (See 30.20 Accounts and Notes Payable).

Accounting Equation Definitions:

Assets – any physical object, tangible (cash) or intangible (rights), having a monetary value.

Liability – a debt or an amount owed to some person or organization, payable in the form of cash. A liability is a claim of outside parties on the assets of the parish.

Net Assets – the residual equity (assets minus liabilities) of the organization. It is computed as follows:

Net Assets at beginning of period	XXX
Add (+) revenues of current period	XXX
Deduct (-) expenditures of current period	(XXX)
Net assets at end of accounting period	XXX

Revenues and expenses are an integral part of each accounting period. The net effect of the two determines the operating results of the period.

Revenues – gross income derived from the entity collections, contributions, investment income, the sale of fixed assets, sale of merchandise, receipts from socials and benefits, etc. Revenues do not include money that will have to be repaid or receipts that have already been recorded as revenue (e.g. receipt of loan proceeds, withdrawal from savings). It is important to note that revenues are classified by their source (the point from which they are obtained), not by their intended use. As an example, offertory is recorded in Account 4110.00, regardless of how the income is spent. (See 60.10 Chart of Accounts).

Expenditures – the payment of cash or the incurring of a liability for services rendered to the entity or for goods received by the entity (e.g. salaries, fringe payroll costs, supplies, travel, utilities). Expenditures do not include payment of liabilities already recorded or the investment of cash.

The Rule of Debit and Credit:

Assets	Debit to increase; credit to decrease
Liabilities	Credit to increase; debit to decrease
Income	Credit to increase; debit to decrease
Expense	Debit to increase; credit to decrease
Net Assets	Credit to increase; debit to decrease

Double Entry Method of Bookkeeping: The fundamental accounting equation applicable to any entity, from the smallest entity to the largest corporation is:

Assets minus Liabilities equals Net Assets (or Equity)

Another way to state the equation is: ***Assets equals Liabilities plus Net Assets***

This means that the total assets on the Balance Sheet (or Statement of Financial Position) should equal the total liabilities and net assets. The net of revenue and expenditures is included in net assets-thus, revenue and expenditures are included in the equation.

All financial transactions have at least two effects. For example, a decrease in an asset, such as cash, may have one or more of the following effects:

- increase another asset (savings account)
- decrease a liability (note payable)
- increase an expense (payment of utility bill)

Transactions are self-balancing in that all effects are accounted for and are equal. Total debits and total credits must be equal; the equation remains mathematically in balance. Examples:

Cash Receipts - \$300 received, \$200 offertory and \$100 gift

Debit:	1010.00 Cash	\$300
Credit:	4110.00 Offertory Weekly Envelopes	\$200
	4130.00 Gifts/Donations: General	\$100

Cash Disbursement - payment of \$300 electric bill, half attributable to the entity and half to the school

Debit:	5214.10 Utilities - Electric	\$200
	5214.90 Utilities – Electric	\$100
Credit:	1010.10 Entity Checking Acct	\$300

General Ledger

The General Ledger is an integral part of the system of accounting. The General Ledger consists of the balance sheet accounts, income accounts, and expense accounts. It is a summary record and provides a continuing and monthly cumulative record of the financial activity in each account.

Balances in the general ledger are used to prepare periodic financial statements and the annual entity report.

At the end of each fiscal year, the income and expense accounts are “closed out” and these accounts begin each new fiscal year with a zero balance.

Netting

Income shall never be netted against expenses and expenses shall never be netted against income. Such netting understates both income and expense and

violates basic accounting principles. An approved exception to this statement is the recording of an insurance reimbursement check as a reduction of a fire repair expense. This receipt is not income, and the repair of the fire damage, up to the reimbursement, is not a church expense. Another exception would be the recording of a purchase of a new vehicle when a trade-in is involved.

Collections, specific or non-specific donations, votive light receipts, bulletin income, flower donations, etc. are entity income and should not be netted against expenses in the accounts.

Besides violating accounting principles, netting also creates an inequitable situation when calculating Diocesan Assessments. Those parishes netting expense against income are unjustly showing a lower income; thus, receiving an unfair benefit through a lower Diocesan Assessment.

II. Roles and Responsibilities

- A. **Budgeting:** Each entity is to prepare an annual budget of support/revenues and expenses according to the guidelines of the Diocese and its accounting procedures, in consultation with the Parish Finance Council/School Finance Committee. (See 60.20 Budgeting)
- B. **Disbursement of Entity Funds:** Each entity is to have only one checking account from which every cash disbursement is made. The Pastor/Pastoral Administrator and Associate Pastor (when applicable) or Principal of a Diocesan school shall be signatories on the account (See 50.10 Entity Bank Accounts).
- C. **Disclosure of Financial Information:** Each entity is to render an accounting to the faithful, at least annually (preferably semi-annually), concerning the goods given to the Church. (See 60.30 Reporting to the Parish).
- D. **Movable Contents Inventory:** The Pastor/Pastoral Administrator or Principal of a Diocesan school is to prepare, sign and subsequently review an accurate, detailed inventory of movable contents. A copy of this inventory is to be kept on file at the entity and one copy is to be submitted to the Diocesan Insurance Office. This inventory should be reviewed at least annually. Changes may be submitted to the Diocesan Insurance Office as deletions/additions are incurred. (See Property and Casualty Insurance Handbook).
- E. **Insurance Coverage:** The entity shall maintain a complete and current file of insurance coverage, deductibles and premiums in addition to the movable contents inventory described above in II.D (See Property and Casualty Insurance Handbook).
- F. **Offertory Collection Procedures and Safeguards:** Parishes and missions shall implement collection procedures per 20.15- Offertory Collection Procedures and Safeguards.
- G. **Parish Finance Council:** Each parish and mission **must** have a finance council as prescribed by the Code of Canon Law and as governed by canonical norms and 10.10 Parish Finance Councils.

- H. **National Collections:** The Bishop's Office publishes a list of stipulated United States Conference of Catholic Bishops (USCCB) national collections to be taken for support of local, national and international works of charity and education. Every parish should allow the opportunity for their parishioners to participate in these appeals, which are beneficial in showing our concern for the poor, the underprivileged and the needy world-wide. National collection proceeds should be forwarded to the Diocesan Finance Office within 90 days of the collection date.

III. Legal Issues

- A. **Acts of Extraordinary Administration:** The Bishop or his delegate must sign all legal papers associated with any act of *extraordinary* administration which includes:
- The alienation, sale, encumbrance of any stable patrimony (land, building, fixed assets) of the entity or entity.
 - Leases (property, buildings, telecommunication towers, etc.)
 - Pledging assets or granting a security interest in assets.
 - Accepting any rights, title or interests in real property.
 - Granting easements, waiving debts legitimately owed to the entity, or converting entity debt.
 - Allowing or converting entity assets to personal use; placing assets into high risk investments.
 - Involving the entity in any partnership, sponsorship, joint venture, merger, or legal alliance with any entity or person, or becoming an owner or operator of any business.
 - Creating any corporate entity, including endowments or foundations whose civil existence is separate from the entity or the Diocese.
 - Initiating or responding to any lawsuits.
 - Loaning entity assets, including cash or investments.

Pastors/Pastoral Administrators or Diocesan School Principals can validly sign any contracts, leases or other legal instruments for the entity which are in the course of *ordinary* administration.

- B. **Entity Debt:** The Diocese is structured as a Missouri Benevolent Corporation, and as such no entity shall borrow funds from any outside financial institution without prior written approval of the Bishop or his designee. All financing shall be conducted through the Deposit and Loan Fund (See 50.25 Deposit and Loan Fund).

- C. **Bequests/Wills/Estates:** Entities shall notify the Bishop or his designee of any pending bequests or receipts from wills or estates, and the Bishop or his designee will have final approval to accept any bequest, distribution or gift. Any bequest or distribution shall be made to the Diocesan Corporation (Catholic Diocese of Kansas City-St. Joseph) which, in turn, will process the distribution to the appropriate Diocesan beneficiary.
- D. **Unrelated Business Income:** Any parish, agency or affiliated organization of the Diocese that wishes to enter into any activity which may be regarded as unrelated business income must seek the prior approval of the Diocesan Finance Officer (See 20.60 Unrelated Business Income).
- E. **Diocesan Legal Counsel:** Parishes are not separately incorporated, and any legal action and/or remedy required by a parish, or claims and suits brought against a parish, necessarily involve the corporate legal entity, the Diocese of Kansas City-St Joseph.

All entity matters which might potentially be litigated should be referred to the Vicar General, Chancellor or Diocesan Finance Officer

Entities that require legal services from diocesan legal counsel will be billed on the Diocesan Monthly Billing.

- F. **Incorporation:** The Diocese is organized under state law as a Missouri Benevolent Corporation. Parishes are entities of this corporation and are not separately incorporated. No organization affiliated with a parish, or any other Catholic organization for which the diocesan bishop has fiscal responsibility may independently seek a separate incorporation status without the approval of the Bishop.
- G. **Lobbying Activities:** The Diocese and its entities as listed in the Official Catholic Directory and included in the IRS Group Ruling, may lobby for changes in the law, provided such lobbying is not more than an insubstantial part of their activities. Attempts to influence legislation directly and through grassroots lobbying are subject to this restriction. There is no distinction between lobbying activity that is related to an organization's exempt purposes and lobbying that is not. There is not a fixed percentage that constitutes a safe harbor for "insubstantial" lobbying. Please refer any questions about permissible lobbying activities to the Office of the Chancellor.
- H. **Tax Exempt Status:** The IRS Group Ruling issued to the United States Conference of Catholic Bishops (USCCB) exempted the Diocese and its entities as listed in the Official Catholic Directory from federal income and unemployment taxes under the provisions of Section 501(c)(3) of the 1986 Internal Revenue Code. This ruling also establishes the deductibility, for federal income, gift, and estate tax purposes, of contributions to such organizations. The Group Ruling is updated annually and is available from the Diocesan Finance Office.

State and City Sales Tax Exemptions: These are available to all entities of the Diocese. If evidence of exemption is required by vendors, copies of the exemption letter are available from the Diocesan Finance Office.

Property Tax Exemption: Parishes, agencies, and affiliated organizations must advise the Property Management Office of any substantial changes in the use of any property. Examples of changes that should be reported: Entity property that is no longer used

for religious purposes, but rather is leased for business purposes—or, conversely, property being used for religious purposes that previously was not utilized as such.

IV. Property/Buildings

- A. All property of the Diocese, including property purchased by or transferred to the entity, shall be titled in the name of the Diocesan Corporation (i.e. Catholic Diocese of Kansas City – St. Joseph). Any donation of property to the diocese for the benefit of an entity shall have prior approval of the Bishop or his designee; therefore, notification of a pending property donation must be given to the Bishop.
- B. No real property of the Diocese or any entity shall be leased, sold or otherwise disposed of without prior approval of the Bishop or his designee. All contracts, deeds or agreements relating to the lease or transfer of property shall be signed by the Bishop or another Officer of the Diocesan Corporation.
- C. All property tax statements received by the entity shall be forwarded to the Diocesan Property Management Office for review/payment. A billing will then be sent to the parish, school or entity for reimbursement to the Diocese as appropriate.
- D. All original deeds, surveys, abstracts or certificates of title and all other legal instruments relating to churches, schools, rectories, convents, cemeteries and all other Diocesan property or property used by any entity or other subdivision thereof, shall be filed and kept in the Diocesan Finance Office. All Pastors/Pastoral Administrators or Diocesan School Principals shall keep copies of this information current within their own entity files for their own use and for the use of future leadership.

V. Conflict of Interest

The entity should avoid any *conflict of interest*, whether actual or in appearance, which can occur when an individual's interest is in conflict with the interest of the entity. Consider all internal personnel, vendors and donors when evaluating actual or potential conflict of interest issues. Conflicts can arise from misuse of a position, private information, or entity assets (see Conflict of Interest Policy Attachment 10.10-1).

10.20 Accounting Software

Policy: Automated accounting systems must satisfy diocesan criteria. A uniform accounting method benefits the entity, its personnel and the Diocese

Purpose: To provide guidance in the selection and usage of accounting software.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

Accounting software automates many tedious and repetitive financial tasks such as the payment of bills, the issuing payroll checks, the reconciling bank statements, and the maintenance of donor contributions. Manually preparing and maintaining these types of records can be difficult and does not allow for historical comparisons. The ability to design special reports as needed is significantly enhanced through the use of computer software. There are certain considerations and commitments that must be made when selecting an accounting software program.

- I. **Cost to Purchase System** – The entity will need to determine the amount that it is willing to spend for the software program and the equipment to run it.
 - A. **Modules:** Initially, the entity may only need a census/contribution program and/or general ledger software. Consideration should be given to the capacity to expand the program with additional modules as necessary such as payroll, accounts payable and accounts receivable.
 - B. **Data Conversion:** When considering converting to a new software package, be sure to determine whether the manufacturer can convert the data from the old software to the new package and associated cost. If the data cannot be converted, the entity will need to determine how the data will be transferred.
 - C. **Hardware Requirements:** Computer hardware requirements must also be given consideration. Software manufacturers specify the minimum hardware requirement; these can be exceeded as software is upgraded. Hardware that has the capacity for expansion as software continually becomes more advanced technically with more demands on computer resources should be purchased.
 - D. **Software Upgrades:** As software packages are improved, upgrades are issued. Consideration should be given to the frequency and cost of upgrades.
 - E. **Maintenance:** The need for and the type of maintenance agreement or contract must also be determined by the entity. Some companies only offer telephone support while others may offer on-site help. The entity should consider the type of support needed based on the experience that entity personnel have with the system.
 - F. **Training:** Ample time must be allowed for training, a testing period and a full change-over to the new system. The cost of training offered by the software company should be included during the evaluation process.

II. Capabilities of the Software

A. General Ledger Software:

Selected software must handle both account and subaccount numbers. The Diocese has specified a 4-digit structure for account numbers and 2-digits for subaccounts (see 60.10 Chart of Accounts). The software purchased must be able to utilize these structures.

Accounting systems should not allow for the deletion of transactions without a proper audit trail. Entities should avoid any system that allows possible data alteration without a paper trail.

- B. Contributions Database: The entity must track donations received in order to meet IRS requirements (see 20.25 Accepting & Acknowledging Contributions). Software should be capable of handling various types of contributions (regular offertory and special donations) and multiple year pledge drives. The software should also be able to produce reports on calendar year donations for income tax purposes and provide contribution letters.

III. Safeguards – The information maintained by the accounting system must be safeguarded. The following are guidelines to safeguard data management:

- A. Financial, census and any other critical data should be backed up at least weekly and stored offsite. This data must be stored in a secure location. More frequent back-ups may be warranted for large entities.
- B. Back-up procedures should be in writing and should identify the data to be stored and the position responsible for performing the back-ups. The procedures should ensure the security of the data and allow for rotations of the disks/tapes being used.
- C. An inventory listing of hardware and equipment, including model and serial numbers, must be maintained for maintenance purposes, warranty and insurance claims.
- D. Proper license documentation must be maintained for all software purchased and installed.
- E. User access should be limited by the utilization of passwords at the network, workstation and application levels, where appropriate. Usernames and passwords should not be shared among employees and/or volunteers. Cancellation of access should be done upon the termination of any employee.
- F. Individuals who work on financial information at home must take precautions and utilize a password to safeguard confidential information on their home computers. If the data is being worked on both at the entity and at home, the entity must take care to maintain the appropriate software licensing.
- G. For Diocesan policy regarding the personal use of computers see Policy 516 Computer and Information Systems and 517 Internet/Electronic Communication Usage in the Diocesan Employee Policy Manual.

10.25 Segregation of Duties

- Policy:** Each entity will adhere to the concepts of segregation of duties and dual control by creating an operational environment where critical tasks are well defined in scope, responsibility and authority.
- Purpose:** To avoid the appearance of wrong doing and/or placing persons in situations of potential compromise.
- Scope:** Applies to all parishes, missions, schools and early childhood centers.
-

General Comments:

One of the basic principles of internal control is segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a business transaction. One employee should not, for example, approve *and* perform the same procedure. Incumbent to the success of the policies related to segregation of duties and dual control is the prudent selection of persons, both employees and volunteers, who consistently demonstrate the highest levels of integrity, trust and judgment.

I. Critical Practices for Effective Segregation of Duties:

- A. Clearly defined job descriptions (with roles, responsibilities and authorities), especially for the positions of:
 - 1. Bookkeeper
 - 2. Secretary
 - 3. Receptionist
 - 4. Office Manager
 - 5. Business Manager
 - 6. Counting Team Members
 - 7. School Principals
 - 8. Ministry Leaders
 - 9. All Staff Positions
 - 10. Maintenance Manager
 - 11. Volunteer positions
- B. Segregation of those persons and positions which handle or touch money (which includes cash and checks as well as electronic banking that could affect receipts or disbursements of money; in addition, outgoing checks, ACHs, credit cards, etc.) in any way from those who have any access to the accounting system, or access to sub ledgers that will eventually make their way to the general ledger.
- C. Persons who have access to the accounting system should not be involved in the following tasks: (In the event that the specific segregation cannot be met, the mitigating steps where noted should be implemented):
 - 1. The counting, collections or receipt of money
 - 2. Knowledge of the combination of the safe or keys to where money is safeguarded or check stock is maintained
 - Mitigating steps: use checks with preprinted numbers and maintain a check number control log accounting for every check used. This log should be reviewed when the bank account is reconciled (see 30.10 Cash Disbursements and attachment 30.10-2 Sample Check Log).

3. Opening mail which might contain:
 - Invoices
 - Bank statements
 - Checks or cash
4. Control of a Petty Cash fund.
 - Mitigating steps: another individual should perform frequent surprise reconciliations. Requests to replenish petty cash should be approved by another individual.
5. Reconciling of bank statements unless reviewed by an authorized second person
6. Have signature authority on any entity bank account
7. Have authority to make or authorize disbursement of funds (for invoices of the entity) – including access to transfer funds on-line via the bank account or by means of credit card

Refer to the grids in Attachment 10.25-1 and Attachment 10.25-2 which group duties and procedures into Access, Recording and Monitoring categories. Many entities have limited staff, so the division of responsibilities is outlined for groups of both two and three personnel.

- II. **Dual Control:** The concept of maintaining dual control leads to always having a minimum of two persons present during certain higher risk activities. Dual control helps diminish the possibility of placing a person in risky situations. The exception to this would be the control and maintenance of the Petty Cash fund.

Places and circumstances where dual control is essential are the following:

- A. No one person should ever be left alone with monies of the entity.
- B. Times of the collection, transportation, counting and depositing of money.
- C. Placement and retrieval of monies from the safe or other locations of safeguard.
- D. Times when the policy of 'segregation of duties' cannot be strictly adhered to.
- E. Control of inventories of items such as SCRIP cards or other items and merchandise of value in possession of staff, employees, and/or volunteers of the entity and their associated auxiliaries and groups.

- III. **Alternative Control Procedures:** Although the small size of some entity office staffs (or possibly some other circumstances) limits the extent of segregation of duties, there are certain alternative control procedures that can be taken to provide some internal controls:

- A. Care should be taken in hiring office personnel. References should be checked. Be alert to any indications of dishonesty. Ask questions about ability to respect confidentiality.
- B. Create an atmosphere of control. Give the impression that accounting checks exist in the system, whether or not they ideally do.
- C. All bank statements should be sent from the bank to the attention of the Pastor/Pastoral Administrator or Diocesan School Principal, who should open the envelope and review checks. When the bank statement is given to the employee, the opened envelope will alert him or her to the existence of some form of real or imagined monitoring on the part of the Pastor/Pastoral Administrator or Diocesan School Principal.
- D. The Pastor/Pastoral Administrator should periodically "drop in" when offertory collections are being counted. This would give the indication that he is interested in overseeing this function. This should be done on an irregular basis. Make an effort

to look over recaps and deposit slips.

- E. Pastor/Pastoral Administrator should review deposit slips, comparing to offertory collection count sheets and entry into accounting records.
- F. Diocesan School Principal should review deposit slips, comparing to tuition receipts issued and entry into accounting records.
- G. Employees and volunteers with financial roles should be required to take vacations and their duties handled by someone else in their absence.
- H. Period financial statements should be prepared. These statements should be reviewed regularly by the Parish Finance Council or Diocesan school Finance Committee, at least quarterly, but preferably monthly. The more frequent review establishes more effective internal control.
- I. Make sure the bank reconciliation process is completed (see 50.20 Bank Reconciliation). The entity should use a Finance Council/Committee member if necessary.

Purchases, Cash Disbursements and Accounts

1. **Payable**

Duties

The recommended segregation of duties for entities with two accounting personnel:

Access - Ability to:

	Pastor/Diocesan School Principal	Bookkeeper/Business Manager	Clerical - Fin Cnd Member or 2nd person	Volunteer # 1	Volunteer # 2	Volunteer # 3
Open bank statement & review contents prior to reconciliation	X					
Receive and review all mail	X		X			
Issue a purchase order	X					
Make a computer entry to generate a purchase order	X					
Authorize a purchase order	X					
Authorize a payment by check or electronic funds transfer	X					
Perform electronic funds transfers (if applicable)	X					
Perform interbank transfers	X					
Disperse petty cash		X				
Sign checks	X					
Access signed checks to be issued to vendors (mailing)	X		X			
Review bank reconciliation compared to general ledger	X					

Recording - Ability to:

Record accounts payable		X				
Make a computer entry to generate a payment (either check or electronic funds transfer)		X				
Issue a check		X				
Record checks issued		X				
Record electronic funds transfers (if applicable)		X				
Record interbank transfers		X				
Change computer master files affecting:						
Accounts payable vendors		X				
Electronic funds transfer (if applicable)		X				
Make journal entries to:						
Adjust Income or Expense general ledger accounts		X				
Adjust the Cash general ledger account		X				

Monitoring:

Responsibility to reconcile:						
Petty cash	X		X			
Bank Balances to general ledger/control account		X				
Accounts payable to general ledger/control account		X				

2. Cash Receipts and Accounts Receivable Duties

The recommended segregation of duties for parishes with **two** accounting personnel:

Access - Ability to:

	Pastor	Bookkeeper/Business Manager	Clerical - Fin Cndl Member or 2nd person	Volunteer #1	Volunteer #2	Volunteer #3
Open bank statement & review contents prior to reconciliation	X					
Receive and review all mail	X					
Review a billing document prepared by others	X					
Receive payments in currency or checks (Dual Control)	X			X	X	
Be custodian of currency or checks (Dual Control)	X			X	X	
Complete deposit slip	X					
Approve a credit memo for issuance	X					
Review bank reconciliation compared to general ledger	X					

Recording - Ability to:

Prepare a billing document (applicable to School Tuition)		X				
Make a computer entry to generate a billing document (applicable to School Tuition)		X				
Prepare a credit memo		X				
Make a computer entry to generate a credit memo		X				
Change master files affecting billings and credit memos		X				
Prepare the cash receipt journal/list of receipts		X				
Post receipts to parishioner donor records						X
Make journal entries to:						
Adjust the Accounts Receivable general ledger account		X				
Adjust the Cash general ledger account		X				
Record bad debt write-offs		X				

Monitoring:

Responsibility to reconcile:						
Cash receipts journal (list) to bank deposit records		X				
School Family Tuition balances to general ledger/control account		X				
Cash receipts journal (list) to bank deposit records		X				
Responsibility to issue monthly tuition statements		X				

3. Payroll

The recommended segregation of duties for parishes with **two** accounting personnel:

Access - Ability to:

	Pastor	Bookkeeper	Clerical - Fin Cnd Member	Volunteer # 1	Volunteer # 2	Volunteer # 3
Open bank statement & review contents prior to reconciliation	X					
Receive and review all mail	X		X			
Issue a payment authority document (time card)	X					
Authorize a payroll payment prepared by others	X					
Sign checks & place in sealed envelope	X					
Access signed checks to be issued	X		X			
Review bank reconciliation	X					
Review & approve payroll ACH report prior to payment (if applicable)	X					

Recording - Ability to:

Make a computer entry to generate a payroll payment		X				
Add an employee to salary payroll master file		X				
Issue a payroll check		X				
Record payroll - hourly, salary		X				
Record payroll checks issued		X				
Record electronic funds tranfers (if applicable)		X				
Change computer master files affecting:						
Payroll Entries		X				
Checks paid		X				
Electronic funds transfer (if applicable)		X				
Make journal entries to:						
Adjust Expense general ledger accounts		X				
Adjust the Payroll Cash general ledger account		X				

Monitoring:

Responsibility to reconcile:						
Bank Balances to general ledger/control account		X				
Employee payroll records to control account		X				

1. Purchases, Cash Disbursements and Accounts Payable Duties

The recommended segregation of duties for entities with **three** accounting personnel:

Access - Ability to:

	Pastor	Business Manager	Bookkeeper	Clerical	Volunteer #1	Volunteer #2
Open bank statement & review contents prior to reconciliation	X	X				
Receive and review all mail	X			X		
Issue a purchase order		X				
Make a computer entry to generate a purchase order		X				
Authorize a purchase order		X				
Authorize a payment by check or electronic funds transfer	X	X				
Perform interbank transfers	X					
Perform electronic funds transfer (if applicable)	X					
Disperse petty cash		X				
Sign checks	X					
Access signed checks to be issued to vendors (mailing)		X		X		
Review reconciliatin compared to general ledger	X					

Recording - Ability to:

Record accounts payable			X			
Make a computer entry to generate a payment (either check or electronic funds transfer)			X			
Issue a check			X			
Record checks issued			X			
Record electronic funds tranfers (if applicable)			X			
Record interbank transfers			X			
Change computer master files affecting:						
Accounts payable vendors			X			
Electronic funds transfer (if applicable)			X			
Make journal entries to:						
Adjust Income or Expense general ledger accounts			X			
Adjust the Cash general ledger account			X			

Monitoring:

Responsibility to reconcile:						
Petty cash			X			
Bank Balances to general ledger/control account			X			
Accounts payable to general ledger/control account			X			

2. Cash Receipts and Accounts Receivable Duties

The recommended segregation of duties for entities with **three** accounting personnel:

Access - Ability to:

	Pastor	Business Manager	Bookkeeper	Clerical	Volunteer #1	Volunteer #2
Open bank statement & review contents prior to reconciliation	X					
Receive and review all mail		X		X		
Review a billing document prepared by others		X				
Receive payments in currency or checks (Dual Control)		X			X	X
Be custodian of currency or checks (Dual Control)		X			X	X
Complete deposit slip	X					
Approve a credit memo for issuance		X				
Review reconciliation compared to general ledger	X					

Recording - Ability to:

Prepare a billing document (applicable to School Tuition)			X			
Make a computer entry to generate a billing document (applicable to School Tuition)			X			
Prepare a credit memo			X			
Make a computer entry to generate a credit memo			X			
Change master files affecting billings and credit memos			X			
Prepare the cash receipt journal/list of receipts			X			
Post receipts to parishioner donor records				X		
Make journal entries to:						
Adjust the Accounts Receivable general ledger account			X			
Adjust the Cash general ledger account			X			
Record bad debt write-offs			X			

Monitoring:

Responsibility to reconcile:						
Cash receipts journal (list) to bank deposit records			X			
School Family Tuition balances to general ledger/control account			X			
Cash receipts journal (list) to bank deposit records			X			
Responsibility to issue monthly tuition statements			X			

3. Payroll

The recommended segregation of duties for entities with **three** accounting personnel:

Access - Ability to:

	Pastor	Business Manager	Bookkeeper	Clerical	Volunteer #1	Volunteer #2
Open bank statement & review contents prior to reconciliation	X					
Issue a payment authority document (time card)	X	X				
Make a computer entry to generate a payroll payment	X	X				
Add an employee to salary payroll master file	X	X				
Authorize a payroll payment prepared by others	X	X				
Issue a payroll check	X	X				
Sign checks & place in sealed envelope	X					
Access signed checks to be issued	X			X		
Review bank reconciliation	X	X				
Review & approve payroll ACH report prior to payment (if applicable)		X				

Recording - Ability to:

Record payroll - hourly, salary			X			
Record payroll checks issued			X			
Record electronic funds transfers (if applicable)			X			
Change computer master files affecting:						
Payroll Entries			X			
Checks paid			X			
Electronic funds transfer (if applicable)			X			
Make journal entries to:						
Adjust Expense general ledger accounts			X			
Adjust the Payroll Cash general ledger account			X			

Monitoring:

Responsibility to reconcile:						
Bank Balances to general ledger/control account			X			
Employee payroll records to control account			X			

20.10 Processing Receipts

Policy: Appropriate internal controls over cash receipts and deposits will be maintained at all times to insure the integrity of the financial statements, books and records.

Purpose: To establish procedures for receiving, recording and depositing cash receipts.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

As both the largest single source of cash and the most highly susceptible to undetected loss or theft, offertory may get the most attention when establishing a system of internal controls for the proper handling of funds, however, the same reasonable actions should be taken for all funds received. This procedure is intended to assist in providing proper stewardship and reasonable caution in **handling all cash receipts** from the time they are received to the time they are ultimately deposited in a banking institution.

I. Collection Basket Receipts – After the offertory collection, baskets from the collection are to be combined by **at least two** ushers in the church itself, and not in the vestibule or usher's room. The funds may be brought to the front of the church for the remainder of the Liturgy or they may be immediately secured for counting. Funds collected must remain intact until deposited at the bank; cash/checks/envelopes should **never** be removed from the collection for any purpose. If the funds are placed at the front of the church, they should be removed from the altar by **two** ushers immediately following the Liturgy. The counting of the funds should be done as soon possible, preferably on Sunday morning or early afternoon.

A. Securing the collection until counting: If the collection is not counted and recorded immediately following the Mass, the funds are to be secured as follows:

1. At least **two** ushers (preferably unrelated) shall take the collection to the Sacristy and wait for the Celebrant.
2. Either the priest and one usher or at least two ushers should place the funds in a tamper evident bag (or bank bag). There should be a log of bag numbers. The seal tag should be removed from the bag and recorded on the log sheet. The log should be signed and dated by the ushers handling the funds (**at least two**).
3. The sealed bag should then be put in a secured area, i.e., a safe or locked fireproof filing cabinet in the sacristy. The secured area should be one that cannot be picked up and moved by someone. The use of a safe with hoppers is encouraged enabling the deposit to be dropped into the safe without the need for access.
4. No funds are to be left unsecured on church property overnight.
5. Under no circumstances should the offertory be taken home.

B. Counting the collection: If the collection is counted after the Liturgy, either the priest and an usher or at least two ushers (preferably unrelated) should take the funds to the Counting Team. The collection is to be counted and recorded according to 20.15 Offertory Collection Procedures and Safeguards.

II. Poor Box/Votive Offerings – Funds should be collected at least weekly. At the time collected, the funds are to be counted and the amount documented, signed and dated by the person(s) performing the count. Funds are to be placed in a non-portable secure area

until deposited in the bank. Follow the applicable steps outlined in IV. below and in 20.15 Offertory Collection Procedures and Safeguards.

III. Mass Intentions – In accordance with approved practices of the Church, any priest celebrating or concelebrating is permitted to receive an offering to apply to the Mass for a specific intention. The following are guidelines regarding Mass offerings (stipends):

- A.** Mass Offerings (stipends) should be kept in a separate checking account. This bank account should be subject to the same internal controls as outlined in IV. below, including by not limited to, the issuance of pre-numbered receipts, proper segregation of duties, and independent reconciliations.
- B.** The use of a Mass stipend journal is required by Canon 958. The journal should document the receipt number, the date the intention was received, the name of the person to be remembered, the amount of the stipend, the date the Mass was offered, the priest that offered the intention and the check number of the payment of the stipend.
- C.** The number of unsaid Masses in the journal should be periodically reconciled with the balance in the checking account. This reconciliation should be performed monthly, but must be performed annually. A check should be written from the Mass stipend account and deposited into the operating account posting the deposit to account number 4330.
- D.** Per Canon Law:
 - 1. Offerings are totally gratuitous (unpaid intentions must still be said).
 - 2. Effective October 1, 2007, large offerings should be applied to Masses in \$10 increments (i.e. a \$100 offering should be broken down into 10 intentions for \$10 each) unless the offeror specifically requests the number of masses to be applied. Offerings may be accepted in any amount that is freely given.
 - 3. Mass intentions that have not been said within one year of its offering must be forwarded to the Propagation of the Faith or religious orders unless the offeror specifically requested that the intention be said at the parish.

IV. Cash Receipts - General – Receipts include all funds received by an entity whether in the form of cash, check or electronic funds transfer.

The following procedures should be utilized with cash receipts of a general nature:

- A.** Pre-numbered, triplicate and sequentially issued cash receipt forms should be utilized. Adequate control over the sequence of used and unused receipts must be maintained. A comparison should be made between the aggregate of the receipts issued and the amount deposited in the bank.
- B.** All receipts should be kept intact. No receipts should ever be used to make payments or advances, no matter how small. Receipts should be promptly deposited with the entity's authorized bank. Cash deposits should be made on the same day as received when possible.
- C.** Duplicate deposit slips should be kept on file. The deposit slip total must match the amount posted in the Cash Receipts Journal and tied to the bank statement and be compared to the daily cash receipts log received from the mail opener, noting any

differences and the reasons for the differences. Deposit slips relating to the weekly offertory collections may be stapled to the cash count/recap sheets.

- D. Banks should be instructed not to cash any check made payable to a church entity (e.g. St Elsewhere Parish) irrespective of who presents such checks; rather, all checks must be deposited to the entity's account.
- E. **Mail must be opened by someone other than the bookkeeper/business manager.** A daily cash receipts log should be prepared by this person and separately reported to the bookkeeper/business manager and the Pastor/Pastoral Administrator (or Diocesan School Principal) or Finance Council/Committee for subsequent comparison to the bank deposit. Mail should be safeguarded at all times. All mail should be received directly in the business office.
- F. All checks should be immediately restrictively endorsed to the entity's bank account.
- G. Daily cash deposits should be routinely compared against the same day's cash receipts to protect against "lapping" of cash receipts. Lapping involves the use of one day's funds to cover the misappropriation of another day's funds.
- H. Offertory funds received by mail or those that are hand delivered should be placed in a non-portable secure area until the next regular collection. These receipts should be included when that collection is counted.
- I. Funds received outside of Sunday collections should be clearly identified on a "deposit remittance" as to which general ledger account they should be credited. This should be performed by the person responsible for the particular budgeted area, not the bookkeeper. The "deposit remittance" and corresponding bank deposit slips are given to the bookkeeper for posting to the general ledger. The bookkeeper will file this documentation by date in the deposit detail file.
- J. Cash receipts should be recorded to the appropriate general ledger account using **only** the accounts listed in the Diocesan chart of accounts (see 60.10 Chart of Accounts)
- K. The physical handling of cash should be completely separated from the accounting for cash. In addition, the person accounting for cash should not be a signer on the checking account.
- L. Personnel (paid and volunteer) should be rotated in jobs related to cash receipts
- M. Personnel (paid and volunteer) having access to cash or cash records should be required to take periodic vacations/breaks so they do not have exclusive and permanent access to the cash or records.
- N. All cash receipts must be entered into the Cash Receipts Journal indicating the date received and the individual source. The individual source is not required where the contributor is unknown (loose collection) or where the contributor is listed in another supporting record (contribution records). The receipt should contain identifying information such as the name of the diocesan collection, the name of the fund raising event, etc.

- O.** All cash receipts should be summarized and reported to the Finance Council/Committee on a regular basis (monthly financial statement is sufficient). No corrections should be "backdated" to a prior accounting period without authorization of the Finance Council/Committee, as this will change financial reports from prior months.
- P.** All cash that is "transferred" from one person to another should always be verified (counted) by the recipient in the presence of the person releasing custody of the funds. Both parties of the transfer should formally document the accuracy of the transactions.
- Q.** The combination to the safe or vault should be changed periodically and must be changed when an employee with access to the safe is terminated, laid off, or resigns. The location of the vault should be maintained in an inconspicuous place.

20.15 Offertory Collections Procedures and Safeguards

Policy: Appropriate internal controls for the proper handling of collections will be maintained at all times to provide proper stewardship and reasonable caution in handling collections from the time they are placed in a collection basket to the time they are ultimately deposited in a banking institution.

Purpose: To establish procedures for handling and safeguarding of offertory collections.

Scope: Applies to all parishes and missions

General Comments:

Offertory, which is the parish's largest single source of cash, can be difficult to safeguard effectively. Until the offertory is locked in a safe, it is highly susceptible to loss or theft. Any losses incurred before the offertory was counted and recorded would very likely go undetected. This financial administration procedure in conjunction with 20.10 Processing Receipts identifies the financial policies, procedures and internal controls which should be in place to assist in providing proper stewardship and reasonable caution in **handling contributions/collections** from the time they are placed in the collection basket to the time they are ultimately deposited in a banking institution.

- I. Collection/Counting:** Collections refer to cash or checks received from routine parish collections during Liturgies, events or meetings. The following procedures should be followed to ensure the integrity of this major source of parish revenue.
- A.** The collection should be taken to the Counting Team by either the priest and an usher or **two** ushers (preferably not members of the same family). If the collection is to be retrieved from the safe or locked filing cabinet, the safe should be maintained under dual control. Access to the safe should be limited to authorized key personnel, typically the Pastor/Pastoral Administrator and/or Business Manager.
 - B.** Dual control of the collection should be used at all times. The collections should be counted as soon as possible, preferably on Sunday morning or early afternoon.
 - C.** Counting shall be done in teams of two or more persons; preferably more than two, with no related parties on the same count team.
 - D.** Counting team members shall rotate from Sunday to Sunday. (Three or more counting teams are preferred.) In no situation shall the same persons be allowed to count funds week after week. The parish can also consider counting by Mass, which would provide an additional check/balance, as will rotation of members within the team.
 - E.** Because of circumstances and/or size, some parishes may have difficulty in finding a sufficient number of volunteers to conduct adequate rotation of counting teams. If this condition exists, the Pastor/Pastoral Administrator, in consultation with the Parish Finance Council, shall ensure, at a minimum, that:
 - 1. The Pastor/Pastoral Administrator is involved in counting;
 - 2. The volunteers that are found are selected by the Pastor/Pastoral Administrator and are of the highest reputation for trustworthiness.
 - 3. Family members do not comprise the entire counting team (e.g. one team must not consist solely of a husband and a wife). If a husband and a wife want to be part of

the counting teams, they are paired with at least one other person who is not related to the couple.

- F. The parish bookkeeper, business manager and members of the Parish Finance Council shall **never** be members of the counting team.
- G. The Pastor/Pastoral Administrator should strongly consider "appointing" persons to the counting teams, as opposed to requesting volunteers.
- H. Each member of the counting team shall be given assigned tasks. These tasks which shall be rotated within each counting team on a periodic basis include:
 - 1. Removing money from envelopes, noting proper amounts on the envelope face, or enter amounts contained therein on the envelope face.
 - 2. Counting notes and coins according to the types of collection.
 - 3. Recounting.
 - 4. Examining the propriety of the checks received and recording the amounts received by check.
 - 5. Restrictively endorsing checks.
 - 6. Recording the cash count/recap sheet.
 - 7. Preparing the deposit slips, etc.
- I. Loose contributions **must** be counted separately from those received in offertory envelopes. This amount is recorded on the Cash Count/Recap Sheet (Attachment 20.15-1) as loose contributions. A list of loose checks should be prepared including the name of the contributor, check number and the amount. This list should be attached to the Cash Count/Recap Sheet (Attachment 20.15-1).
- J. Counters should restrictively endorse all checks received in the collections:

For Deposit Only
St. Elsewhere Parish
Account #999-9999

- K. As amounts received in envelopes are counted in the presence of another team member, the amount received is recorded on the front of the envelope.
- L. Prepare an adding machine tape of the written envelope amounts.
- M. Next, add all checks, currency and coins received from envelopes. Items k. and l. should equal one another. If a discrepancy exists, reconciliation should be attempted performing steps j. through l. once again. In the rare instance that a discrepancy still exists between the envelope totals and the cash on hand, it should be reported to the Parish Finance Council.
- N. One member of the counting team shall record the counts in **ink** on the Cash Count/Recap Sheet (Attachment 20.15-1). The recorder shall not be the same person week after week.
- O. Counters and the recorder must sign the Cash Count/Recap Sheet.

- P. The signed Cash Count/Recap Sheet must be immediately turned in to the Pastor/Pastoral Administrator who shall initial the form and place it in a file.
- Q. Counters should next prepare a bank deposit slip, which equals all loose and envelope contributions received. The bank deposit slip(s) and the Cash Count/Recap Sheet must agree.

II. Deposit

- A. All funds shall be deposited intact; no funds shall be removed (e.g. petty cash, rectory food, etc.)
- B. All funds should be deposited with the bank after all collections for the day are completed.
- C. All funds to be deposited, deposit slips and tapes of checks shall be placed in a special lock-up bank bag.
- D. Two counters or the priest and a counter shall transport the funds to the bank immediately after the count on Sunday and place the funds in the night depository. Transportation by two individuals is ideal because it not only safeguards the collection, but also provides increased safety for those transporting the funds.
- E. For parishes not depositing on Sunday but using an armored carrier, the counted funds in locked bags shall be returned to the safe, again by two persons, to provide for safekeeping overnight and then turned over to the armored carrier on Monday.
- F. Validated deposit slips, when returned by the bank shall be turned over to the bookkeeper with a copy of the signed Cash Count/Recap Sheet.

III. Bookkeeping

- A. Envelopes, adding machine tapes, validated bank deposit slips and a copy of the signed Cash Count/Recap Sheet should be forwarded to the parish bookkeeper.
- B. The bookkeeper shall compare the validated bank deposit slips to the copy of the signed Cash Count/Recap Sheet, staple them together and then record the amounts per the count sheet in the Cash Receipt Journal. NOTE: it is vitally important that the bookkeeper is **not** a counter and does **not** prepare the deposit slip(s).
- C. Before recording individual contributions, the bookkeeper, secretary or a volunteer other than the counters shall run an adding machine tape of the following:
 - 1. The amounts on the envelopes to tie the amount shown on the envelopes with the total amount recorded as envelope income on the Cash Count/Recap Sheet; and
 - 2. The loose checks listing to tie the total of the list to the total amount recorded as loose check income on the Cash Count/Recap Sheet.
- D. Secretary or volunteer (someone other than the bookkeeper) should post identifiable contributions (e.g. envelope users) to each individual parishioner's record. The bookkeeper should also reconcile the amounts posted to the envelope amount plus loose collections indicated on the Cash Count/Recap Sheet. Under no circumstances should the individuals responsible for posting to parishioner contribution records and the general ledger handle the actual funds to be deposited.

- E. Diocesan Second Collections and Mission collections should be posted to the individual contribution records but posted to the appropriate custodial funds general ledger account in the Cash Receipts Journal. All mission collections should be sent to the Mission Office in a timely manner, generally by the end of the month of the collection. Diocesan Second collections should be forwarded to the Diocesan Finance Office within 90 days from the date of the collection. Donations for the Education Endowment Trust should be forwarded at the end of the month. ALL Diocesan Second collections, Mission collections and Education Endowment Trust donations **must** be forwarded to the appropriate office before the end of the fiscal year.
- F. No one should ever be allowed to cash personal checks or make change via the collection basket.
- G. Sunday collections can be collected through ACH (Automated Clearing House) banking software or through a third party collection vendor once an authorization form for direct withdrawal from the parishioner is complete. A Sunday collection withdrawal can only be changed if there is an authorized signature from the parishioner. See 50.15 On-Line Banking

(Parish)

Cash Count/Recap Sheet for the Period:

Account	Description	Envelopes			Loose			Grand Total
		Checks	Cash	Total	Checks	Cash	Total	
4110.____	Offertory Weekly - Envelopes							
4120.____	Offertory Weekly - Plate							
4130.____	Offertory - Holy Days							
4140.____	Special Collections							
4210.____	Capital Campaign							
	<i>Custodial Obligations i.e. Diocesan Second Collections</i>							
23____.								
23____.								
23____.								
23____.								
	Count Totals							

Count Team Signatures

Today's Date:

Deposit Summary

Currency

Coins

Checks

Total Deposit*

* Must cross balance with Count Total

\$250 or more in a single contribution? YES NO (circle one)

20.20 Fundraising

- Policy:** Fundraising activities, events or functions must be conducted in a spirit of full transparency which includes full and complete financial and operational accountability, full public disclosure and reporting to the community at large.
- Purpose:** To provide guidance regarding planning, operational, financial/recording, and reporting tasks associated with all fundraising activities.
- Scope:** Applies to all parishes, missions, schools and early childhood centers.
-

General Comments:

Fundraising is any effort to sell a product and/or provide a service or solicit donations in order to accumulate funds on behalf of the local parish, mission, school, early childhood centers (entity) and/or their various auxiliaries and groups. This would include, but not be limited to those activities that take place at any parish/school owned property and facility, or any off-site locations (where the purpose is to obtain additional funding for the organization; i.e. parks, restaurants, or other places of business).

All entities and their associated auxiliaries and groups which conduct any fundraising activities, events or functions are expected to conduct the activities in a spirit of full transparency. Key to this is full and complete financial and operational accountability, full public disclosure and reporting to the parish/school community at large, and the implementation of practices related to segregation of duties and dual control. Financial, operational, recording and reporting tasks associated with all fundraising activities are to be conducted in conformance with all applicable provisions of the Financial Administration Policies and Procedures Manual.

To facilitate compliance the following outlines a few essential and prudent best practices for all entity's fundraising activities:

I. Planning Tasks:

- A. All fundraising activities should receive prior approval of the Finance Council/Committee following the local entity policies and procedures. Plans for fundraising must include overall target goals, resources required, detailed timelines to conduct the activity and required reporting/monitoring (See Attachment 20.20-1 Fundraising Event Application).
- B. Only under unique circumstances should a separate bank account be established for any fund raising activity; and then only with the recommendation of the Finance Council/Committee and the approval of the Pastor or Diocesan School Principal.
- C. The number of cash collection points during a fundraising event should be minimized. Ideally, plan the event so that there is only one place where payments are made.
- D. Consideration should be given to the establishment of a "chit" system during fundraising events which would place cash in selective locations providing better security and control.
- E. If alcohol will be served, consideration must be given to local laws for the distribution of alcohol. The planning calendar should allow time for obtaining any required local licenses or permits.

II. Operational Tasks:

- A. Event revenue proceeds are to be counted, recorded and deposited intact in the entity operating checking.
 - 1. Repayment of expenditures should never be made directly from collections prior to deposit.
 - 2. All disbursements will be paid through normal check writing procedures.
 - 3. Cash should not be used for any disbursements.
- B. For purposes of maintaining *Segregation of Duties* and *Dual Control*, the handling of all proceeds and their collection, counting, transporting and depositing should always involve two or more authorized and trusted persons (See 20.15 Offertory Collection Procedures and Safeguards).
 - 1. Two or more designated persons should be assigned to each cash collection point.
 - 2. In addition, two or more designated persons should be assigned to periodically collect cash from the cash collection points and transport to a secure location for counting.
 - 3. A night depository should be used, where necessary, to avoid the accumulation of large sums of cash on the premises.
 - 4. At least two people should be present when the cash is counted. All checks should be restrictively endorsed by the counters. Signed "deposit count sheets" should be maintained which agree with deposits made to the bank.
 - 5. SCRIP cards are to be treated in the same manner as cash.
- C. Inventories such as SCRIP cards, merchandise (e.g. trash bags for a school fundraiser) and donated items are to be adequately controlled and safe-guarded.
- D. If the fundraising event requires ticket sales:
 - 1. Tickets should be pre-numbered.
 - 2. The business office should be responsible for maintaining the ticket inventory.
 - 3. A log should be maintained denoting the first and last ticket numbers issued and the person(s) responsible for the tickets.
 - 4. All unused tickets should be returned to the office.
 - 5. A reconciliation of ticket proceeds to the number of tickets sold should be performed by an individual who is not involved in the receiving of revenues. Any discrepancy should be investigated and resolved as soon as possible.

III. Financial\Recording Tasks

- A. For purposes of *Segregation of Duties*, person(s) who have access to the accounting system and who could be making posting of the financial activities of the events into the accounting system should not be involved in any facet of the event which involves the handling of money.

IV. Reporting

- A. When a fundraising event involves inventory, a detailed reconciliation of inventory on hand, inventory in process, inventory sold and sales proceeds received shall be maintained at all times.
- B. For one-time events, the organizers should provide a final accounting of the results of the fundraising event to the Finance council/Committee and to the entity's community. The report should include total gross receipts, total expenses and net proceeds available to the benefactor of the event, providing any relevant details in support of the report (See Attachment 20.20-2 Fundraising Event Final Accounting Report).
- C. For longer campaigns and activities such as the SCRIP program (see 20.55) and capital campaigns (see 20.35), financial reporting should be a standard agenda item at scheduled finance council/committee meetings.

FUNDRAISING EVENT APPLICATION

This application must be completed and presented to the Finance Council for approval prior to scheduling a fundraising activity/event or incurring any obligations on behalf of the parish. The organizers should provide a final accounting of the results of the fundraising event to the Finance Council. The final accounting report should include total gross receipts, total expenses and net proceeds available to the benefactor of the event, providing any relevant details in support of the report. Longer fundraising campaigns and activities such as the SCRIP program should provide a financial reporting, at minimum, monthly.

PARISH OR SCHOOL NAME

Event _____
Date of Event _____

Submitted by: _____
name phone

Provide a detailed description of the fundraising event or activity	
Describe the purpose of the fundraising event or activity including the desired outcome. Include a budget, see template on pg 2.	
Proposed Committee Members - Committee members should familiarize themselves with the Diocesan policies and procedures for parish/school fundraising activities. These guidelines are available from the Business Manager.	
Event Chair	<div style="display: flex; justify-content: space-between;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div>name</div> <div>phone</div> </div>
Event Chair	<div style="display: flex; justify-content: space-between;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div>name</div> <div>phone</div> </div>
Treasurer	<div style="display: flex; justify-content: space-between;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div>name</div> <div>phone</div> </div>
Other:	<div style="display: flex; justify-content: space-between;"> <div>_____</div> <div>_____</div> </div> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <div>name</div> <div>phone</div> </div>
Finance Council Approval	
Signature	_____
Printed Name	_____

FUNDRAISING EVENT APPLICATION FUNDRAISING EVENT BUDGET

PARISH OR SCHOOL NAME

Event

Date of Event

Revenue	Estimated Revenue
Ticket Sales	
Food Sales	
Product Sales	
Vendor Fees	
Event Sponsorship	
Donations	
Other:	
Other:	
Total Revenue:	0

Expense	Estimated Cost
Facility Fee	
Rentals (tables, dishes)	
Presenter/Entertainer Fee	
Audio/Visual Equipment	
Advertising/Promotion	
Printing	
Postage	
Food/Catering	
Decorations	
Transportation	
Security and Technicians	
Other:	
Other:	
Total Expenses:	0
FUNDRAISING EVENT PROFIT	0

FUNDRAISING EVENT FINAL ACCOUNTING REPORT

This final accounting report should include total gross receipts, total expenses and net proceeds available to the benefactor of the event, providing any relevant details in support of the report. Longer fundraising campaigns and activities such as the SCRIP program should provide a financial reporting, at minimum, monthly.

PARISH OR SCHOOL NAME

Event

Date of Event

Submitted by:

name

phone

Revenue	Estimated Revenue*	Actual Revenue
Ticket Sales		
Food Sales		
Product Sales		
Vendor Fees		
Event Sponsorship		
Donations		
Other:		
Other:		
Total Revenue:	0	0

Expense	Estimated Cost*	Actual Cost
Facility Fee		
Rentals (tables, dishes)		
Presenter/Entertainer Fee		
Audio/Visual Equipment		
Advertising/Promotion		
Printing		
Postage		
Food/Catering		
Decorations		
Transportation		
Security and Technicians		
Other:		
Other:		
Total Expenses:	0	0
FUNDRAISING EVENT PROFIT	0	0

*Estimated Revenues/Expenses must be the amount provided in the budget attached to the original Fundraising Event Application

20.25 Accepting & Acknowledging Contributions

- Policy:** All gifts donated to the parish, mission, school or early childhood center including cash, pledges (unconditional promises to give), securities, trusts, insurance policies, real estate and other gifts-in-kind, will be officially recorded and acknowledged.
- Purpose:** To provide guidance regarding the acceptance, acknowledgment and the recording of contributions.
- Scope:** Applies to all parishes, missions, schools and early childhood centers.
-

I. Stock Gifts

Donating appreciated stock or mutual fund shares is a strategic gift-planning method. The donor receives an itemized deduction in the amount of the fair market value (FMV) of the shares donated as of the date of the gift. This value is deductible up to 30% of the donor's adjusted gross income and can be carried over for up to five years after the year of the gift.

Upon receipt of the stock into the diocesan brokerage account, the broker engaged by the Diocese will sell the shares for the benefit of the designated parish mission, school or early childhood center (entity). Proceeds of the sale will be sent by the broker to the Office of Stewardship and Development that will, in turn, transfer the proceeds to the entity. Under no circumstances is an entity of the Diocese permitted to open an account with a brokerage firm for the purpose of selling gifted stock or any other reason without the approval of the Diocesan Finance Officer. Attachment 20.25-1 Instructions to Donate Stock should be used to provide instructions to the donor.

Acknowledgments of stock gifts which comply with IRS guidelines will be mailed directly from the Diocesan Office of Stewardship & Development to the donor. The entity has no responsibility to acknowledge these gifts. The entity should not record the dollar amount of the gift in the donor's contribution records or statement of contributions. If the stock gift was designated by the donor to be applied to an outstanding pledge, the pledge amount should be reduced by the net proceeds of the gift. However, the amount should not be included on the donor's statement of contributions.

II. Vehicle Donations

The entity should notify the Diocesan Finance Officer of any donation of vehicles, boats or planes prior to acceptance. Once notified, the Diocesan Finance Officer will seek permission from the Bishop or his designee for the entity to accept the donation.

Once permission has been received from the Chancery, the entity must determine the disposition of the vehicle, as follows:

- Sell the vehicle, or
- Donate the vehicle to an individual or other entity, or
- Keep the vehicle for entity use

All vehicles are to be titled in the name of the Diocese of Kansas City-St Joseph.

The selling price for which a charity ultimately sells a vehicle is a better measure of the tax deductible value of a vehicle rather than an established market value. Therefore, effective for donations of vehicles, boats and airplanes after December 31, 2004, the tax deductible amount of the donated item is the amount which the charity receives in selling it.

Selling the Vehicle Without Use If the entity plans to sell the vehicle without significantly using it, or improving it, the entity must provide an acknowledgment to the donor with the following information (see 20.25-2 Sample Acknowledgment for a Gift of a Vehicle):

1. The donor's name and Social Security Number
2. The date of the contribution.
3. A description of the vehicle: make, model and VIN (vehicle identification number).
4. One of the following statements:
 - a. A statement that no goods or services were provided by the entity in return for the donation – if that was the case.
 - b. A description and good faith estimate of the value of goods or services, if any, that the entity provided in return for the donation, **OR**
 - c. A statement that the goods or services provided by the entity consisted entirely of intangible religious benefits, if that was the case.
5. A statement that the vehicle was sold in an "arms length" transaction between unrelated parties.
6. The gross proceeds from the sale of the vehicle.
7. A statement that the deductible amount is limited to the gross proceeds.

The entity must provide this information to the donor within 30 days of the sale of the vehicle donated to the entity. The donor is required to attach the acknowledgment to the tax return on which the corresponding deduction is claimed.

Vehicle Held for Use

If the entity plans to use the vehicle in its ministry (which includes donating it to a needy individual), or make material improvements to it (major overhaul, paint job, etc.), the entity must provide an acknowledgment with the following information (see 20.25-2 Sample Acknowledgment for a Gift of a Vehicle):

1. The donor's name and Social Security Number
2. The date of the donation.
3. A description of the vehicle: make, model and VIN (vehicle identification number).

-
4. One of the following statements:
 - a. A statement that no goods or services were provided by the entity in return for the donation – if that was the case.
 - b. A description and good faith estimate of the value of goods or services, if any, that the entity provided in return for the donation, or
 - c. A statement that the goods or services provided by the entity consisted entirely of intangible religious benefits, if that was the case.
 5. One of the following statements:
 - a. Use of the vehicle - a statement certifying that the entity intends to make a significant intervening use of the vehicle, a detailed description of the intended use of the vehicle, a detailed description of the intended use, the duration of use, and a certification that the vehicle will not be sold before completion of the use.
 - b. Material Improvements to Vehicle – A statement certifying that the entity intends to make a material improvement to the vehicle, a detailed description of the intended material improvement and a certification that the vehicle will not be sold before completion of the improvement.
 - c. Donation or Sale of Vehicle to Needy Individual – A statement certifying that the entity intends to give or sell the vehicle to a need individual at a price significantly below fair market value and that the gift or sale is in direct furtherance of the charitable purpose of relieving the poor and distressed who are in need of transportation.
 6. A statement that the vehicle would not be sold before completion of use or improvement.

The entity must provide this information to the donor within 30 days of the donation of the vehicle to the entity. In this case, the donor may use the fair market value (Blue Book) of the vehicle for tax deductible purposes. The donor is required to attach the acknowledgment to the tax return on which the corresponding deduction is claimed.

Reporting to the IRS

The entity must file Form 1098-C Contributions of Motor Vehicles, Boats and Airplanes with the IRS for any contribution of a vehicle received with a claimed value of more than \$500. This form must be submitted to the IRS, with a copy to the donor, on or before February 28th of the year following the donation. In lieu of a written contemporaneous acknowledgement, the entity may use Copy B of Form 1098-C to the donor which contains the same information required in a written acknowledgment provided that it is sent within 30 days of the donation. If Copy B of Form 1098-C is used as the contemporaneous acknowledgment, the Diocese recommends that an accompanying letter be sent to the donor thanking him/her for the donation.

NOTE: If the requirements for the significant intervening use or material improvement exceptions as outlined above are not met, the law limits the deduction for a vehicle contributed to charity and disposed of by raffle to the lesser of \$500 or the vehicle's fair market value.

III. Other Non-Cash Gifts

The following gifts are not to be accepted without prior approval by the bishop or his designee: bonds, insurance policies, investment interests, real estate, vehicles or boats.

A taxpayer may not take a charitable deduction for donations of clothing and household items unless the items are in good used condition or better. The entity should indicate the condition of the items donated on the acknowledgment.

IV. Acknowledgments – General

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value. The following payments do not constitute charitable contributions:

- A. The value of volunteer services is not tax deductible to the donor. Do not include a dollar amount in the donor's statement of contributions.
- B. Payments received for services rendered are not tax deductible to the donor. Do not include a dollar amount in the donor's statement of contributions.
- C. Contributions earmarked by a donor for a particular individual or narrow class of recipients are not deductible by the donor. That is so even when they benefit someone who would otherwise qualify to receive a payment from an entity.

Effective for contributions made on or after January 1, 2007, a taxpayer may not take a charitable deduction for a cash gift of any amount unless the taxpayer has maintained records of support in the form of: a cancelled check, a wire transfer acknowledgement, a credit card record or a written acknowledgement from the donee showing the name of the donee and the date and the amount of the contribution. Therefore, the entity must post identifiable contributions of all amounts to the donor's contribution record in the entity's census software.

Contributions of \$250 or More

Effective for contributions made on or after January 1, 1994, a taxpayer may not take a charitable deduction under section 170 of the Internal Revenue Code for any contribution of \$250 or more unless the taxpayer substantiates such contribution with a contemporaneous written acknowledgment from the charitable organization to which the donation was made [IRC §170(f)(8)]. A canceled check will not constitute adequate substantiation for a contribution of \$250 or more. Separate payments generally will be treated as separate contributions and will not be aggregated for purposes of applying the \$250 threshold. The taxpayer bears the burden of requesting the appropriate acknowledgment.

The written acknowledgment must contain the following information:

- 1. The amount of cash contributed, or a description (not a valuation) of the contributed property other than cash and its condition (for items of clothing or household items)
- 2. The date of the contribution.
- 3. An indication whether the donee organization provided any goods or services in whole or partial consideration for any contribution (if not, the acknowledgement must specifically so state).
- 4. A description and good faith estimate of the value of any goods or services provided by the charitable organization for the payment.
- 5. If such goods or services consist solely of intangible religious benefits, a statement to that effect.

At a minimum, all parishes, missions, schools and early childhood centers must keep a record of all contributions of \$250 or more and respond to all requests for written acknowledgments by donors. *The policy of the Diocese of Kansas City-St Joseph is that all donations of \$250 or*

more be acknowledged on a timely basis (within 30 days), except for recurring offertory gifts of \$250 or more, in which case acknowledgments may be sent quarterly.

The recommended formats for an acknowledgement are attached as follows:

- 20.25-3 Sample Acknowledgment for a Single Cash or Noncash Gift
- 20.25-4 Sample Acknowledgment for Annual Contributions, Including a Listing of Gifts of \$250 or more
- 20.25-5 Sample Acknowledgment for Annual Contributions, Including Quid Pro Contributions

Disclosure Requirements for Quid Pro Quo Contributions

Effective for contributions made on or after January 1, 2004, charitable organizations must inform donors in writing that quid pro quo contributions in excess of \$75 are deductible only to the extent they exceed the value of any goods or services provided by the charitable organization in return [IRC § 6115]. For purposes of this provision, quid pro quo contributions are defined as payments made partly as contributions and partly in consideration for goods or services furnished to the donor.

In connection with the solicitation or receipt of a quid pro quo contribution, charitable organizations must provide a written statement that:

1. Informs the donor that the amount of the contribution deductible for federal income tax purposes is limited to the excess of the amount of money or property contributed over the value of the goods or services provided by the charitable organization.
2. Provides the donor with a good faith estimate of the value of such goods or services. Disclosure statements may be made in any reasonable manner likely to come to the attention of the donor. Thus, disclosure statements may be placed on solicitation materials, event programs, tickets, etc.

All parishes, missions, schools and early childhood centers involved in fundraising events involving quid pro quo contributions in excess of \$75 must develop written materials to inform contributors of the estimated value of the goods or services provided by the church or organization and to inform them that the amount of the contribution deductible for federal income tax purposes is limited to the excess of the amount of money or property contributed over the estimated value of the goods or services provided. These written statements must be provided to all donors contributing \$75 or more at the time of solicitation or upon receipts of the actual contribution.

When the quid pro quo contribution is \$250 or more, the acknowledgement provisions of the tax act also apply. Therefore, records must be kept of all contributions of \$250 or more. Attachment 20.25-6 Sample Acknowledgment for a Single Quid Pro Contribution can be used to satisfy both the acknowledgement and disclosure requirements provided that the form is given to the contributor at the time of receiving the quid pro quo contribution.

V. Acknowledgments – Auctions

Quid pro quo disclosure is required if an auction item is sold for more than \$75 and the selling price is greater than its fair market value. When one-of-a-kind items are sold, such as art

works, hand-made quilts, sports memorabilia, etc., it may be difficult if not impossible, to establish the fair market value. In the absence of any reliable fair market value, the IRS is likely to say that the purchase price is the fair market value. In this situation, no part of the purchase price at the auction would be considered a deductible charitable contribution.

In order to fulfill its responsibilities, the organization should either list the fair market value of the auction items in the auction booklet; or, if the fair market value cannot be determined, state that the item's fair market value is considered to be the price paid for the item at the auction. The auction booklet should also contain a disclosure statement indicating that the amount deductible for federal income tax purposes is limited to the excess of the amount paid over the fair market value of the item purchased.

If the amount exceeds \$250 and the selling price is greater than its fair market value, an acknowledgement letter should also be sent stating the amount contributed, the fair market value of the item purchased, and the amount deductible for federal income tax purposes is limited to the excess of the amount contributed over the fair market value of the item purchased (attachment 20.25-6 Sample Acknowledgment for a Single Quid Pro Contribution).

Instructions to Donate Stock and Mutual Funds

Donating appreciated stock or mutual fund shares is a strategic gift-planning method. The donor receives an itemized deduction in the amount of the fair market value (FMV) of the shares donated as of the date of the gift. This value is deductible up to 30% of the donor's adjusted gross income and can be carried over for up to five years after the year of the gift.

To accomplish a gift of securities or mutual fund shares, contact the Office of Stewardship and Development at (816) 714-2363 or 816-714-2359.

If your securities or mutual funds are in "certificate form" it will be necessary to execute a stock power form which can be provided by your broker or other financial adviser or by our broker, Wells Fargo (see below).

If your securities or mutual funds are in "street name" or held by a brokerage firm it will be necessary to wire transfer instructions using our diocesan brokerage account. The Diocese of Kansas City-St. Joseph is designated as **Catholic Diocese of Kansas City-St. Joseph, Wells Fargo Advisers Account #5328-3701, DTC #0141**. Please contact Linda Maclean at (913)234-7704, Fax (913)234-7718 or linda.maclean@wellsfargo.com.

In any case, it is necessary to identify the shares to be given; the account number(s) of the Delivering Firm; and the parish, ministry or school that is to benefit from the proceeds of the gift. Use the Gift of Securities DTC Transfer form (attached) to facilitate the orderly collection of this information.

Note well:

When executing a gift of securities or mutual funds, it is necessary to notify:

- (1) your broker or financial adviser
- (2) the diocese's broker listed above
- (3) the Office of Stewardship and Development

For additional information:

Contact: Kathy Sloss, (816) 714-2359 or sloss@diocesekcsj.org
Greg Vranicar (816)714-2363 or vranicar@diocesekcsj.org

Revised Feb 2014

Catholic Diocese of Kansas City – St. Joseph
Gift of Securities
DTC Transfer

Please gift _____ of _____
Shares/Unit Security

From my Account Number _____ at _____
Delivering Firm

To: Catholic Diocese of Kansas City – St. Joseph
Wells Fargo Advisors, LLC
Account #5328-3701
DTC # 0141

For the benefit of: _____

Signature: _____

Signature: _____

Contact: Linda Maclean
WBS Regional Support Specialist

Margo A. Shepard, CFP, CIMA
Senior Financial Advisor

Wells Fargo Advisors, LLC
7500 College Blvd. Suite 200
Overland Park, KS 66210

Margo Telephone: (913) 663-6054
Linda Telephone: (913) 234-7704
Team Fax: (913) 234-7718

Margo.Shepard@wellsfargo.com
linda.maclean@wellsfargo.com

Instructions to Donor:

1. Please give this original signed letter of authorization to the delivering firm.
2. Please fax or mail a copy of this signed letter to (913) 234-7718 Attn: Linda Maclean so we can notify the above organization and track your gift.

Sample Acknowledgement for a Gift of a Vehicle

(Must be given to the donor within 30 days of the donation; in addition, if the value of the vehicle is \$500 or more, Form 1098-C must be furnished to the donor and filed with the Internal Revenue Service.)

Date

Name of Donor

Social Security Number of Donor

Address of Donor

Dear _____ :

Thank you for your contribution of (description of vehicle, including make, model and vehicle identification number) to (Donee organization) on (date of contribution).

The parish should select one of the following three paragraphs to include in the letter, depending on how the gift was used:

1. As part of our ministry to the poor, (Donee organization) is providing this vehicle to an individual (family) in need of transportation at significantly below the fair market value. We are, indeed, very grateful to you for the very generous donation of this automobile, which is directly benefiting a local family in need.

OR

2. The vehicle will be used in the ministry of our church. We are, indeed, very grateful to you for the very generous donation of this automobile.

OR

3. The vehicle will sold in an arm's length transaction to an unrelated party. We are, indeed, very grateful to you for the very generous donation of this automobile. **(Date of Sale)(Proceeds from Sale)**

Donee Organization

By _____

Title _____

Note:

Pursuant to §170(f)(8) of the Internal Revenue Code, which addresses substantiation of charitable contributions, this is to acknowledge the fact that **(donee organization)** did not provide any goods or services in whole or partial consideration for the above contributions, or provided only intangible religious benefits.

Sample Acknowledgement for a Single Cash or Noncash Gift

Date

Name of Contributor

Address of Contributor

Dear _____ :

Thank you for your contribution of **(\$ amount of cash contribution or description of non-cash contribution)** to **(Donee organization)** on **(date of contribution)**.

Your generous sharing of your financial resources is greatly appreciated. Many of the good things that are happening our parish community would not be possible without the good stewardship of so many of our parishioners.

Thank you again for your generous support. May God bless you and your loved ones in the coming year.

Donee Organization

By

Title

Note:

Pursuant to §170(f)(8) of the Internal Revenue Code, which addresses substantiation of charitable contributions, this is to acknowledge the fact that **(donee organization)** did not provide any goods or services in whole or partial consideration for the above contributions, or provided only intangible religious benefits.

**Sample Acknowledgment for Annual Contributions, Including a Listing of Gifts of \$250
or more**

Date

Name of Contributor

Address of Contributor

Dear _____ :

Thank you for your contribution to (**Donee organization**) during the year (**year**).

Your generous sharing of your financial resources is greatly appreciated. Many of the good things that are happening our parish community would not be possible without the good stewardship of so many of our parishioners.

Thank you again for your generous support. May God bless you and your loved ones in the coming year.

Donee Organization

By

Title

Note:

Pursuant to §170(f)(8) of the Internal Revenue Code, which addresses substantiation of charitable contributions, your total contributions for (**year**) were (**\$amount**). Included in that amount are the following contributions of \$250 or more:

Amount	Date
\$ _____	_____
\$ _____	_____
\$ _____	_____
\$ _____	_____

(**donee organization**) did not provide any goods or services in whole or partial consideration for the above contributions, or provided only intangible religious benefits.

Sample Acknowledgment for Annual Contributions, Including Quid Pro Contributions

Date

Name of Contributor

Address of Contributor

Dear _____ :

Thank you for your contribution to (**Donee organization**) during the year (**year**).

Your generous sharing of your financial resources is greatly appreciated. Many of the good things that are happening our parish community would not be possible without the good stewardship of so many of our parishioners.

Thank you again for your generous support. May God bless you and your loved ones in the coming year.

Donee Organization

By

Title

Pursuant to §170(f)(8) and §6115 of the Internal Revenue Code, which addresses substantiation of charitable contributions, your total contributions for (**year**) were (**\$amount**). Included in that amount are the following contributions of \$250 or more:

Amount	Date
\$ _____	_____
\$ _____	_____
\$ _____	_____
\$ _____	_____

(**Donee organization**) provided the following goods and services in return for the above contribution:

The estimated value of these goods and services is (**\$amount**). The amount of your contribution for federal income tax purposes is limited to the excess of the amount contributed over the estimated value of the goods and services indicated above.

Sample Acknowledgment for a Single Quid Pro Contribution

Date

Name of Contributor

Address of Contributor

Dear _____ :

Thank you for your contribution of **(\$ amount of cash contribution or description of non-cash contribution)** to **(Donee organization)** on **(date of contribution)**.

Your generous sharing of your financial resources is greatly appreciated. Many of the good things that are happening our parish community would not be possible without the good stewardship of so many of our parishioners.

Pursuant to §170(f)(8) and §6115 of the Internal Revenue Code, this is to acknowledge the fact that **(donee organization)** provided the following goods and services in return for the above contribution:

The estimated value of these goods and services is **(\$amount)**. The amount of your contribution for federal income tax purposes is limited to the excess of the amount contributed over the estimated value of the goods and services indicated above.

Thank you again for your generous support. May God bless you and your loved ones in the coming year.

Donee Organization

By

Title

20.30 Restricted Donations

Policy: All parishes, missions, schools and early childhood centers will abide by the restrictions placed on a gift by the donor under the penalty of forfeiture where a restricted gift has been accepted by the entity.

Purpose: To provide guidance regarding the acceptance, the recording and the reporting of restricted donations.

Scope: Applies to all parishes, missions, schools and early childhood centers.

I. Restricted Donation Defined

Generally accepted accounting principles define a donor imposed restriction as a donor stipulation that is more specific than broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its' bylaws. Examples of uses which are implicit to the nature of diocesan entities are: evangelization, missionary work, faith formation, education, charity and facility improvements. As such, these gifts would not be classified as restricted. The restriction must be in writing from the donor. For example: a contribution received from a donor who has sent a letter restricting its use to the purchase of a particular statue to be placed in the Church sanctuary in memory of a family member.

II. Recording for Restricted Donations

Careful records should be kept for each individual restricted gift from the time of acceptance to the time the gift has been expended. A file should be set up in the business office for each individual gift, including the original donor letter and copies of all transaction activity concerning the gift. These records should be kept on file at least five years after the restriction has been met and the gift expended.

Upon receipt of the gift, the deposit should be recorded in general ledger account 2410 Designated Gifts/Grants.

When the funds are spent for the specific purpose, the check is coded to the proper expense account and then a journal entry should be made to transfer the amount of the check to record the income as follows:

Debit:	2410.00 Designated Gifts/Grants	\$10,000
	Credit: 4230.00 Gifts/Donations General	\$10,000

III. Reporting for Restricted Donations

A report should be prepared periodically, at least quarterly, showing the activity pertaining to each restricted donation for a given period. The report should included the balance of unsatisfied restricted gifts which should be reconciled to balance reported in account 2410.00 on the balance sheet for the same period. The report should be reviewed by the Pastor (or Diocesan School Principal) and the Finance Council/Committee to ensure that the restricted gifts are utilized as stipulated by the donor. The entity should report in writing to the donor once the restriction has been satisfied and the gift fully expended.

20.35 Contributions to Capital Campaigns

Policy: Appropriate internal controls over Diocesan approved capital campaign activities will be maintained at all times to insure the integrity of the financial statements, books and records.

Purpose: To establish procedures for recording capital campaign pledges received.

Scope: Applies to all parishes, missions, schools and early childhood centers.

I. Pledge Card Processing

After a capital campaign has been approved by the Bishop or his designee, the parish, mission, school or early childhood center (entity) should establish a campaign committee to organize and oversee the campaign activity. The responsibility to record and maintain the campaign activity remains with the business office.

- A. Master pledge card list – a master list should be generated of all pledge cards issued to potential donors. This master list should be used to document the status of the campaign at any given date and detail the following:
 - 1. The pledge cards listed.
 - 2. The pledge cards returned.
 - 3. The pledge cards outstanding.
 - 4. The total amount received in pledge.
- B. Returned pledge cards – as pledge cards are returned, they should be reviewed for completeness. The reviewer should check that the terms of the pledge are clear and that the card bears the signature of the donor. If there is any uncertainty, the donor should be contacted. The uncertainty should be clarified, and, if necessary, the donor should be informed that the card will be returned to the donor for updating and/or signature.
- C. Retention of pledge cards – pledge cards are to be retained for the duration of the campaign and the pledge payment period. They should be filed alphabetically or numerically in a secure, locked receptacle.
- D. Recording pledge cards – as the cards are received, pledges should be entered into the census program. Care should be exercised to ensure that the correct terms are set up to facilitate accurate aging reporting and accurate mailings to the donors. An adding machine tape should be tallied of pledge amounts from the pledge card batch received. A batch report of the pledges added to the campaign should be generated from the census program and compared to the adding machine tape. The adding machine tape should be stapled to the reports and they should be filed together. The reports should be signed and dated by the persons compiling the information.

II. Pledge Receipt Processing

- A. Billing/reminder notices should be sent to all donors (excluding those on auto-draft) each time a payment is due. The notice should denote the current amount due as well as any past due amounts. If the donor is delinquent two or more installations, the campaign committee should consider whether to contact the donor. The pastor's (or school principal's) approval must be obtained prior to contacting the donor.

- B. Donors should have the option to drop the capital campaign envelope in the regular collection basket or return by mail. The envelopes should be accumulated and counted by the regular count team or by a special count team. These count teams must follow the same guidelines set forth for counting regular collections 20.15 Offertory Collection Procedures and Safeguards.
- C. Secretary or volunteer (someone other than the bookkeeper) should post identifiable contributions (e.g. envelope users) to each individual donor's capital campaign record in the census program. Under no circumstances should the individuals responsible for posting to donor contribution records and the general ledger handle the actual funds to be deposited.
- D. A report should be generated to show the total of the capital campaign payments received. An adding machine tape should be tallied from the envelopes and compared to the census report. The deposit ticket, the census report and the adding machine tape should agree. The report should be signed by the persons who compiled the information, filed in a permanent binder and kept for seven years
- E. A detail listing of auto draft deposits should be generated. The census program should be updated for these deposits. The total auto draft deposits should be compared to the total receipts entered into the census program. The totals should agree. The report should be signed by the persons who compiled the information, filed in a permanent binder and kept for seven years.

III. Reporting

- A. The campaign committee should review the following:
 - 1. An aging report of pledges outstanding (at least monthly).
 - 2. A report of the amounts pledged and amounts received (at least monthly).
 - 3. The records from the original campaign drive to determine if it is appropriate to approach donor who did not make a pledge initially or new parishioners (or school families) who were not in the parish (or school) during the pledge drive. Consulting with the pastor (or school principal) before communicating with any donors.
- B. A campaign committee member should report the status of the campaign to the Finance Council/Committee regularly. This report should be a standing agenda item at each Finance Council/Committee meeting throughout the life of the campaign.
- C. The status of the campaign should be reported in the parish bulletin monthly or the equivalent school/early childhood center publication.

20.40 Processing Receipts - Schools

- Policy:** Appropriate internal controls over tuition management and cash receipts for school related activities will be maintained at all times. An internal accounting system must be designed with sound accounting policies and procedures that ensure the integrity of the financial statements, books and records.
- Purpose:** To establish procedures for receiving, applying and depositing cash receipts for school related activities.
- Scope:** Applies to all parishes with schools and early childhood centers and Diocesan schools
-

General Comments:

All the policies and procedures in this manual apply to all schools in the Diocese. This procedure addresses the processing of receipts for activities which are unique to schools and identifies the financial policies, procedures and internal controls which should be in place to assist in providing proper stewardship and reasonable caution in cash receipts from the time they are received to the time they are ultimately deposited in a banking institution.

I. Tuition and Fees

A. Tuition Rates

1. Tuition rates must be established at the direction of the Pastor/Pastoral Administrator in consultation with the principal/early childhood center director, business manager, school board and Finance Council/Committee. Tuition rates are often less than the actual costs to run the school. As a result, the general offertory and special donations are needed to subsidize the school. The Adjusted Tuition Model which was part of the strategic planning initiatives promulgated in 2010 should be utilized during this process (see Attachment 20.40-2 Adjusted Tuition Calculation).
2. Tuitions rates should be documented (by type if applicable i.e. parishioner rate, non-parishioner rate, number of students by family).
3. Tuition waivers, financial aid and scholarships should be documented and approved by the Principal/Early Childhood Director and the Pastor/Pastoral Administrator (or Business Manager).
4. The total amount available for tuition waivers, financial aid and scholarships must be approved by the Pastor/Pastoral Administrator or Diocesan School Principal and the Finance Council/Committee through approval of the annual budget.

B. Administration of Student Accounts

1. A Tuition Agreement (attachment 20.40-1 Sample Tuition Agreement) which includes documentation of any financial aid received signed by parents/guardians and the principal/director should be retained in the student file.
2. A separate record should be maintained for each student (or family) indicating total tuition payable, the date and the amount of each tuition payment and the remaining balance due.
3. Parents should be strongly encouraged to make all tuition payments via direct withdrawal from a bank account or a personal check. Schools may consider using a third party vendor for tuition billing and collection.

4. A standard policy for recording tuition which includes establishing the billing cycle, posting of tuition billing, posting of applicable late fees to student accounts, fees charged for NSF checks and guidelines for processing NSF checks.
5. Student accounts should be monitored to enforce that all appropriate fees are applied and collected.

C. Tuition Receipts

1. Tuition receipts should be received at one location by one or no more than two, clearly designated individuals.
 - a. Per 20.10 Processing Receipts IV. A - Mail must be opened by someone other than the bookkeeper/business manager. A daily cash receipts log should be prepared by this person and separately reported to the bookkeeper/business manager and the Pastor/Pastoral Administrator/School Principal or Finance Council/Committee for subsequent comparison to the bank deposit. Mail should be safeguarded at all times. All mail should be received directly in the business office.
 - b. Per 20.10 Processing Receipts IV. L - Personnel (paid and volunteer) should be rotated in jobs related to cash receipts.
 - c. Per 20.10 Processing Receipts IV. M - Personnel (paid and volunteer) having access to cash or cash records should be required to take periodic vacations/breaks so they do not have exclusive and permanent access to the cash or records.
2. Teachers do not accept cash or checks from parents nor students for tuition, fund raising nor fees.
3. Pre-numbered, triplicate and sequentially issued cash receipt forms should be utilized. Adequate control over the sequence of used and unused receipts must be maintained. Photocopies of checks may be made and attached to the deposit slip. A comparison should be made between the aggregate of the receipts issued and the amount deposited in the bank.
4. All checks received should be restrictively endorsed "For Deposit Only" followed by the account number immediately upon receipt. Amounts received should be deposited at the bank on a daily basis.
5. A daily count sheet/deposit summary should be prepared listing all payments and totaling payments by revenue type/account.
- A. All program receipts (tuition, registration fees) should be deposited into the **parish** or diocesan school **operating account**.
6. Until a timely deposit can be made, tuition collections should be secured in a locked non-portable safe.
7. The business office should maintain a tuition and fees accounts receivable subsidiary ledger. This ledger should include the following information for each student family:
 - a. Family account number
 - b. Family name
 - c. Student name(s)
 - d. Family address
 - e. Tuition fees and dues for the year
 - f. Frequency of payments (monthly, quarterly, semi-annually, annually)
 - g. Date, check number and amounts of all payments received
8. Before making the deposit, payments should be posted to the accounts receivable subsidiary ledger.
9. An accounts receivable batch report should be printed and the total reconciled to the count sheet/deposit summary. Any discrepancy should be investigated and resolved immediately.

10. Duplicate deposit slips should be kept on file. The deposit slip total must match: the accounts receivable batch report; the deposit per the bank statement; and be compared to the daily count sheet/deposit summary, noting any differences and the reasons for the differences.
11. The count sheet/deposit summary, copy of the accounts receivable batch report, and deposit receipt should be stapled together and filed.
12. Tuition receipts should be recorded to the appropriate general ledger account using **only** the accounts listed in the Diocesan chart of accounts (see 60.10 Chart of Accounts)
13. The duties of receiving tuition and fees, and that of recording them in the tuition accounts receivable subsidiary ledger must be performed by different people.
14. The accounts receivable subsidiary ledger should be reconciled to the general ledger account balance monthly by someone who is independent of the aforementioned duties.
15. Any material discrepancy or dispute over amounts owed by parents that cannot be resolved should be reported to the Pastor/Pastoral Administrator or Diocesan School Principal and the Finance Council/Committee.
16. A member of the Finance Council/Committee, selected by the Pastor/Pastoral Administrator or Diocesan School Principal, should review the tuition accounts receivable subsidiary ledger on a monthly basis.

D. Tuition Collection Plan

1. On a monthly basis, outstanding tuition balances should be identified and reviewed to determine if they are collectible.
2. Monthly statements should be sent to any family who is delinquent. The person responsible for generating and mailing the statements must not be the person who receives and processes the payments. The Principal, Business Manager and Pastor/Pastoral Administrator should be informed of the total tuition that is delinquent each month.
3. To identify past due tuition, document all students registered under different tuition plans and payment options to monitor the accuracy of revenue collected on an on-going basis.
4. Uncollectible tuition should be written off after review and approval of the Principal and Pastor/Pastoral Administrator or Business Manager.
5. The Finance Council/Committee should receive a monthly report which includes the following:
 - a. Account 1310.00 School Tuition Receivable balance for the reporting period.
 - b. An estimate of the total tuition that may be uncollectible.
 - c. The amount of uncollectible tuition accounts which have been written off.
 - d. This review of tuition should be a standing agenda item at each Finance Council/Committee meeting.

II. School Cafeteria Receipts

The means of collecting receipts for lunch may vary. Whether received weekly or monthly, in advance; through the sale of coupon books; or point of sale purchase, the following procedures and controls should be in place:

- A.** Pre-numbered, triplicate and sequentially issued cash receipt forms should be utilized. Adequate control over the sequence of used and unused receipts must be maintained. Photocopies of checks may be made and attached to the deposit slip. A comparison should be made between the aggregate of the receipts issued and the amount deposited in the bank.

- B. All checks received should be immediately restrictively endorsed "For deposit only", followed by the bank account number.
- C. A count sheet listing all payments received should be prepared.
- D. All cash and checks received should be stored in a locked, non-portable receptacle prior to depositing at the bank.
- E. All cafeteria receipts should be deposited into the **parish** or diocesan school **operating account**. Amounts received should be deposited at the bank on a daily basis.
- F. Cafeteria receipts should be recorded to the appropriate general ledger account using **only** the accounts listed in the Diocesan chart of accounts (see 60.10 Chart of Accounts)
- G. The amount of the bank deposit receipt should be compared to the count sheet.
- H. The dollar value of lunches served should be reconciled to the amount of lunch receipts received on the same frequency as lunch revenues are received. If items are sold at different prices, the total of each item sold should be recorded on a daily basis. Any discrepancy in this reconciliation should be investigated and resolved by the principal as soon as possible.
- I. The duties of receiving lunch money and reconciling the dollar value of lunches served to the amount of lunch receipts received must be performed by different people.
- J. The count sheet, reconciliation and deposit receipt should be stapled together and filed.
- K. Any material discrepancy that cannot be resolved should be reported to the principal as soon as possible.
- L. The pastor, principal and Finance Council/Committee should review actual vs. budget Profit and Loss Statements on a monthly basis to identify any variances in cafeteria revenue and expenses.

III. After School Care Programs

The director of after school care programs usually accepts payments from parents on a weekly basis.

The following procedures and controls should be in place:

- A. A log should be kept by the director of the names of all children participating on a daily basis. The director and his/her assistant must both sign the log after all names are listed. The log should be turned in to the business office weekly.
- B. Pre-numbered, triplicate and sequentially issued cash receipt forms should be utilized. Adequate control over the sequence of used and unused receipts must be maintained. Photocopies of checks may be made and attached to the deposit slip. A comparison should be made between the aggregate of the receipts issued and the amount deposited in the bank.
- C. All checks received should be immediately endorsed "For deposit only", followed by the bank account number.
- D. A count sheet listing all payments received should be prepared.
- E. All cash and checks received should be stored in a locked non-portable receptacle prior to depositing at the bank.
- F. All after school care receipts should be deposited into the **parish** or diocesan school **operating account**.
- G. Amounts received should be deposited at the bank on a daily basis.
- H. The amount of the bank deposit receipt should be compared to the count sheet.
- I. The log of children in attendance should be used to indicate the applicable fee and the actual amount remitted. The total amount remitted per the log should be agreed to the bank deposit amount. The duties of receiving After School Care receipts and reconciling the amount remitted per the log to the bank deposit must be performed by different people.

- J. A statement should be sent to any family who is delinquent after the 10th day of each month. The person responsible for preparing and mailing the delinquent notices must not be the person who receives and processes the payments. The principal or Business Manager should be notified of all delinquent families monthly.
- K. The attendance log containing the billing and remittance amounts, and the deposit receipt should be stapled together and filed.
- L. Any material discrepancy that cannot be resolved should be reported to the Pastor.
- M. The Pastor/Pastoral Administrator, principal and Finance Council/Committee should review actual vs. budget Statements Revenue and Expenses on a monthly basis to identify any variances in After School Care activity.

IV. Clubs, Bands, and Sports Teams

School clubs and teams raise funds through a variety of activities each year. Usually those funds are spent for trips, seminars, equipment, apparel, or some other endeavor in support of the associated activity. Revenues are usually directed to the faculty advisor responsible for the club, band, or team. That member usually submits those funds to the business office.

The following procedures and controls should be in place (see also 20.20 Fundraising for the proper internal control for fundraising events):

- A. A standard receipt should be issued for all cash payments in excess of \$20.00. The receipt should be issued from a receipt book containing pre-numbered receipt forms and duplicate receipts. The duplicate receipt should be kept in the book.
- B. All checks received should be immediately endorsed "For deposit only", followed by the bank account number.
- C. A count sheet listing all payments received should be prepared. The count sheet should be signed by the faculty advisor and a member of the office staff.
- D. All cash and checks received should be stored in a locked non-portable receptacle prior to depositing at the bank.
- E. Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received.
- F. The amount of the deposit receipt should be compared to the count sheet.
- G. The count sheet and deposit receipt should be stapled together and filed.
- H. Faculty advisors and club treasurers should receive monthly reports of all financial activity for their club, band, or team.
- I. Any discrepancy noted by faculty advisors or treasurers should be investigated and resolved as soon as possible.
- J. Any material discrepancy that cannot be resolved should be reported to the Pastor as soon as possible.
- K. The Pastor/Pastoral Administrator, principal and Finance Council/Committee should review this category of accounts on a monthly basis.

(Parish)

Sample Tuition Agreement: 20XX-20XX

20XX-20XX Tuition and Fee Schedule

Tuition Rates	
Children	Rate
1 st Child	(amount)
2 nd Child	(amount)
3 rd Child	(amount)
4 th Child	(amount)
5 th Child	(amount)
Non- Parishioner	(amount)

Student Last Name	Student First Name	20XX-20Xx Grade	Tuition
Total Family Tuition (before discounts or assistance):			
Less: discounts, assistance and scholarships			
Total Family Tuition due for 20XX-20XX School Year:			

Tuition Payment Options for 20XX-20XX

Directions: Please select the payment option your family agrees to follow for the 20XX-20XX school year. If no option is selected, it will be assumed your family agrees to the Ten Monthly Payment option as stated below.

- ☐ **Single Payment** – Payment in full due by (date). (There is a (amount)% discount for this option.)
- ☐ **Semi-Annual Payments** – Two payments due by (date) and (date).
- ☐ **Quarterly Payments** – Four payments due by (date), (date), (date), and (date).
- ☐ **Ten Monthly Payments** – Ten payments due by the (day) of the month from (first month) to (last month).
- ☐ **Other Payment Arrangements** – Other Payment Arrangements **must be approved by the Principal, the Pastor/Pastoral Administrator or the Business Manager.**
Provide detail on other payment arrangements requested:

It is the financial obligation of families to pay their tuition in a timely fashion. If your tuition payments are not made as you have indicated above, there is a risk that report cards, transcripts, and/or diplomas may be withheld. Tuition and fees must be paid in full by the end of the school year to qualify for enrollment for the following year.

My signature below indicates that I have read and understand this policy.

Enrollment is not complete until this Tuition Agreement is completed and signed by you.

Mother/Guardian Signature Date

Father/Guardian Signature Date

Administrative Office Use:

Date Received: _____ Principal: _____ Business Manger: _____

(PARISH)				
ADJUSTED TUITION (K-8) CALCULATION				Year 20XX/20XX
		<u>INCOME ACCOUNTS</u>		
4200		Development/Fund Raising		
4210	.91	Capital Campaign		
4220	.91	Gifts/Donations: Parish Societies/Organizations		
4230	.91	Gifts/Donations: General		
4240	.91	Fund raising Event/Activity		
4250	.91	Other		
4260	.91	Other		
4300		Operational		
4310	.91	Interest Income		
4320	.91	Rental Income		
4500		Education		
4510	.91	Tuition Income (do not include in calculation)		
4513	.91	Registration Fees		
4515	.91	Book Fees, Activity Fees		
4520	.91	Cafeteria Income		
4530	.91	Sports Program Income		
4540	.91	Transportation Income		
4800		Diocesan Allocations		
4810	.91	Diocesan Allocation		
4513	.91	Parish Allocation		
		SUB-TOTAL (F)	\$	-
		<u>EXPENSE ACCOUNTS</u>		
5100		Personnel		
5120	.91	Lay Salaries		
5150	.91	Lay Benefits (title only)		
5151	.91	Lay Benefits - Employer Portion		
5152	.91	Lay Benefits - FICA		
5160	.91	Religious Salary		
5165	.91	Religious Benefits		
5170	.91	Continuing Ed. (title only)		
5172	.91	Continuing Ed. - Religious Women/Men		
5173	.91	Continuing Ed. - Lay		
5200		Facilities		
5210	.91	Utilities (title only)		
5211	.91	Gas		
5214	.91	Electric		
5217	.91	Water		
5220	.91	Telephone/Fax/Internet		

(PARISH)				
ADJUSTED TUITION (K-8) CALCULATION				Year 20XX/20XX
5230	.91	Ordinary Repair & Maintenance (title only)		
5231	.91	Ordinary Repair & Maintenance - Buildings < \$10,000		
5232	.91	Ordinary Repair & Maintenance - Grounds		
5233	.91	Ordinary Repair & Maintenance - Equipment < \$5,000		
5235	.91	Ordinary Repair & Maintenance - Contract Services		
5240	.91	Custodial Supplies & Services		
5250	.91	Furniture & Equipment (title only)		
5251	.91	Furniture & Equipment - Purchase (not including Hardware/Software) < \$5,000		
5252	.91	Furniture & Equipment - Lease (not including Hardware/Software)		
5254	.91	Equipment - Multimedia		
5255	.91	Equipment - Computer Hardware		
5256	.91	Equipment - Computer Software		
5270	.91	Rental Expense		
5280	.91	Security Expense		
5290	.91	Other Expense		
5300	General/Operational			
5310	.91	Postage		
5320	.91	Printing		
5330	.91	Supplies		
5340	.91	Purchased Services (title only)		
5341	.91	Legal/Professional Services		
5342	.91	Accounting Services/Expenses		
5343	.91	Banking Services/Fees		
5345	.91	Contract Labor/Services		
5350	.91	Diocesan Obligations (title only)		
5351	.91	Diocesan Assessment		
5352	.91	Interest on Debt (School Debt Only)		
5353	.91	Property & Casualty Insurance		
5360	.91	Books/Periodicals (title only)		
5361	.91	Resource Books		
5362	.91	Resource Periodicals/Newspapers		
5363	.91	Catholic Key		
5365	.91	Textbooks		
5368	.91	Other Books		
5369	.91	Memberships & Dues		
5370	.91	Development (title only)		
5371	.91	General Stewardship/Development Expense		
5372	.91	Envelopes		
5373	.91	Building/Capital Campaign		
5374	.91	Advertising/PR		
5380	.91	Fundraising (title only)		
5381	.91	Fundraising - Expense		
5382	.91	Fundraising - Events		

(PARISH)				
ADJUSTED TUITION (K-8) CALCULATION				Year 20XX/20XX
5390	.91	Special Events (title only)		
5391	.91	Celebrations/Events		
5396	.91	Workshops/Seminars		
5400	.91	Travel (title only)		
5401	.91	Mileage		
5402	.91	Travel/Lodging/Meal (for meetings or conferences)		
5403	.91	Meals/Entertainment		
5405	.91	Group Travel/Field Trips		
5410	.91	Transportation (title only)		
5411	.91	Vehicle Expense		
5415	.91	Transportation - Leased		
5420	.91	Sports Programs		
5430	.91	Childcare		
5435	.91	Testing		
5440	.91	Cafeteria/Food Expense		
5450	.91	Health/Medical Supplies		
5460	.91	Volunteer Expense		
5462	.91	Awards/Recognition (Staff/Volunteer)		
5490	.91	Other		
		SUB-TOTAL	(A)	\$ -
		Capital Reserve Allocation		
		Calculate 5% of Sub-Total (A)	(B)	\$ -
		"% of Capacity" Enrollment (Percentage determined by POD)	(C)	
		5 Year Average Enrollment (Calculated by Each School)	(D)	
		Projected Enrollment (Number between (C) and (D) Determined by School)	(E)	
		Projected Parish Subsidy to School	(G)	
		Cost Per Pupil (A + B)/ E		#DIV/0!
		Tuition (A + B - F)/ E		#DIV/0!
		Adjusted Tuition (A + B - F - G)/E		#DIV/0!

20.55 Scrip Programs

Policy: Appropriate internal controls over Scrip Programs will be maintained at all times to insure the integrity of the program.

Purpose: To establish procedures for set up, operation and reporting.

Scope: Applies to all parishes, missions, schools and early childhood centers.

Scrip is the sale of certificates that may be redeemed at various business establishments for goods or services. The types of scrip and the methods of buying and selling the scrip may vary from organization to organization. A large return on the initial investment can be realized but there is a great deal of monitoring and safeguarding that must be observed. **The program *must be run by a volunteer* so that the parish, mission, school or early childhood center (entity) does not appear to have entered into an unrelated business** (20.60 Unrelated Business Income).

The program raises money through rebates from the retailer, represented as discounts from the face value of the gift card. When considering the implementation of a scrip program, the entity must consider how the rebates will be directed. There are two options for the use of rebates.

Option 1: Program Rebates Retained at the Organization

One way to administer the scrip program would be to retain all the rebates for use at the organization; i.e. amounts are not credited to individual family tuition accounts for rebates earned. This could be administered simply because it would not be necessary to track individual purchases.

These rebates would not be considered a charitable contribution unless there is a signed agreement with the participant (see Attachment 20.55-1a Sample Agreement). The entity is not required to offer the charitable contribution opportunity to the participants in the scrip program.

Option 2: Program Rebates Shared

A popular way to run the program is to share the rebates with the participants. For example, the entity would retain a percentage of the rebate, including an administration fee, and the other portion of the rebate would be credit to the participant's tuition account (or other designated expense).

Administrative fees charged or held back from the rebate, should be reasonable and not excessive. The entity should analyze the administrative time and cost spent to run the program. The recommended administrative fee is 1% -2% and not to exceed 5% of the program proceeds.

The entity must have a signed agreement with the participant in the scrip program that allows the participant to choose how the rebates will be allocated (see Attachment 20.55-1a Sample Agreement). The options to allocate the rebate need to include a cash back option.

Not just parents of students are eligible to participate in purchasing scrip. Grandparents, relatives, friends, etc. can participate in a program and designate rebates earned via a signed agreement to a particular family's tuition account. Any rebates directed towards expenses such as participant tuition accounts, sports expenses or cash rebated back do not qualify for a charitable contribution deduction for the participant.

If the participant elects to direct some or the entire rebate to the entity then this does qualify as a charitable contribution eligible for deduction. These contributions need to be tracked and a written

acknowledgement letter should be provided for the receipts of the gift (see 20.25 Accepting & Acknowledging Contributions).

Should the entity choose to run the scrip program as a shared benefit with the participants, there are some issues to consider when opting for this method:

1. Increased administration for tracking the scrip rebates to the participant.
2. Distribution of tax acknowledgment letters by January 31st of the year following the contribution.
3. If a significant number of the participants choose to receive back 100% (less administrative fee) through tuition credits or via cash back, the income from the program may become unrelated business income (see 20.60 Unrelated Business Income).
4. Limit the number of options that a participant can designate for the rebate, however, cash back to the participant needs to be an option.

I. Set Up and Approval

- A. Implementation of a Scrip Program must be approved by the Pastor\Pastoral Administrator or Diocesan School Principal and the Finance Council/Committee.
- B. The Finance Council/Committee is responsible for the oversight of the operation of the Scrip Program.
- C. A statement releasing the entity and the diocese from any responsibilities associated with the risks inherent in a scrip program must be included on the Customer Sales Order forms and all other written materials promoting the script program including bulletin announcements. See Attachment 20.55-1 Sample Customer Sales Order Form.
- D. A Scrip Program Coordinator must be appointed.
 1. The responsibilities of this **volunteer** position include:
 - a. Recruiting Scrip Sellers.
 - b. Assigning responsibilities and overseeing Scrip Sellers.
 - c. Ordering scrip.
 - d. Accounting for scrip inventory, processing scrip received and scrip sales.
 - e. Updating the Scrip Inventory Listing (Attachment 20.55-2 Sample Scrip Inventory Listing).
 - f. Coordinating the monthly scrip inventory count (Attachment 20.55-3 Sample Scrip Inventory Count Sheet).
 - g. Advertising and marketing.
 2. The Scrip Program Coordinator is accountable to the Finance Council/Committee.
 3. The Scrip Program Coordinator should never sell scrip or have access to cash that has not been recorded on the Log of Scrip Sales Activity by a Scrip Seller (Attachment 20.55-4 Sample Log of Scrip Sales Activity).
- E. Scrip Sellers are to be recruited with the following responsibilities:
 1. Circulating and collecting Customer Order Forms (Attachment 20.55-1) and payments for pre-orders.
 2. Completing the Customer Order Forms and the Log of Scrip Sales Activity (Attachment 20.55-4).
 3. Returning excess script to Coordinator and cash/checks to business office.

NOTE: All the functions/positions outlined in D and E above **must** be volunteer positions (see 20.60 Unrelated Business Income).

II. Methods to Operate a Scrip Program

A. Method #1: Scrip Prepaid by Constituents and Purchased by Order

1. Volunteers from the entity circulate paper Customers Sales Orders (Attachment 20.55-1) to individuals interested in purchasing scrip.
2. Individuals submit order form with payment for the amount ordered.
3. If scrip program rebates are shared, the Scrip Program Agreement (Attachment 20.55-1a) should be attached to the order form.
4. The Scrip Coordinator places the order with the scrip provider and the business office remits payment by check.
5. The scrip is mailed to the entity for distribution to the individuals.

B. Method #2: Scrip Inventory Pre-Ordered then Sold to Constituents

1. The Scrip Coordinator pre-orders scrip and the entity remits payment by check.
2. Upon receipts of the funds, the order is processed by the scrip provider.
3. The scrip is mailed to the entity.
4. Volunteers sell scrip to constituents.
5. If scrip program rebates are shared, the Scrip Program Agreement (Attachment 20.55-1a) should be completed by the participant at the time of sale.

C. Method #3: Scrip Ordered Online by Individuals

1. Individuals place orders online via the scrip provider's website. The individual pays online or remits a check directly to the entity.
2. Periodically the Scrip Coordinator goes online to review all the orders placed to identify which orders need to be paid by check. The Scrip Coordinator "releases" orders that have been paid.
3. The entity remits payment to the scrip provider for those items not paid online by the individual but by check to the entity.
4. Upon receipt of the funds, the order is processed by the scrip provider.
5. Funds paid by individuals online are remitted to the entity by the scrip provider minus shipping costs and minus a service charge.
6. The scrip is mailed to the entity.
7. If scrip program rebates are shared, the Scrip Program Agreement (Attachment 20.55-1a) should be completed by the participant at delivery of the scrip.

III. Procedures and Forms – applicable to all methods outlined above

- ### A. Accounting
- as a parish/school/ecc program, scrip program activity is subject to the same accounting controls as are all activities. All activity from the program is to be recorded on the parish/school/ecc general ledger and coded appropriately.

NOTE: While the scrip program is to be operated by volunteers, the parish/school/ecc bookkeeper should be responsible for recording the activity in the general ledger, making the bank deposit, and preparing the check to the scrip provider. Volunteers should be recruited for all other functions.

To records payments to purchase scrip (Program Rebate Retained at the Organization):

Debit: Account 1150.xx – Inventory – Fund Raising *for the face value of the scrip purchased.*

Credit: Account 1010.xx –Checking Account *for the amount of check written*

Credit: Account 4240.xx – Fund Raising Event/Activity *for the difference between the face value of scrip purchased and the amount of the check written.*

To records payments to purchase scrip (Program Rebates Shared):

Debit: Account 1150.xx – Inventory – Fund Raising *for the face value of the scrip purchased.*

Credit: Account 1010.xx –Checking Account *for the amount of check written*

Credit: Account 4240.xx – Fund Raising Event/Activity *for the amount of the rebate retained at the organization.*

Credit: Account 1310.xx – School Tuition Receivable (family account) *for the amount of the rebate applied to family tuition account.*

To records cash received at the time scrip is sold/ordered (both rebate options):

Debit: Account 1010.xx –Checking Account *for the amount of cash received.*

Credit: Account 1150.xx – Inventory – Fund Raising *for the face value of the scrip sold/ordered.*

When scrip orders are prepaid by the participant, the above entries will result in a credit to the inventory account until such time as the entity issues a check to purchase the scrip. This is acceptable as there should be a very short interval between receipt of a participant's deposit and ordering of the scrip by the entity.

B. General Recordkeeping and Inventory

1. Scrip is the equivalent of cash to the vendor who issued it. As such, scrip is to be safeguarded just like cash. In order to safeguard scrip, it must be stored in a non-portable, fireproof and locked safe.
2. An inventory of scrip on hand is to be maintained. The face value of each card and the number of each card is to be recorded on the Scrip Inventory Listing (Attachment 20.55-2) upon receipt. As scrip is delivered to a customer, it should be recorded as such on the Scrip Inventory Listing, so that there is always a current inventory of scrip on hand.
3. A count of the scrip on hand should be done monthly to verify the inventory listing. The count is to be done by at least two unrelated individuals. The counters must complete the Scrip Inventory Count Sheet (Attachment 20.55-3), sign and date the count sheet and attach an adding machine tape to the count sheet. The results of the inventory count should be compared to the total on the Scrip Inventory Listing and any discrepancy investigated.
4. The total per the Scrip Inventory Listing should always agree to the balance in the general ledger account, taking into consideration any scrip in transit (scrip for which a check has been issued, but which has not yet been received by the entity).

C. Selling Scrip

1. There should always be at least two unrelated persons available to sell scrip. When the scrip is removed from inventory and given to a Scrip Seller, a new Log of Scrip Sales Activity (Attachment 20.55-4) should be started.
2. All scrip given to the Scrip Seller should be listed on the Log of Scrip Sales Activity.
3. As scrip sales are made, the Scrip Seller is to complete a Customer Sales Order (Attachment 20-55-1) for each customer.
4. If scrip program rebates are shared, the Scrip Seller must complete a Scrip Program Agreement (Attachment 20.55-1a) for each customer and attach it to the order form.
5. When scrip is delivered to the customer (which may be at the time the sales order is placed), the Scrip Seller is to have the customer sign and date the Customer Sales Order on the line: *Scrip Received*.

D. Balancing Out after Sales Session

1. After each sales session, the *Total Purchase* lines of all the Customer Sales Orders are to be totaled using an adding machine tape. All the Customer Sales Order forms are to be stapled and the adding machine tape stapled on top.
2. The scrip sold should be entered on the Log of Scrip Sales Activity. The total amount sold and total number of cards sold and remaining cards should be entered on the log.
3. The total value of cards sold should agree to the total of the adding machine tape stapled to the Customer Sales Orders.
4. The Scrip Seller is to balance the cash and checks on hand with the total amount sold per the Log of Scrip Sales Activity and balance the number of cards remaining with the total number of cards shown as remaining. After both sellers verify the amount of scrip sold and the remaining cards on hand, they should sign and date the log.
5. The scrip and cash/checks should be immediately returned to the Scrip Program Coordinator or the business office and secured in a non-portable, fireproof safe.
6. The Scrip Program Coordinator or the business office personnel should verify the cash/checks and the number of cards returned, then sign and date the log where indicated.

Customer - Detach and maintain for your records:

	Name of Vendor	Face Value of Card	Number of Cards	Total
1				
2				
3				
4				

Date _____

From whom Purchased _____

Amount Paid _____ Cash OR Check # _____

Attachment 20.55-1

(Entity)
Sample Scrip Program Agreement

(entity name) sponsors a scrip program. This scrip program allows you to purchase scrip (i.e. gift cards or certificates) that generate rebates from the participating retailers. (entity name) requires written documentation from the scrip purchaser on how the rebates generated from the scrip program are to be distributed. Several options for distribution are noted below, including tax deductible donations to (entity name) and tuition support for a specified family which is non-tax deductible.

In making your election (entity name) asks that you keep in mind that this program is operated by volunteers for the primary purpose of raising funds to support the parish mission. Designating a significant portion of your rebate as a donation is essential to the program's success. While not required, we recommend that you elect to donate at least 50% of the rebates to the parish mission. This allows us to continue to provide the program to benefit all parties involved. Your donation allows us to cover important educational and parish expenses that are beyond the normal budgets. Your donation may also be considered a tax-deductible charitable contribution subject to IRS rules and regulations governing such donations. For all donations received, annually (entity name) will provide a contribution letter for use in your personal tax preparation.

The parties agree as follows:

1. (entity name) operates this program on your behalf from such retailers and in such quantities as you designate from time to time.
2. (entity name) will retain (amount)% of all rebates to cover administrative expenses of the scrip program.
3. (entity name) will apply your rebates (net of the fee) as you elect below (please check A, B or C):
 - A. _____ 100% (entity name) Fund (tax deductible).
 - B. _____ 50% (entity name) Fund (tax deductible)/50% Tuition (_____ Family Name).
 - C. _____ Custom Election (insert percentages below totaling 100%) _____
_____ % (entity name) Fund (tax deductible)
_____ % Tuition (Not tax deductible) (_____ Family Name).
_____ % Cash Back (Not tax deductible)

You agree and acknowledge as follows: (i) no legal employment or partnership arrangement is created as a result of the scrip relationship; (ii) you are the owner of the scrip purchased on your behalf; (iii) you have limited rights to return the scrip we purchased on your behalf, based on the return policy of our scrip supplier; (iv) you shall indemnify (entity name) and its representatives against any loss incurred in connection with there being insufficient funds in your account to cover checks or ACH transfers you issue to pay for your scrip; and (v) (entity name) or its representatives make no representations or warranties of any kind with respect to the scrip. This agreement is effective upon signing and shall continue indefinitely unless terminated by either party upon 60 day's advance written notice to the other party, or a new agreement is subsequently executed.

Please sign and date below to indicate your acknowledgment of this agreement.

Purchaser's Signature

Date

Printed Name

Address

Phone

ASSUMPTION OF RISK: There may be risks, including, but not limited to, insolvency of the Scrip Provider, insolvency of participating retailers and breach of personal information (individually and collectively the "Risks"). The Parish/School, the Catholic Diocese of Kansas City-St Joseph, and all of either of their respective affiliates, including, but not limited to any of their respective officers, directors, agents, employees, volunteers, and individuals acting on any of the aforementioned parties' behalf (collectively the "Parish, the Diocese of Kansas City-St Joseph and Its Affiliates") cannot and do not assume responsibility for such Risks. PARTICIPATION CONSTITUTES ACCEPTANCE AND ASSUMPTION OF ALL SUCH RISKS

(Parish)

Sample Scrip Inventory Listing							
Date Entered	Vendor	Card Number	Face Value	Date Card Sold	Seller	Distributed by	Face Value Inventory On Hand
General Ledger Account 1150.____ should equal							

Attachment 20.55-3

(Parish)

Sample Log of Scrip Sales Activity

	A	B	C	D	E	F	G	H
Vendor	Face Value of Card	Beginning Quantity of Cards	Card Number Range	Total Beginning Face Value (A * B)	Quantity of Cards Sold	Value of Cards Sold (A * E)	Quantity of Cards Remaining (B - E)	Value of Cards Remaining (A * G)
				TOTALS				

Signature

Printed Name

Date

Total Cash & Checks Remitted

must equal column F

Total Card Value Returned

must equal column H

I acknowledge receipt of the scrip cards as shown in Column H and the cash/checks as listed.

Signature

Printed Name

Date

TOTAL

by

20.60 Unrelated Business Income

Policy: Parishes, missions, schools and early childhood centers are not to engage in activities that give rise to unrelated business income without the approval of the Diocesan Finance Officer.

Purpose: To define activities that may generate unrelated business income and possible exclusions.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

The income received by a parish, mission, school or early childhood center (entity) in the Diocese is generally considered exempt from federal and state income taxes. However, in certain instances, tax may be owed on income generated from what the IRS considers "unrelated business income". If there is a concern about the status of some income the entity is earning, contact the Diocesan Finance Officer. Approval of the Diocesan Finance Officer is required before engaging in any activity which may be regarded as unrelated business income.

I. Unrelated business income (UBI) is defined as:

An activity that is not substantially related to the exempt purpose of the organization and that:

- Constitutes a trade or business. "The term 'trade or business' includes any activity which is carried on for the production of income from the sale of goods or the performance of services. Use of the proceeds in the exempt purpose of the organization does not negate the fact that an activity is a trade or business.
- Is regularly carried on; such activities are carried on with frequency and continuity.

Such activities do not contribute importantly to the accomplishment of the organization's exempt purpose (the purpose for which the organization was granted tax exemption). The fact that the activity generates operating capital which is then used by the exempt organization does not change the fact that the activity is unrelated.

II. Exceptions from the Definition of UBI -There are a number of exclusions from the definition of UBI including:

- A. Activities in which merchandise is sold, substantially all (in excess of 85%) of which had been donated to the organization.
- B. Activities in which substantially all (in excess of 85%) the work is performed without compensation, whether cash or in-kind.
- C. Activities related to the distribution of low cost articles incidental to soliciting charitable contributions. Low cost articles are defined as items with a cost of \$9.10 or less. Distribution of low-cost articles is considered incidental to a charitable contribution solicitation if all of the following criteria are met:
 - 1. Distribution is made without the consent of the recipient,
 - 2. Recipient did not request the distribution,
 - 3. Distribution is accompanied by a charitable solicitation request. A contribution is not required.
 - 4. Convenience Exception. This exception applies to any trade or business carried on primarily for the convenience of its members, students, patients, officers, or

employees. Classic examples of this exception include the hospital pharmacy sales made to patients, the sale of books by a university bookstore to students, sales in hospital gift shops, and laundry and vending operations provided for student use.

III. Common Activities which with potential UBI

- A. **Fundraising Activities** - Many fundraising events conducted on a sporadic or infrequent basis are not subject to the unrelated business income tax because of their lack of regularity. However, fundraising activities that are regularly carried on, and in which the work is performed by paid individuals, are generally subject to unrelated business income tax.
- B. **Scrip** - Scrip is the sale of certificates that may be redeemed at various business establishments for goods or services (See 20.55 Scrip Programs). The types of scrip and the methods of buying and selling the scrip may vary from organization to organization. Income from scrip is taxable to the organization as UBI unless the sale of scrip qualifies for the volunteer exception. Therefore, scrip must be sold by volunteers as opposed to paid staff.

Perhaps the most common mistake related to scrip sales made by organizations (especially schools) is as follows:

The school has volunteers sell the scrip at specified times during the week (perhaps after Mass on Sunday and after school during the week). Then during other times, the scrip is for sale in the school office. The school secretaries handle the sale. This could jeopardize the volunteer exception and result in taxability of the entire proceeds of the scrip sale.

- C. **Raffles** - Raffles or other games of chance do not constitute unrelated business income so long as they do not violate state law and are not regularly carried on.
- D. **Advertising** - Advertising income in regularly published periodicals is generally construed to be unrelated business income unless the content of such advertising is substantially related to the exempt purpose of the publication in which it appears.

Churches that contract with a company to publish their Church bulletins in exchange for the publishing company's right to solicit paid advertisers should not be involved in the solicitation or approval of advertisers (other than general policies as to the suitability of ads for a Church bulletin). Any payments received by the Church for advertising from either advertisers or the company publishing the Church bulletin would be classified as unrelated business income.

- E. **Yearbook Advertising** - Yearbook advertising generally will not give rise to unrelated business income because ads are solicited by students or other unpaid volunteers or because the activity is not regularly carried on.
- F. **Sponsorships** - Qualified sponsorship payments are any payments from a trade or business to sponsor an event hosted by an exempt organization (homecoming, parish jubilee celebration, etc.). There can be no arrangement or expectation that the trade or business will receive any substantial return benefit. The exempt organization may

recognize the trade or business during the event in exchange for the payment without triggering UBI. Donor recognition is not construed to be something of significant value.

Donor recognition may include:

1. List of sponsor's locations, telephone numbers and internet addresses,
2. Logos and slogans that do not have any qualitative descriptions of products, services, etc.,
3. Value neutral descriptions of the product line,
4. Sponsor's trade names and product listings

The regulations also indicate the display or distribution of the sponsor's product to the general public at an event is not considered an inducement to buy, sell, or use the product and will not affect the determination of the qualification of the sponsorship.

- G. Dinners and Socials** - Dinners and other similar functions sponsored by the Church on a regular basis are considered unrelated business income unless substantially all (at least 85%) of the labor is carried out by uncompensated volunteers, or the meal is merely incidental and provided in conjunction with a primary activity related to the exempt purpose of the church, such as prayer, bible study, Christian educational activities or other religious activities.

The following factors contribute to the activity not being considered unrelated business income:

1. Providing the meal at no charge for those unable to pay,
2. Publicizing the primary purpose of the event (bible study, etc.) in all promotional materials,
3. Maintaining copies of hand-outs, study guides, reflections and similar documentation relating to the primary purpose of the event.

- H. Catering and To-Go Meals** -Catering provided for non-parish/school functions, such as wedding receptions and other events that are not open to the entire community, constitute unrelated business income, unless the catering activity is carried out by substantially all (at least 85%) volunteer labor. Such sales of meals are considered for the convenience of the person(s) purchasing the meals and are not sufficiently connected to the exempt purpose of the church.

- I. Rental of Space in Facilities** - The rental of space in facilities does not constitute unrelated business income if the space rented is used for religious activities that are substantially related to, and consistent with, the exempt purpose of the church, i.e. rental of the Church to a non-parishioner for a wedding Mass. The activity for which the rented space is being used must be a significant religious activity, such as a Mass, Communion Service, Prayer Service, or Religious Instruction program. Rental of a Church hall for wedding receptions, anniversary celebrations, birthday parties, etc. (whether parishioner/school family or not), **does not** meet this criteria.

If the rental does not meet the above criteria, a detail review of the following conditions must be undertaken:

1. No more than an incidental amount (less than 10%) of personal property (furniture, equipment, etc.) can be rented with the building rental.
2. No services can be provided with the rental. This includes meals, food preparation, setting up the facility, clean-up, etc.

3. The rental amount cannot be based on the lessee's profit or income from the rental activity.
4. If there is outstanding debt on the building, no more than 15% of the building square footage can be rented.

If all of the above four conditions apply, rental of space in facilities for nonreligious activities does not constitute unrelated business income.

J. Daycare/Pre-School Programs - Daycare programs are not inherently charitable activities, as this is an activity commonly performed by commercial enterprises. However, daycare programs **do not** constitute unrelated business income if any one of the following four circumstances applies:

1. The primary purpose of the program is to provide a religious educational environment with religious activities, such as learning prayers, religious formation suitable for young children, etc., in which all children are required to participate on a regular basis. The religious curriculum must be more than incidental and should be well documented (including the amount of time spent on religious activities) and included in all advertising and promotional materials;
2. The program is limited to low-income individuals and is provided free or at substantially reduced prices;
3. The program is a pre-school program operated as a qualified educational program in accordance with state regulations;
4. The primary purpose of the program is to provide care for children to enable individuals to be gainfully employed, and the services provided by the organization are available to the general public. To meet this standard, both parents of at least 85% of the children must be working (parents who are full-time students satisfy the working requirement). Thus, the percentage of stay-at-home parents must be monitored. Also, enrollment may not be limited to parishioners or to employees of a particular employer.

IV. Taxes Due and Filing Requirements for UBI

- A.** Any parish, mission, school or early childhood center that has gross income of \$1,000 or more during the fiscal year from the conduct of an unrelated trade or business is required to file IRS Form 990-T, Exempt Organization Business Income Tax Return.
- B.** Each entity must file a separate Form 990-T for each separate EIN.
- C.** Form 990-T is due on the 15th day of the 5th month following the end of the fiscal tax year. The due date of the return for entities of the Diocese is November 15th.
- D.** Parishes, missions, schools and early childhood centers should refer to IRS publication 598 Tax on Unrelated Business Income of Exempt Organizations for additional information or contact the Diocesan Finance Office for further assistance.

30.10 Cash Disbursements - General

- Policy:** The parish, mission, school and early education center will maintain a strong system of internal control over cash disbursement. Prudent management of expenses and cash outflows is part of the fiduciary responsibility of the Pastor/Pastoral Administrator or Diocesan School Principal.
- Purpose:** To help establish good internal control over cash disbursements and ensure resources are used effectively to meet the needs of the entity.
- Scope:** Applies to parishes, missions, schools and early education centers.
-

General Comments:

The budget (See 60.20 Budgeting) is an important tool in the day-to-day management of expenses, therefore, purchases should be made within the constraints of the budget. The budget represents a guideline for spending. Any purchase in excess of the budgeted amount should require specific authorization from the pastor/diocesan school principal or designee. Before approving extraordinary or unbudgeted expenditures, the Pastor or Diocesan School Principal should consider consulting with the Finance Council/Committee (see 10.10 Parish Finance Council). Directors and supervisors should be given the responsibility to monitor their program expenditures and should approve purchases which will be charged to their budgets.

Note: Any construction, renovation or repair project in excess of \$25,000 must have the approval of the Bishop or the Bishop's designee (see 30.35 Construction/Renovation Projects and Guidelines for New Construction/Major Renovation Projects).

Controls over disbursements ensure the legitimacy of expenses incurred. Segregation of duties is a key component of internal control. The following duties of the cash disbursement process should be segregated: bookkeeping, access to assets, independent reconciliation and authorization of transactions. See 20.15 Segregation of Duties and Attachment 20.15-1 for the recommended segregation of duties for purchasing, cash disbursements and accounts payable duties. The following procedures are an important part of this control environment.

I. Purchasing

- A.** A limited number of individuals (no more than five or six, e.g. Pastor, school principal, day care director, pastoral associate, director of religious education, maintenance director and parish/school secretary) who are authorized to place orders, purchase supplies or sign contracts should be designated by the Pastor, Diocesan School Principal or the Finance Council/Committee.
- B.** Before authorizing any expense, the budget should be reviewed to ensure that the expense has been properly anticipated or the exception/overage approved.
- C.** If a purchase ordering system is used, reasonable safeguards need to be in place.
 - 1. Purchase order forms should be pre-numbered and controlled.
 - 2. Purchase orders should detail the item, quantity, price, terms, delivery and the department to charge (specify appropriate account and sub account numbers from the chart of accounts see 60.10 Chart of Accounts).
 - 3. The pastor/school principal or designee must approve and sign all purchase orders.

4. The entity may wish to set a dollar limit for approval to aid in the management of cash flow.

II. Processing Invoices

- A. A check request form (see Attachment 30.10-1 Sample Check Request Form) should be utilized which requires a signed authorization by the person responsible for the given budgeted expense account before an invoice/bill is paid. The person requesting the payment should indicate the general ledger account number to be charged (see 60.10 Chart of Accounts). The bookkeeper should not assign the account number to be charged.
- B. Before a check request is submitted, the individual who has direct knowledge of the expense incurred must certify that the goods or services have been received and verify the mathematical accuracy of the charges.
- C. All check requests shall contain substantiation for the expense (e.g. invoice, receipts, etc.). To prevent duplicate payments, payment should be made from original invoices only. If the individual requesting payment needs invoices for their own files, a photocopy should be made and the original invoices forwarded with the check requests.
- D. Payments will not be made on a statement. If an invoice has not been received, the individual that placed the original order must request a duplicate invoice for processing.
- E. Requests for mileage reimbursements should be made timely and must include the date, destination, purpose and number of miles for each individual trip (see Attachment 30.10-3 Sample Mileage Reimbursement Form). Mileage is measured from place of employment to destination, not from home to destination. Requests must be approved by the individual's supervisor or the pastor/school principal; no one may approve his/her own reimbursement request.
- F. Whenever possible, the entity should pay all vendors directly. In the normal course of business, employees, parishioners or volunteers may make purchases for the entity and request reimbursement. Reimbursement requests should meet the following requirements:
 - a. The request includes: the date of the expenditure, the purpose of the expenditure, the provider/vendor i.e. name of hotel, airline, restaurant, etc and the names of persons other than yourself for whom you paid, and their relationship/role to the entity
 - b. Receipts to substantiate expenses should be attached to the request.
 - c. Requests for reimbursement are to be approved in writing by the individual's supervisor or the pastor(school principal); no one may approve his/her own reimbursement request.
- G. Independent Contractors must submit bills for work done. Such invoices must show the date(s) of service, description of the work performed and the amount due. A completed Form W-9: Request for Taxpayer Identification Number and Certification **must** be on file before any payments are issued. (See 40.10 Employment Classifications for additional requirements when employing the services of an independent contractor.)
- H. The Diocese is a Missouri Benevolent Corporation and is exempt from paying sales tax on purchases in the state of Missouri. The state sales tax exemption number should be provided to vendors prior to making purchases. Invoices should be reviewed for sales tax

charged improperly. Purchases for social events, hotels, airfare and meals (for the benefit of an individual) are never exempt. Contact the Diocesan Finance Office to obtain the Missouri sales tax exemption letter.

- I. After proper certification of the expense and securing the required approvals, the check request form including attachments should be forwarded to the bookkeeper for payment.
- J. Personnel need to plan ahead and submit check requests enough in advance so that checks can be processed in the next scheduled check run. Manual checks should be permitted only in rare circumstances.

III. Check Processing

- A. All disbursements shall be made by check and each check should be recorded in the Cash Disbursements Journal (also known as Accounts Payable module in the accounting system software) indicating the date of payment, to whom paid and the check number.
- B. When a check request form is received, the bookkeeper should review the documentation for completeness, accuracy and reasonableness.
- C. Payment shall be made utilizing pre-numbered checks issued in a sequential manner. See 50.15 On-Line Banking if Electronic Banking is utilized.
- D. Access to check stock should be limited. Check signers should not have access to these documents. Additionally, as stated in 10.25 Segregation of Duties, persons who have access to the accounting system should not have access to check stock. In the event that the bookkeeper has access to the check stock, a check number control log (see Attachment 30.10-2 Sample Check Log) accounting for every check used should be maintained. This log should be reviewed when the bank account is reconciled.
- E. **Do not prepare checks that will not be mailed immediately.** Held checks are more likely to be lost or stolen, and it is more difficult to track expenses and control payments. If bills cannot be paid on time due to cash shortages, accounts payable should be recorded (see 20.25 Accounts and Notes Payable).
- F. No checks shall ever be made payable to "cash" or "petty cash". Checks made payable to Cash are negotiable by anyone. When replenishing petty cash, the check should be made payable to the custodian of the petty cash fund (see 30.15 Petty Cash Disbursements and Reconciliations).
- G. Check signers would normally be the Pastor/Pastoral Administrator/Diocesan School Principal or designee.
- H. Those responsible for preparing checks or those who have access to the accounting system should not be signers on the account.
- I. The check signer should have a distinct signature.
- J. Consideration should be given to requiring two signatures on checks issued that are equal to or over a certain amount.
- K. Blank checks should never be pre-signed and signatures stamps **shall not** be utilized. If the Pastor/Pastoral Administrator/Diocesan School Principal is unable to sign checks,

arrangements should be made in advance for someone to perform this function in his/her absence.

- L.** The check request, original invoice, purchase order and other supporting documentation must be included when checks are issued and presented for signing.
- M.** Checks should be mailed by someone other than the bookkeeper.
- N.** Once paid, all invoices, receipts and supporting documentation shall be mark "paid" and the check stub stapled to the invoice. This documentation is part of the required records to support cash disbursements, therefore, it must be retained and filed in alphabetical order by vendor by the fiscal year July 1 to June 30. Separate files should be kept for each fiscal year. See 60.40 Records Retention for the period that these files shall be retained.
- O.** If an independent contract is paid \$600 or more in a calendar year, then a 1099-MISC is required (see 40.20 Reporting Payments for Services Rendered (Non-Payroll)).
- P.** All disbursements should be summarized and reported to the Finance Council/Committee on a regular basis (a monthly financial statement is sufficient). No corrections should be "backdated" without authorization of the Finance Council/Committee, as this will change financial reports from prior months.

SAMPLE CHECK REQUEST FORM

REQUESTS FOR CHECKS MUST BE SUBMITTED ON THIS FORM. This REQUEST MUST have proper documentation such as invoices and statements attached. Checks cannot be prepared without documentation and an authorization. NOTE: Requests for reimbursement must be approved by the payee's supervisor. THE CHECK REQUEST WILL BE RETURNED IF DOCUMENTATION AND/OR AUTHORIZATION IS INCOMPLETE.

DEPT: _____

DATE SUBMITTED: _____

VENDOR	ACCOUNT NUMBER	PAYEE NAME ADDRESS CITY, STATE ZIP	AMOUNT OF CHECK*	VOUCHER DESCRIPTION
		CHECK TOTAL	0.00	

*If the check is to be charged to various accounts, list each account number and each amount separately, BUT also show TOTAL AMOUNT of the check.

AUTHORIZED BY: _____

Sample Check Control Log

Attachment 30.10-2

Attachment 30.10-3

30.15 Petty Cash Disbursements

Policy: A strong system of internal control will be maintained over cash disbursement. Prudent management of expenses and cash outflows are part of the fiduciary responsibility of the Pastor/Pastoral Administrator/Diocesan School Principal

Purpose: To help establish good internal control over cash disbursements and ensure resources are used effectively to meet the needs of the entity.

Scope: Applies to parishes, missions, schools and early education centers.

General Comments:

A petty cash fund may be established for making small, immediate expenditures, which, if paid by check, could cause delay, inconvenience, and the excessive expense of maintaining additional records. The following procedures should be utilized for petty cash funds.

Petty Cash Disbursements

- A. The petty cash fund should be established with a definite cash limit determined by its activity, but generally should not exceed \$500.00.
- B. The fund shall be maintained on an imprest basis and periodically replenished for exactly the amount of expenditures from the fund.
- C. Limits for individual reimbursement from the fund should also be set. It is recommended that all expense disbursements in excess of \$25 be paid via normal check writing routines.
- D. The petty cash funds shall be placed in the custody of a single individual (custodian), who, alone, has total responsibility for its integrity and access.
- E. Per 10.25 Segregation of Duties, the custodian should not have access to the accounting system. If the custodian does have access to the accounting system, another individual should perform frequent surprise reconciliations and the requests to replenish petty cash should be approved by another individual.
- F. Only original receipts shall be accepted for reimbursement, signed by the individual who is submitting the receipt and signed by the custodian of the petty cash funds who is disbursing the money.
- G. Receipts must be marked "paid" and the payment date noted. The account and sub account number to be charged must also be indicated.
- H. At any time, the sum of the documentation and the cash on hand shall equal the limit set in A. above.
- I. Periodically, the Pastor/Pastoral Administrator/Diocesan School Principal or designee shall count the fund.

- J. The fund will be reimbursed periodically for the exact amount of the properly documented expenses. Replenishment of the fund is accomplished through a check made payable in the name of the custodian. No checks shall ever be made payable to "cash" or "petty cash". Checks made payable to Cash are negotiable by anyone. During this reimbursement process, expenditures from the fund are recorded in the Cash Disbursements Journal and posted to the proper accounts.

30.20 Accounts and Loans Payable

Policy: Accounts payable and loans payable will be maintained in order to present an accurate picture of the entity's financial condition.

Purpose: To provide guidance with recording accounts payable and loans payable.

Scope: Applies to parishes, missions, schools and early education centers.

General Comments:

Parishes, missions, schools and early education centers (entity) will record transactions using a cash basis for accounts payable. However, interim accrual of accounts payable may be necessary when an entity is unable to pay their current invoices so that there is an accurate picture of indebtedness. The annual report submitted to the Diocesan Finance Office must be on a cash basis, therefore, any accruals that may have been posted should be adjusted before submitting the annual report.

This policy provides guidance for the recording of accounts payable and loans payable transactions. See 30.35 Construction/Renovation Projects and 50.25 Deposit and Loan Fund for guidance on obtaining a loan from the Diocesan Deposit and Loan Fund.

I. Accounts Payable

Occasionally, due to cash flow problems, the entity may not be able to pay all its bills on time. To manage payments, the entity should record accounts payable, especially if significant amounts will be owed at the end of the fiscal year. The amount owed should debit the correct expense accounts, but instead of crediting a cash account, the entity should credit an accounts payable account. When the accrued bills are paid, the payment is debited to the accounts payable account rather than the expense account.

Do not prepare checks which will not be mailed immediately. Held checks are more likely to be lost or stolen, and it is more difficult to track expenses and control payments. Recording accounts payable is preferable over holding checks.

An Accounts Payable Aging of all unpaid vendor invoices should be prepared on a monthly basis and provided to the Pastor/Pastoral Administrator/Diocesan School Principal, the Business Manager and the Finance Council/Committee.

Bookkeepers and accountants should remember that the withholding accounts are only *holding accounts* for the amounts the entity **must** deposit with the state and Federal taxing authorities. Balances should reflect only those amounts the entity has not yet deposited. Before the entity closes a month, and at the end of the fiscal year, the bookkeeper or accountant should check that the balances in the withholding accounts are accurate. The accounts balances should equal the unpaid liabilities.

II. Loans Payable

Loans payable to the Diocese should be recorded as a loan payable. Loans payable will generally have a significant effect on the financial position of the entity over an extended period of time, and should be recorded so that the accounting records and Financial Review will present an accurate picture of the financial position – particularly the ability to meet current financial obligations or finance future programs or projects.

A. Recording Loan Proceeds

1. Cash Received:

The receipt of proceeds for a loan should be recorded as follows:

Debit: Cash (1010.XX)	XXXXXX	
Credit: Diocesan Loan Payable (2710.XX)		XXXXXX

2. Payments Made by the Diocese on Entity's Behalf:

Upon notification by the Diocese that the proceeds for a loan have been paid directly to a contractor/architect or other vendor for a project, the debit should be recorded to the appropriate expense account rather than cash as no cash was received by the entity.

For example: a payment made by the Diocese to a contractor on a construction project would be recorded by the entity as follows:

Debit: New Construction/Major Renovation (5890.XX)	XXXXXX	
Credit: Diocesan Loan Payable (2710.XX)		XXXXXX

B. Recording Principal and Interest Payments:

1. Principal payments are recorded as a reduction of a liability on the balance sheet. These payments should never be recorded as an expense. At the end of each month, the balance in the Diocesan Loan Payable account (2710.XX) should be reconciled with the statement received from the Diocese. Any discrepancies should be reconciled with the assistance of the Diocesan Finance Office if necessary.

Principal payments should be recorded as follows:

Debit: Diocesan Loan Payable (2710.XX)	XXXXXX	
Credit: Cash (1010.XX)		XXXXXX

2. Interest expense is billed monthly on the diocesan assessments invoice. The invoice billed on the current month statement is for interest accrued in the prior month. When the monthly invoice is paid, interest expense should be coded to the interest expense account 5352.XX.

30.25 Credit Card Usage

- Policy:** A strong system of internal control over credit card use will be maintained. Prudent management of parish expenses and cash outflows is part of the fiduciary responsibility of the Pastor/Pastoral Administrator or Diocesan School Principal.
- Purpose:** To help establish good internal control over credit card use and ensure resources are used effectively to meet needs.
- Scope:** Applies to all parishes, missions, schools and early childhood centers.
-

General Comments:

Parish/school/ecc credit cards are not a preferred method of payment. Credit cards are an acceptable option when making purchases at stores where items cannot be purchased on account or purchased through personal credit cards and reimbursed. Whenever possible the vendor should invoice the parish, mission, school or early childhood center (entity) for purchases to limit the use of credit cards. The Entity credit card should never be used for personal expenses (even if the Entity is to be reimbursed), for ATM transactions, cash advances, or wire transfers. The following controls should be in place when using Entity credit cards.

I. Establishing a Credit Card Policy

- A. The Pastor/Pastoral Administrator or Diocesan School Principal is responsible for all commitments made on behalf of the entity. He/she may delegate purchasing responsibilities as deemed appropriate following the guidelines set forth in 30.10 Cash Disbursements-General.
- B. The Pastor/Pastoral Administrator or Diocesan School Principal should exercise good judgment and caution concerning who will carry and use entity credit cards.
- C. Entities should have only one credit card account and limit the number of cards that are issued. The Pastor/Pastoral Administrator or Diocesan School Principal must be an authorized user on the account.
- D. The Pastor/Pastoral Administrator or Diocesan School Principal must decide who has a need for a credit card, the monetary limits on the card and a method of reimbursement of credit card purchases.

The methods of reimbursement may be:

- a. Individual Responsible for the Bill:
 - i. The individual who holds the card is charged directly and is personally responsible for bill payment.
 - ii. The individual must then submit original itemized charge slips, proof of payment and purpose of the expenditure before reimbursement is made (see 30.10 II F).
 - iii. This method provides control over purchases.
- b. The Entity is Charged Directly
 - i. This method does not provide control over purchases.
 - ii. The entity processes payment for the bill according to policy 30.10 Cash Disbursements – General.

- iii. The Entity should require each cardholder to sign an agreement outlining the cardholder responsibilities and payment procedures (see Sample Credit Cardholder Agreement Attachment 30.25-1).

II. Processing the Credit Card Statement (when the entity is charged directly)

When the credit card statement is received, the following controls should be followed in addition those set forth in Policy 30.10 Cash Disbursements – General:

- A. Actual monthly purchases and payments should be reconciled to the monthly statement as soon as it is received. Any discrepancies should be investigated and resolved immediately.
- B. The total amount due on the statement should be paid in full monthly on or before the due date as shown on the statement to avoid any late fees or finance charges.
- C. Check requests should be submitted timely allowing for payment to be received before the due date.

III. Credit Card Security

- A. Entity credit cards should be kept in a non-portable secured location when not in use.
- B. The credit card numbers should be recorded and kept on file in the business office.
- C. Emergency notification phone numbers of the credit card issuer should be maintained with the credit card numbers.
- D. Upon termination of an employee, cards must be returned to the business office and the user **must** be removed from the account immediately.
- E. One individual should **never** charge purchases to a card issued to another individual.

Sample Credit Cardholder Agreement

Parish/School/ECC Billed Directly

{Entity Name}

Credit cards will be issued to employees with the approval of the Pastor/Pastoral Administrator or Diocesan School Principal only. Upon receipt of a *{entity name}* credit card, the Cardholder must sign this Cardholder agreement. Signed agreements will be retained in the Business Office.

Cardholder Responsibilities

1. The Card is to be used for *{entity name}* business only.
2. All detailed receipts along with the check request must be submitted to the Business Office with the monthly statement received from the credit card company within two weeks from the day the monthly statement was received at the address listed on the statement.
3. Upon receipts of the monthly credit card statement the Cardholder must:
 - a. Verify the accuracy of the credit card statement.
 - b. Attempt to resolve disputes or billing errors directly with the vendor and notify the Business Office if a dispute or billing error has not been satisfactorily resolved.
 - c. Ensure that an appropriate credit for the reported disputed item or billing error appears on a subsequent billing statement.
4. Immediately report a lost or stolen card to the Business Office.
5. Return the Card to the Business Office upon terminating employment or if the Card is no longer needed for the employee's position.

Payment Procedures

Payment will be made directly to the credit card company by the Business Office each month. Late fees incurred because the monthly statement and accompanying check request were not submitted on a timely basis will be the responsibility of the Cardholder.

Card Termination

A credit card account will be closed if a Cardholder:

1. Terminates employment.
2. Fails to produce receipts or documentation in a timely manner on a consistent basis.
3. Uses the credit card for personal purchases, even if the charges were reimbursed by the Cardholder.

Cardholder Agreement

By signing this agreement the Cardholder agrees to the credit card policy. The Cardholder also authorizes *{entity name}* to withhold from the Cardholder's paycheck any fees associated with late submissions.

Employee Signature

Supervisor's Signature

Date

Employee Name (please print)

30.30 Auxiliary Organizations

Policy: Parish and school auxiliary organizations must adhere to all the financial administration policies and procedures put forth in this manual.

Purpose: To help parish and school auxiliary organizations establish good internal control over cash receipts and disbursements to ensure resources are used effectively to meet the mission of the organization.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

Auxiliary organizations are those organizations sponsored by the parish, mission, school or early childhood centers (entity) that qualify as tax-exempt by virtue of the entity's tax-exempt status and/or use of the entity's taxpayer identification number for purposes of establishing a bank account. Examples of these organizations are:

- The Altar Society
- The Booster Club
- Athletic Association
- The School PTO
- The Golden Years Club

Certain organizations are affiliated with other organizations and their tax status is determined by virtue of that relationship. These organizations use their affiliated organization's taxpayer identification number when establishing bank accounts. An example of these organizations is the Knights of Columbus. These organizations are not covered by this policy. Each auxiliary organization should have a clearly defined purpose that is consistent with the mission of the parish and/or school. All fundraising activities should be consistent with the principal purpose of the organization.

As stated in 10.15 Accounting Norms, no organization affiliated with a parish, mission, school, early childhood center or any other Catholic organization for which the diocesan bishop has fiscal responsibility may independently seek a separate incorporation status without the approval of the Bishop.

I. Specific Internal Control Procedures

Auxiliary organizations must adhere to all financial administration policies and procedures put forth in this manual. As well as, the following specific rules:

- A. Each organization may have one checking account at a local bank approved by the pastor or diocesan school principal. Auxiliary organization bank accounts are to be opened in the name of the entity, with a second line containing the name of the auxiliary organization. **The address listed is to be that of the parish, mission, school, or early childhood center.**
- B. Authorized signatures should be limited to two officers and the Pastor/Pastoral Administrator or Diocesan School Principal. Only authorized signers may sign checks. Facsimiles signatures are never to be used.
- C. Blank checks should not be signed.

- D. Checks should be pre-numbered and used consecutively.
- E. The stock of unused checks should be adequately and regularly inventoried.
- F. A designated person at the business office is to open and review the bank statements before they are forwarded to an officer of the auxiliary organization. The review should include a check of signatures on the checks or facsimile copies of checks for authenticity.
- G. Bank reconciliations should be prepared monthly, as soon as the bank statement is received. The bank reconciliation should be signed and dated by the person who performed the reconciliation.
- H. At least quarterly, a designated member of the organization who is independent of cash and checking activities should review the bank statements and reconciliations. The officer reviewing the reconciliation should sign and date the bank reconciliation indicating a satisfactory review of the information.
- I. Contributions received by a parish on behalf of auxiliary organizations should be counted by the parish count teams, following 20.15 Offertory Collection Procedures and Safeguards.
- J. All parish auxiliary organization bank account balances must be reported to the Diocese at the end of the fiscal year as part of the supplemental information included with the Parish Annual Report (see 60.25 Reporting to the Diocese).

II. Reporting Requirements

- A. A financial statement should be prepared on, at least, a quarterly basis. The statement should include all revenues and expenses, and reconcile the activity to the beginning and the ending cash balances.
- B. The financial statement should be sent to the Pastor/Pastoral Administrator or the Diocesan School Principal and the Finance Council/Committee for review within 30 days of each quarter-end.
- C. The financial statement, bank reconciliation and bank statement should be presented at the organization's meetings and should be available to all constituents (see Attachment 30.30-1 Sample Monthly Financial Report of Auxiliary Organization form).

III. Sales Taxes

As stated in 30.10 Cash Disbursements – General, the Diocese is a Missouri Benevolent Corporation and is exempt from paying sales tax on purchases made in the state of Missouri. This exemption applies to auxiliary organizations.

IV. Acknowledgements

- A. Auxiliary organizations should follow the procedures outlined in 20.25 Accepting and Acknowledging Contributions.
- B. The organization should be mindful, and advise donors, that contributions received for purposes other than that which are consistent with the mission of the organization are not tax deductible (e.g. a donation to a collection used to purchase gifts for teachers or coaches).

V. Payments for Services Rendered

- A. Auxiliary organizations are subject to IRS regulations and reporting requirements concerning payments to individuals for services rendered. See 40.10 Employee vs. Independent Contractor and 40.20 Reporting Non-Payroll Payments for Services Rendered for detailed information. Examples include payments to referees, musicians, child-minders, etc.
- B. To facilitate complete and accurate reporting for tax purposes, auxiliary organizations should not issue checks directly to individuals in payment for services rendered.
 - 1. The auxiliary organization is to issue a check for the amount of the payment to the Parish for deposit into the general operating account.
 - 2. The Parish is to issue the check to the individual for payment of services rendered on behalf of the auxiliary organization.
 - 3. The Parish is to maintain records on collective payments to individuals from all groups that operate under the umbrella of the Parish and report the payments as appropriate according to IRS regulations.

Monthly Financial Report of Auxiliary Organization

(entity name)
(auxiliary organization name)

For the Month Ended _____

Beginning Checking Account Balance \$ _____

Add: Revenue Deposited

_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total Revenue Deposited + \$ _____

Deduct: Expenses Paid

_____	\$ _____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Total Expenses Paid - \$ _____

Ending Checking Account Balance = \$ _____
(should agree with bank reconciliation)

Notes:

Submitted by: _____
Signature Date

Printed Name Title

30.35 Construction/Renovations Projects

Policy: All parishes, missions, schools and early childhood centers wishing to construct, repair or renovate an existing facility must have **prior** approval of the Bishop or his designee. Prudent management of expenses and cash outflows is part of the fiduciary responsibility of the Pastor/Pastoral Administrator/Diocesan School Principal.

Purpose: To help establish good internal control over cash disbursements and ensure resources are used effectively to meet the needs.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

Major expenditures incurred by parishes, missions, schools and early childhood centers, other than employee salaries, are to be approved, in advance, by the Bishop or his designee. This also applies to expenditures made by auxiliary organizations. The Diocese has established procedures for new constructions and renovation projects, which addresses the necessary planning as well as the actual construction process. All parishes, missions, schools and early childhood centers (entity) wishing to construct a new building or renovate an existing facility must follow the Diocesan guidelines. These guidelines may be obtained from the Diocesan Property Management Office.

I. Construction, Renovation or Repairs > \$25,000

- A. Any construction, renovation or repair project in excess of \$25,000 must be approved, **in advance**, by the Bishop or his designee (e.g. boiler repairs, parking lots, roof repair, window replacement and small construction/renovation not involving an architect).
- B. All changes to the worship space regardless of cost or scope must be approved by the Office of Worship.
- C. See 50.25 Deposit and Loan Fund if the project will be funded by using the Funds on Deposit with the Diocese or by requesting a loan from the Diocese.

II. New Construction or Major Renovation/Expansion Projects

- A. Projects that are new constructions or major renovation/expansion which:

- 1. Have a total project cost in excess of \$50,000

AND

- 2. Require an architect, structural engineer or other professional consultant must follow the directives contained in Guidelines for New Construction/Major Renovation Projects. These Guidelines incorporate the approval of the Bishop.

- B. Any entity desiring to borrow funds specifically for the construction of, or for the substantial expansion or renovation of, any facility must have prior written approval of the Bishop or his

designee. The Diocesan Finance Officer shall certify that four requirements are met before approval is given (any exceptions to 1, 2, or 3 must be approved by the Bishop):

1. Determine Total Project Cost (TPC). TPC is defined as construction/renovation costs + all fees + soft costs + furnishings/equipment + 10% Design Contingency + 5% Construction Contingency + inflation consideration (if appropriate). The entity shall have at least 70% of TPC in documented pledges (from a capital campaign), pre-project savings and sale of property (see Guidelines for New Construction/Major Renovation Projects).
2. The amount of actual loaned funds shall not exceed approximately fifty percent (50%) of the TPC.
3. Construction shall not commence until the entity has fifty percent (50%) of TPC in cash.
4. The entity must be able to support a debt repayment schedule which will not exceed fifteen (15) years. Actual term of debt will be negotiated by the entity and the Diocesan Finance Officer based on a review of income/expense projections contained in a spreadsheet format provided by the Diocesan Finance Office. Loan documents shall be signed by the Pastor/Pastoral Administrator/Diocesan School Principal and the Chairperson of the Finance Council/Committee.
5. See 30.20 Accounts and Notes Payable for guidance on recording the loan transactions in the accounting records.

40.10 Employee Classifications

Policy:	Parishes, missions, schools and early childhood centers will maintain strong internal controls over payroll. Compliance with Diocesan payroll policies and IRS regulations is required.
Purpose:	To provide guidance with payroll policies and procedures concerning employee and independent contractor relationships.
Scope:	Applies to all parishes, missions, schools and early childhood centers.

General Comments:

All lay persons performing services for compensation are to be classified as either an employee or an independent contractor. It is particularly important that a worker's status be correctly determined in order to fulfill the different payroll withholding and reporting requirements that exist for different types of employees and independent contractors. See 40.25 Clergy and Religious for the proper treatment of compensation paid to priests and religious.

I. Employee vs. Independent Contractor

To determine whether a worker is an employee or an independent contractor the relationship of the worker and the entity must be examined. In an employee-independent contractor determination, all information that provides evidence of the degree of control and the degree of independence must be considered. In 1987, based on an examination of cases and rulings, the IRS developed a list of 20 factors that may be examined in determining whether an employer-employee relationship exists (See Attachment 40.10-1 Twenty Factor Checklist). More recently, the IRS has identified three categories of facts that provide evidence of the degree of control and the degree of independence: **behavioral control, financial control, and the type of relationship of the parties.**

A. Behavioral Control – Facts that show whether the entity has a right to direct and control how the worker does the task for which the worker is hired include the type and degree of:

1. Instructions that the entity gives to the worker. An employee is generally subject to the entity's instructions about where, when, and how to do the work. All of the following are examples of types of instructions about how to do the work:
 - i. When and where to do the work
 - ii. What tools or equipment to use
 - iii. What workers to hire or to assist with the work
 - iv. Where to purchase supplies and services
 - v. What work must be performed by a specified individual
 - vi. What order or sequence to follow

The amount of instruction needed varies among different jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. The key consideration is whether the entity has retained the right to control the details of a worker's performance or instead has given up that right.

2. Training that the entity gives to the worker. An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

B. Financial Control. Facts that show whether the entity has a right to control the business aspects of the worker's job include:

1. The extent to which the worker has unreimbursed expenses. Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur unreimbursed expenses in connection with the services that they perform for their business.
2. The extent of the worker's investment. An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, a significant investment is not necessary for independent contractor status.
3. The extent to which the worker makes his or her services available to the relevant market. An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise, maintain a visible business location, and are available to work in the relevant market.
4. How the entity pays the worker. An employee is generally guaranteed a regular wage amount for an hourly, weekly, or other period of time. This usually indicates that a worker is an employee, even when the wage or salary is supplemented by a commission. An independent contractor is usually paid by a flat fee for the job. However, it is common in some professions, such as law, to pay independent contractors hourly.
5. To the extent to which the worker can realize a profit. An independent contractor can make a profit or a loss.

C. Type of relationship. Facts that show the parties' type of relationship include:

1. Written contracts describing the relationship the parties intended to create.
2. Whether or not the entity provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay.
3. The permanency of the relationship. If you engage a worker with the expectation that the relationship will continue indefinitely, rather than for a specific period, this is generally considered evidence that your intent was to create an employer-employee relationship.
4. The extent to which services performed by the worker are a key aspect of the regular business of the entity. If a worker provides services that are a key aspect of your regular business activity, it is more likely that you will have the right to direct and control his or her activities.

II. Hiring an Employee

The IRS defines an employee as “**anyone who performs services subject to the will and controls of the employer both as to what shall be done and how it shall be done**” and receives remuneration for such services. As presented above, the employer-employee relationship is determined not by job title, work assignment or the intent or desires of the worker or employer, but by critical factors. Typically, normal entity lay personnel fit the definition of an employee. Their duties and hours are set by the Pastor/Pastoral Administrator and can be regulated and changed by the Pastor/Pastoral Administrator/Diocesan School Principal. Pastor/Pastoral Administrator/Diocesan School Principal has the power to discharge the worker, to set vacation periods, and to offer benefits and raises in compensation, all within Diocesan guidelines and according to Diocesan directives.

A. Employment Classifications: Per Policy 201 Employment Classification in the Diocesan Employee Policy Manual: For payroll purposes, all employees are classified into one of the two classifications defined by the Fair Labor Standards Act (FLSA) based upon the type of work performed and the position held:

1. Non-Exempt: Employees whose positions do not meet FLSA exemption tests and who are paid overtime for all hours over 40 worked in a pay week.
2. Exempt: Employees whose positions do meet specific exemption tests established by the FLSA and state law and who are not eligible for overtime pay.

Note: See the Parish Three Year Salary Plan and the Diocesan Ministry Positions Classification published by the Diocesan Human Resources Department for specific information about each ministry position and the FLSA classification.

B. Employment Categories: In addition to being a Non-Exempt or an Exempt employee, each position belongs to one of the following employment categories per Policy 201 of the Diocesan Employee Policy Manual:

1. Full time: Employees who are regularly scheduled to work 25 or more hours per pay week.
2. Part-Time: Employees who are regularly scheduled to work less than 25 hours per pay week.
3. Temporary: From time to time, an employee may be hired on a temporary basis for reasons such as work on a special project, an interim replacement, or a temporary increase in the workforce. The job assignment, work schedule and duration of the position will be determined on an individual basis.
4. Seasonal: An employee may be hired who performs the same work each year, during the approximate same weeks or months. These employees may experience long periods of time when no work exists, however are called into service annually as needed. Seasonal employees will not exceed 1,300 hours worked per year, however may remain an employee during off-season periods.

Note: The entity should refer employees to the section on Benefits Eligibility in the Diocesan Employee Policy Manual, so employees understand how employment categories affect benefits. This should be done during orientation, annually as a reminder, and to answer any questions or to explain any changes that may have been implemented.

The following guide should be used for differentiating between Full-Time and Part-Time status (**bolded** numbers qualify for and indicate **Full-Time status**).

Full Time/ Part Time		Hours per Week:					
		10	15	20	25	35	40
Months per Year	9	390	585	780	975	1365	1560
	10	433	650	867	1083	1517	1733
	11	474	715	953	1192	1668	1907
	12	520	780	1040	1300	1820	2080

If an employee works at more than one location in the Diocese, benefit eligibility is determined using the combined hours worked at all locations. Contact the Diocesan Benefits Office for further assistance in these situations.

C. Employment Forms Required: A New Hire Packet: Parish and Schools is required for each new employee when hired. This packet is available on the Human Resources page of the Diocesan website and includes the following forms:

1. Employee Information Sheet
2. Federal Form W-4
3. Missouri Form MO W-4 (a copy of this form must be sent to the Missouri Department of Revenue within 20 days of the hire date).
4. Employment Eligibility Verification Form I-9 (to be kept separately from the personnel file)
5. Authorization for Direct Deposit (if offered by the entity)
6. Employee Handbook Acknowledgement receipt
7. Background Check Release Form
8. Policy on Ethics and Integrity in Ministry (EIM) (available at www.Virtus.org)

These forms must be kept on file in the business office of your location.

The employment forms listed above should be retained and filed as follows:

New Hire Form	Form to be filed in:			
	Personnel File	Payroll File	I-9 File	Safe Environment Files
Employee Information Sheet	X	X		
Federal Form W-4		X		
Missouri Form MO W-4		X		
Employment Eligibility Verification Form I-9			X	
Authorization for Direct Deposit		X		
Employee Handbook Acknowledgement receipt	X			
Background Check Release Form	X			
Policy on Ethics and Integrity in Ministry (EIM)				X
Application for Employment/Resume	X			
Emergency Contact Form	X			
Job Description	X			

See 40.15 Payroll and Related Activity for additional forms which should be included in the employee's payroll file.

III. Contracting with an Independent Contractor

Workers who are not employees and who are not working as part of an organized business enterprise are called Independent Contractors.

A. Independent Contractor Forms: The entity should require the following forms when contracting with an independent contractor:

1. Independent Contractor Service Agreement (see Attachment 40.10-2 Sample Independent Contractor Service Agreement)
2. Federal Form W-9 – this form should be requested from all independent contractors. The form includes the business name (if applicable), address, taxpayer identification number (may be an individual's social security number), and type of entity and also requires certification by the independent contractor as to whether federal backup withholding is needed.
3. Policy on Ethics and Integrity in Ministry (EIM) Certification for Any Entity Providing Goods or Services to the Diocese of Kansas City-St Joseph and Any of its Members – available from the Diocesan Office of Child and Youth Protection

B. Payroll Taxes: No taxes (neither Federal, Social Security, nor MEDICARE) are withheld from payments to independent contractors. Nor does the entity pay Social Security or MEDICARE taxes for them.

C. Reporting Requirements: See 40.20 Reporting Non-Payroll Payments for Services Rendered

TWENTY FACTOR CHECKLIST TO DETERMINE INDEPENDENT CONTRACTOR vs. EMPLOYEE

When determining whether an individual is more appropriately classified as an employee or IC, ask yourself the following questions:

	Yes	No
1. Is the individual's work vital to the company's core business?	Employee activities are integrated with the organization's business operations.	IC services are typically limited to non-essential business activities.
2. Did you train the individual to perform tasks in a specific way?	Employees are usually taught the specific work procedures that they are expected to follow and must comply with any other employer requirements with regard to these activities.	ICs are generally considered "experts" in their field and, as such, can determine which work methods are most appropriate. Additionally, they are typically held accountable only for outcomes, not the means with which they are achieved.
3. Do you (or can you) instruct the individual as to when, where, and how the work is performed?		
4. Do you (or can you) control the sequence or order of the work performed?		
5. Do you (or can you) set the hours of work for the individual?	Employees generally work on a schedule determined by their employer.	ICs can work whatever hours they choose, provided that agreed-upon deadlines are met.
6. Do you (or can you) require the individual to perform the work personally?	Employees must do the tasks for which they were hired themselves.	ICs are free to delegate to their own staff or subcontract the work to others.
7. Do you (or can you) prohibit the individual from hiring, supervising, and paying assistants?		
8. Does the individual perform regular and continuous services for you?	Employees typically have an open-ended relationship with a company, even if the work is performed at irregular intervals.	ICs work on a project-by-project basis, each time with a new contract.
9. Does the individual provide services on a substantially full-time basis to your company?	Employees are usually expected to devote all working hours to their employer.	ICs do not spend so much time with any one company that they are restricted from doing projects for others and, in fact, generally work for multiple clients concurrently.
10. Is your company the sole or major source of income for the individual?		
11. Is the work performed on your premises?	Employees are ordinarily required to work on-site.	ICs are free to work off-site, such as in a home office.

12. Do you (or can you) require the individual to submit regular reports, either written or oral?	Employees may be asked to provide status or activity reports on a regular basis.	ICs are responsible for producing a final deliverable and are not, therefore, required to provide interim reports.
13. Do you pay the individual by the hour, week, or month?	Employees are usually paid at fixed intervals.	ICs are generally paid for their results, not the amount of time worked.
14. Do you pay the individual's travel and business expenses?	Employees who incur work-related expenses are typically reimbursed by their employer.	ICs are usually expected to incorporate out-of-pocket expenses into their project fee rather than be directly reimbursed for them.
15. Do you furnish tools or equipment for the individual?	Employees generally use company-provided supplies.	ICs are expected to own and use their own supplies.
16. Does the individual have a significant investment in facilities, tools, or equipment?	ICs incur expenses related to work space, equipment, etc. like any other business owner.	Employees typically use their company's facilities, tools and equipment.
17. Can the individual realize a profit or loss from his or her services to your company?	ICs run the risk of non-payment if a project is not completed according to the specifications detailed in the contract.	Employees can usually expect steady paychecks.
18. Does the individual make his or her services available to the general public?	ICs publicize their services to a wide range of potential clients via direct mail, advertising, etc.	Employees do not typically position and market themselves as service providers.
19. Can the individual terminate the relationship without liability?	Employees can quit at any time and can typically be released "at will" by their employers.	ICs are legally obligated to complete projects according to contract provisions and can only be dismissed if they fail to do so.
20. Do you have the right to discharge the individual at any time?		

SAMPLE INDEPENDENT CONTRACTOR SERVICE AGREEMENT

Independent Contractor Service Agreement

An agreement made on the ____ day of _____, 20____, between [ENTITY NAME] (the "[Parish or School]") and _____ ("Contractor"), wherein the parties agree as follows:

1. **SCOPE**

Contractor agrees pursuant to the terms herein to provide services to the [Parish or School] as _____. The scope of Contractor's services to be provided is set forth in Exhibit A.

2. **TERM OF AGREEMENT**

Upon execution of this Agreement, all terms and conditions shall remain in force during any and all periods for which Contractor's services are provided to the [Parish or School] under this Agreement. The contract is for a [XX-month] period (_____ through _____).

Contractor's services under this Agreement will terminate prior to the completion of the [XX-month] period with 14 days written notice by either party to the other.

3. **ASSIGNMENT OF CONTRACT**

Any services provided for the [Parish or School] will be in accordance with the terms of this Agreement. Contractor is to provide the services, and may not assign [his/her] rights under this Agreement nor subcontract these obligations hereunder to others without consent of the [Parish or School].

4. **TERM AND PAYMENT FOR SERVICES**

Payment to Contractor will be in accordance with the agreed-upon rate specified in this paragraph and no other compensation for services in any form, including benefits, will be provided by the [Parish or School] or anyone else to Contractor.

Payment rate for the Term of this Agreement is to be _____ Dollars (\$_____) [annually/monthly/hourly].

Invoices will be submitted [DATE]. All payments are due within ten (10) working days of invoice date. Payment of presented invoices constitutes acceptance of all work done by the Contractor during the time span of the invoice.

5. **OPERATING, TRAVEL AND OTHER EXPENSES**

Travel and equipment expenses incurred by the Contractor in providing services for the [Parish or School] will be paid by the Contractor.

6. **CONFIDENTIALITY**

Contractor is required to maintain the confidentiality of information obtained from the *[Parish or School]*, and agrees to execute the Independent Contractor Confidentiality Agreement and Acknowledgement which is Exhibit B to this Agreement.

7. **CONDUCT, INDEPENDENT STATUS AND BENEFITS**

Contractor shall provide competent, professional services to the *[Parish or School]*, using [his/her] own appropriate independent skill and judgment, and the manner and means that appears best suitable to perform the work.

The parties to this Agreement agree that the relationship created by this Agreement is that of independent contractor. Contractor agrees that Contractor is not an employee of the *[Parish or School]* and is not entitled to any benefits provided or rights guaranteed by the *[Parish or School]* by operation of law, to their respective employees, including but not limited to group insurance, liability insurance, disability insurance, paid vacations, sick leave or other leave, retirement plans, health plans, and any other benefits *[Parish or School]* provides to its employees. It is understood and agreed that because the Contractor is an independent contractor, the *[Parish or School]* will make no deductions from fees paid to Contractor for any federal or state taxes or FICA, and the *[Parish or School]* has no obligation to provide Workers' Compensation coverage for Contractor.

It shall be the Contractor's responsibility to make required FICA, FUTA, income tax withholding or other payments related to payment received for services from the *[Parish or School]*. Contractor shall indemnify and hold the *[Parish or School]* harmless for any Workers' Compensation, tax liability claims or other claims brought or liabilities imposed against the *[Parish or School]* by any other party (including governmental bodies and courts), whether relating to Contractor's status as an independent contractor or any other matters involving the acts or omissions of Contractor. Indemnification shall be for any and all loss, including costs and attorneys' fees. In the event of any claims brought or threatened by any party against the *[Parish or School]* relating to the status, acts or omissions of Contractor, Contractor agrees to cooperate in all reasonable respects, including to support the assertions of independent contractor status made in this Agreement.

8. **LIABILITY**

Because of the independent status of the Contractor, Contractor is solely and completely accountable for the services [he/she] provides to the *[Parish or School]*, and the *[Parish or School]* shall have no liability whatsoever to any party for such services provided by Contractor. The *[Parish or School]* will not indemnify Contractor for any liability incurred by Contractor.

9. **BREACH**

Any breach of provision of this Agreement by the Contractor entitles the *[Parish or School]* to recover from Contractor damages and injunctive relief. Contractor agrees that because monetary damages are likely to be inadequate, the *[Parish or School]* shall be entitled to temporary injunctive relief (by proving to a court a likelihood of breach by Contractor) and to permanent injunctive relief (by proving to a court such breach). If the *[Parish or School]* is successful in recovering damages or obtaining injunctive relief, Contractor agrees to be responsible for paying all of the *[Parish or School]*'s expenses in seeking such relief, including all costs of bringing suit and all reasonable attorneys' fees.

10. **MISCELLANEOUS**

This Agreement represents the entire agreement and understanding of the parties and any modification thereof shall not be effective unless contained in writing signed by both parties. No other document, including any agreement between Contractor and the *[Parish or School]*, shall be deemed to modify any terms of this Agreement unless expressly stated in writing to do so and signed by both the *[Parish or School]* and Contractor. Each provision of the Agreement shall be considered severable such that if any one provision or clause conflicts with existing or future applicable law, or may not be given full effect because of such law, this shall not affect any other provision of the Agreement which can be given effect without the conflicting provision or clause.

This Agreement shall be governed by the laws of the State of Missouri, and any litigation shall be brought in the courts of the State of Missouri, County of *[insert county of parish/school]*.

The undersigned have read, understand and agree to the terms and conditions herein.

Signatures:

Date: _____ Independent Contractor

Printed Name: _____

Date: _____ *(Parish or School Name)*

Printed Name: _____

<p style="text-align: center;">EXHIBIT A INDEPENDENT CONTRACTOR RECOMMENDED SCOPE OF WORK</p>
--

EXHIBIT B
INDEPENDENT CONTRACTOR CONFIDENTIALITY
AGREEMENT & ACKNOWLEDGEMENT

As used herein, the following terms shall have the following meanings:

1. **"Confidential Information"** includes any information, regardless of the manner in which is communicated or maintained, created or received by the Contractor that relates to the Diocesan business operations, including but not limited to financial and statistical records, donor information, strategic plans, internal reports, memos, contracts, investigative materials, policies and communications.
2. **"Disclose"** means, with respect to confidential information, release, transfer, provision of access to, or divulging in any other manner such information to any person or entity.
3. **"Use"** means, with respect to Confidential Information, accessing, reviewing, employing, applying, utilizing, examining, or analyzing such information, or sharing or discussing such information with others at the *[Parish or School]*.

In performing your services, you may receive, observe or create Confidential Information. As a condition of and in consideration of your receipt of Confidential Information, you agree to the following:

1. You shall use and disclose Confidential Information only to the extent necessary to provide services to the *[Parish or School]*. Your use or disclosure of Confidential Information for any reason other than the performance of your services for the *[Parish or School]* shall constitute misuse of Confidential Information. You understand that any misuse of Confidential Information may be grounds for termination of your services and/or may result in the initiation of legal action against you.
2. You understand that your obligations under this Agreement will continue after termination of your Agreement with the *[Parish or School]*.
3. You understand that you have no right or ownership interest in any Confidential Information. The *[Parish or School]* may, at any time and for any reason, revoke any passwords, access codes, or any other authorization you have that allows you to provide services for the *[Parish or School]*.
4. You shall appropriately safeguard Confidential Information so as to prevent any inappropriate use or disclosure of such information. If you have reason to believe the confidentiality of information may have been compromised, you shall report such concerns to _____ as soon as possible.
5. You shall safeguard and shall not disclose to or share with any person any access code, keys or any other authorization (collectively "authorization") you have that allows you to access the *[Parish or School]*s premises or Confidential Information. You shall be responsible for all activities undertaken using your authorization and you shall be responsible for any misuse or wrongful disclosure of Confidential Information resulting from the use of your authorization. If you have reason to believe that any authorization you have that allows you to access the

[Parish or School]s premises or Confidential Information has been compromised, you shall report such concerns to _____ as soon as possible.

6. Contractor agrees to indemnify and hold the ***[Parish or School]*** harmless for any and all loss, costs and other liability incurred or threatened, including attorneys' fees, related to violations of the obligations set forth herein.
7. Upon request of ***[Parish or School]***, you shall return all documentation or other physical forms embodying such Confidential Information, together with all copies which may have been prepared while such Confidential Information was in your possession.

By signing this document, you certify that you have reviewed the foregoing Confidentiality Agreement, have been provided with an opportunity to ask questions concerning its terms, and understand the duties and obligations it imposes on you. You hereby agree to the duties and obligations as stated in this Confidentiality Agreement.

Independent Contractor's Signature

Date Signed

40.15 Payroll and Related Activity

Policy: Strong internal controls over payroll disbursements will be maintained. Compliance with Diocesan payroll policies and IRS regulations is required.

Purpose: To provide guidance with payroll policies and procedures when processing payroll disbursements.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

All parishes, missions, schools and early childhood centers with paid personnel shall have a payroll system sufficient to allow for the accurate preparation of payroll checks and required monthly, quarterly and annual payroll tax returns. Because of Internal Revenue Service oversight and federal labor laws, it is critical that the payroll system includes strong internal controls. The correct classification of employees (see 40.10 Employee Classification), the accurate reporting of time, the proper treatment of deductions, timely deposit and filing of payroll tax returns and the accurate recording of payroll transactions are crucial components of proper payroll internal controls for payroll processing.

I. Accurate Reporting of Time

A. Pay Periods, Payday and Hours of Work: The parish, mission, school or early childhood center (entity) must determine the pay period that will be used (i.e. monthly, semi-monthly, bi-weekly), the pay dates and the hours of work. These dates/periods should be documented by the entity and be explained to employees during orientation. A calendar of the due dates for the submission of time sheets and payroll changes to the business office should be distributed to employees.

B. Non-Exempt Employees: all Non-Exempt employees shall record hours worked on a time sheet (see Attachment 40.15-1 Sample Weekly Time Record Non-Exempt).

The time sheet will:

1. Include actual times "in" and "out" at the beginning and end of each day, meal periods and other absences.
2. Report leave time taken, such as vacation, sick, holiday, etc.
3. Include a total of regular and overtime hours worked during the pay period
4. Be signed by the employee
5. Be approved in writing by the employee's supervisor or the Pastor/Pastoral Administrator/Diocesan School Principal
6. Never be approved by the actual employee who is submitting the time sheet
7. Be used to calculate the employee's gross pay for the period by multiplying the hours worked by the approved hourly rate. (A salaried, non-exempt employee's regular gross pay is computed by dividing the annual salary by the number of pay periods per year.) Hours worked in excess of forty hour in a work week must be paid at 1 ½ times the hourly rate. Note: Holiday, vacation and sick hours do not count in determining overtime.

C. Exempt Employees: Exempt employees are required to submit a time records whenever time away from work is taken such as vacation, sick, holiday, etc (see Attachment 40.15-2 Sample Weekly Time Record Exempt). Exempt employees are not required and in fact should not record hours worked. An exempt employee's gross pay for pay period is

computed by dividing the annual salary by the number of pay periods per year. Exempt employees do not receive additional compensation for time worked in excess of the standard work week.

II. Payroll Deductions

A. Payroll Tax Withholding: All compensation paid to lay employees for services rendered is taxable wages (including bonuses and monetary gifts), and, therefore, is subject to payroll withholding and employer payroll taxes.

1. Withholdings are calculated based on the most current Employee's Withholding Allowance Certificate (federal Form W-4; state Form MO W-4). All employees must fill out Form W-4 upon employment and whenever they want to change their Federal and/or state tax withholding amounts. Retain all Form W-4's in the employee's payroll file.
2. The following must be withheld from all lay employee wages:
 - a. Federal Income Tax
 - b. Social Security Tax
 - c. MEDICARE Tax
 - d. State of Missouri Income Tax
 - e. City of Kansas City Earnings Tax – entities within the city limits only

The following guide should be used to determine how to calculate payroll taxes:

		Deduction taken BEFORE calculating:				
		Federal Tax Withholding	Social Security Tax	MEDICARE Tax	State Tax Withholding	City Earnings Tax Withholding
D E D U C T I O N S	Health Insurance Premium	YES	YES	YES	YES	YES
	Dental Insurance Premium	YES	YES	YES	YES	YES
	Dependent Care Savings Plan	YES	YES	YES	YES	YES
	Health Care Reimbursement Savings Plan	YES	YES	YES	YES	YES
	Group Voluntary Accident Insurance	YES	YES	YES	YES	YES
	Group Voluntary Critical Illness Insurance	YES	YES	YES	YES	YES
	Tax Deferred Annuity §403(b)	YES	NO	NO	YES	YES
	Roth §403(b)	NO	NO	NO	NO	NO
	Voluntary Term Life and AD&D Insurance	NO	NO	NO	NO	NO

3. Determining Tax Rates and Withholding Amounts:

- a. Federal Payroll Tax and FICA Withholding: IRS Publication 15 *Circular E, Employer's Tax Guide* which is updated annually includes specifics about withholding amounts, remittance dates and remittance transmittals. It specifies the Social Security Tax Rate, the MEDICARE Tax Rate, and the wage base for Social Security Tax (as of January 1, 1994, there is no wage base for MEDICARE tax).
 1. Federal Income Tax Withholding: use the current *Circular E* to determine the effective date of the new tax tables- generally January 1 of each year. If your payroll is automated, update the tables, rates and limits.
 2. Social Security and MEDICARE Tax: The rates and specified wage limits are found in *Circular E*. The employer's share of Social Security and MEDICARE tax are usually the same as for the employee but refer to *Circular E* to verify the current rates in effect for both the employee and the employer.
3. Tax Withholding Deposits:
 - i. When to Deposit: There are two deposit schedules, monthly and semi-weekly. The IRS determines the deposit schedule by looking back at the federal employment taxes reported on Form 941 during a four-quarter "look-back" period. The IRS will notify the entity of its federal tax deposit requirements. If the entity deposited more than \$50,000 in the "look-back" period, it will be required to deposit semi-weekly. If the entity reported \$50,000 or less, it will deposit monthly. Monthly deposits are required by the 15th day of the following month and semi-weekly deposits are due on Wednesday or Friday following the payday, depending on which day of the week that the payroll was paid.
 - ii. How to Deposit: **Federal tax deposits must be made by electronic funds transfer.** The entity must use electronic funds transfer to make all federal tax deposits. Generally, electronic fund transfers are made using the Electronic Federal Tax Payment System (EFTPS). To get more information about EFTPS or to enroll in EFTPS, visit www.eftps.gov or call 1-800-555-4477. Additional information about EFTPS is also available in Publication 966, Electronic Federal Tax Payment System: A Guide To Getting Started.
- b. State of Missouri Income Tax Withholding: Annually, the state publishes the State of Missouri Employer's Tax Guide. This guide includes withholding tables and filing requirements. The entity receives a Withholding Tax Voucher Book of reporting forms each year which include the specific filing requirements and filing due dates for the entity. If payroll is automated, update the tables, rates and limits.
- c. City of Kansas City Earnings Tax Withholding: The entity receives a postcard or letter each year from the city which includes the specific filing requirement and filing due dates for the entity.

- d. Unemployment Taxes: The Diocese is exempt from federal and state unemployment programs. Employees should be advised during their initial orientation. The entity is **not** liable for federal or state unemployment tax.

B. Voluntary Deductions – An employee may elect to participate in employer sponsored benefits which are paid by or contributed to through payroll deduction. These may include: group health and dental insurance premiums, Health Savings Account deductions, contributions to a §403(b) tax-deferred annuity plan, cafeteria plan deductions, etc.

1. Employee Cost of Benefits: refer to the Benefits Plan booklet distributed by the Diocesan Benefits Office to determine the employee's cost of the benefits elected.
2. The payroll file should include the employee's authorization for voluntary payroll deductions. (i.e.: Employee Benefit Summary Report, §403(b) Program Salary Reduction Agreement, Stewardship Pledge Card.)
3. See Section A.2. above to determine the proper payroll tax treatment for voluntary payroll deductions.

C. Garnishments – By law, entities are required to honor legal garnishments of an employee's wages. The employee shall be notified of any garnishment received by the entity.

III. Payroll Tax Reporting

A. Quarterly

1. Form 941 – Employer's Quarterly Federal Tax Return: Regardless of deposit dates, all employers must file a Form 941 each quarter. Form 941 is a summary of Federal tax withholding and employer liabilities for one calendar quarter. The entity reports total wages, total income tax, social security tax withheld, MEDICARE tax withheld and social security and MEDICARE taxes due. The form reconciles withholdings and taxes due with the deposits made. The amounts deposited should equal the amount owed. Additional amounts owed at the end of the quarter should be deposited by the 15th of the following month. The entity may remit amounts less than \$1,000 with the Form 941. Form 941 is due by the end of the month following each calendar quarter (April 30, July 31, October 31, and January 31). The Pastor/Pastoral Administrator/Diocesan School Principal or other designated individual must sign the form. The entity must retain a copy of the signed Form 941 for at least 7 years.

Exercise extreme caution when preparing and remitting payroll taxes. The federal government is very serious about the reporting and remittance deadlines. Failure to report and/or remit payroll taxes could result in extensive liability to the entity and to the responsible person. A "responsible person" knows of the liability and is in a position to make the payment, such as the Pastor/Pastoral Administrator/Diocesan School Principal, Business Manager or Bookkeeper.

2. Form RD-110 Employer's Quarterly Return of Earnings Withheld (City of Kansas City, Missouri). The entity reports total wages and total earnings tax due. The form reconciles city earnings tax withholdings with the tax payments made for a calendar quarter. The amounts deposited should equal the amount owed. Note: applies only to entities in the City of Kansas City.

B. Annually

1. Form W-2 Wage and Tax Statement: Form W-2 reports the total wages paid and taxes withheld for the calendar year for each employee. Copies of the form are distributed to the employee, the Social Security Administration, the State taxing authorities and the City taxing authorities (where applicable). Form W-2 must be issued to the employee by January 31 of each year. If the entity is unable to deliver Form W-2, if, for example, an employee has left without a forwarding address, the employee's copy must be retained for at least 4 years. The entity must keep **legible copies** of Form W-2 on file for at least 7 years.
 - a. Notes for preparing Form W-2:
 1. Social Security and MEDICARE wages on priests' W-2 should be zero.
 2. Show the amount withheld from the pay of lay employees and priests for tax-deferred annuities in Box 13, with the appropriate code letter(s).
 3. Show the amount of the value of the health care coverage in Box 12, code DD. The amount reported should include both the portion paid by the employer and the portion paid by the employee.
 4. Check the Pension Plan box for all lay employee who are active participants in the diocesan pension plan.
2. Form W-3 Transmittal of Wage and Tax Statements: Form W-3 is a summary of the Forms W-2 prepared for employees. Form W-3, with Copy A of all W-2's attached, must be filed with the Social Security Administration by the last day of February. The entity must keep a copy of the Form W-3 for at least 7 years.
3. Form MO W-3 Transmittal of Tax Statements: Form MO W-3 is a summary of the Forms W-2 prepared for employees. Form MO W-3, with the State Copy of all W-2's attached, must be filed with the Missouri Department of Revenue by the last day of February. The entity must keep a copy of the Form MO W-3 for at least 7 years.
4. Form RD-113 Employer's Annual Reconciliation of Earnings Tax Withheld (City of Kansas City, Missouri): Form RD-113 is a summary of the Forms W-2 prepared for employees. Form RD-113, with the Local Copy of all W-2's attached, must be filed with the City of Kansas City Revenue Division by the last day of February. Note: only applies to entities located in the City of Kansas City.

NOTE: The entity may contract with a payroll service that deposits the tax withholdings and files the federal, state and local returns on behalf of the entity. The entity should obtain copies of all returns filed on their behalf to retain in the entity records.

C. Reconciliation

1. Payroll amounts reported on Form 941 and Form W-2 should equal the amounts recorded in the accounting records. Reconcile Form 941 and the general ledger quarterly and reconcile Forms W-2 to Form 941 and the general ledger annually. This will ensure that wages are recorded correctly in the accounting records and reported correctly to the Federal, State and Local taxing authorities.
2. Prepare Form W-2 before mailing the fourth quarter Form 941. The total wages reported on all Forms W-2 should be the same as the total gross wages reported on the

four Form 941 returns for the calendar year. The amounts reported on the Form W-3 should be the totals of amounts reported on the individual Form's W-2. If these amounts are compared before the final Form 941 is mailed, the entity can usually make any necessary corrections on the Form 941.

IV. Payroll Processing – Payroll should be processed and paid in a consistent, careful manner.

A. Disbursement- In addition to the controls identified for check processing in 30.10 Cash Disbursements-General, these guidelines should be followed for payroll disbursements:

1. Do not add, delete or change any information in the payroll system unless there is proper *written* documentation. Payroll changes should never be made based upon *verbal* information.
2. The Pastor/Pastoral Administrator/Diocesan School Principal or his designee is responsible for authorizing payroll additions, deletions, or changes. This authorization must be completed by someone different than the person preparing the payroll checks.
3. If an outside payroll service is used, the Pastor/Pastoral Administrator/Diocesan School Principal or his designee shall review and approve the payroll register before it is submitted for payment to the payroll service. This authorization must be completed by someone other than that person who prepares and submits the payroll for payment.
4. Calculate payroll deductions using the employee's current Form W-4 and federal, state and city withholding tables. Do not modify the payroll withholdings unless the employee completes a new Form W-4. Do not discard old Form W-4's.
5. Calculate other deductions: insurance premiums, cafeteria plan deductions, etc.
6. Prepare the payroll check. **Never**, under any circumstances, pay an employee cash.
7. If an outside payroll service is used, checks and remittance advice should be delivered to the Pastor/Pastoral Administrator/Diocesan School Principal or his designee. The person to whom the payroll is delivered should be someone different than the person who submitted the payroll for processing.
8. See 50.15 On-Line Banking if Direct Deposit is utilized.
9. Forward checks (or pay remittance advice for direct deposit) and supporting documentation (payroll register, time sheets, etc.) to the person(s) authorized to sign the checks. The signer should review each check and remittance advice for familiarity with the name and reasonableness of the amount.
10. After all checks are signed, remove and file all supporting documentation.
11. Hand deliver or mail payroll checks. Checks should not be delivered to anyone other than the employee unless written permission has been granted by that employee.

12. Under no circumstances should a payroll check be cashed for an employee by using Petty Cash accounts or Offertory collection amounts.
13. Employees should immediately report lost/missing checks to the payroll department so that a stop-payment order may be initiated. The Pastor/Pastoral Administrator/Diocesan School Principal will determine when a replacement check can be issued.
14. If an employee discovers an error in their paycheck, they should review the matter with the office responsible for payroll processing at their entity.
15. Changes to an employee's wage withholding (Form W-4) or other voluntary deductions should be submitted along with their time sheet for the period that the change is to become effective.

B. Recording Payroll –

1. Gross payroll should be debited to the appropriate personnel expense accounts (See 60.10 Chart of Accounts) and withholdings (federal, state, city, Social Security and MEDICARE) credit to the appropriate liability accounts. The employer's portion of Social Security and MEDICARE taxes should be recorded each pay period to the personnel expense account – employer portion – FICA.
2. When tax deposits are recorded, debit the appropriate withholding liability account to clear the liability. The balance in the withholding accounts should be zero when all the withholdings and taxes have been deposited. Any amount not deposited will appear as a liability on the Balance Sheet.
3. Withholding accounts are only "holding" accounts for amounts that the entity must deposit with the state, Federal and local taxing authorities. The balances in the accounts should reflect only those amounts the entity has not yet deposited. Before the entity closes the month and at the end of the fiscal year, the business manager or bookkeeper should check that the balances in the withholding accounts are accurate. The account balance should equal the unpaid liabilities for that month.
4. If the entity withholds other amounts, such as health insurance premiums or tax deferred annuities, from an employee's pay, those amounts should also be recorded in the appropriate withholding liability account(s). Payment of amounts withheld would be recorded in a manner similar to tax deposits. The balances in the accounts should reflect only those amounts the entity has not yet paid for the voluntary benefit. Before the entity closes the month and at the end of the fiscal year, the business manager or bookkeeper should check that the balances in the withholding accounts are accurate. The account balance should equal the unpaid liabilities for that month.

LOCATION NAME
SAMPLE TIME SHEET - EXEMPT

EMPLOYEE NAME: _____

PAY PERIOD ENDED: _____

Vacation Hours 0:00:00

Sick Hours 0:00:00

Enter all cells as time in hh:mm 24 hr format (e.g 3 PM is 15:00)

Note: Worked hours will not be correct until all four cells to the left are filled in

Enter hours in hh:mm format

DAY	DATE	START TIME	MEAL OUT	MEAL IN	END TIME	Worked hours	Vacation Hours	Sick Hours	Other hours (enter code in last column)	DAILY TOTAL HOURS	Other Hours Code*
SUNDAY						0:00				0:00	
MONDAY						0:00				0:00	
TUESDAY						0:00				0:00	
WEDNESDAY						0:00				0:00	
THURSDAY						0:00				0:00	
FRIDAY						0:00				0:00	
SATURDAY						0:00				0:00	
SUNDAY						0:00				0:00	
MONDAY						0:00				0:00	
TUESDAY						0:00				0:00	
WEDNESDAY						0:00				0:00	
THURSDAY						0:00				0:00	
FRIDAY						0:00				0:00	
SATURDAY						0:00				0:00	
TOTAL HOURS FOR PAY PERIOD						0:00	0:00	0:00	0:00	0:00	
For payroll use only						straight time	* Other Hours Codes: H = Holiday J= Jury B = Bereavement Leave O = Office Closed (snow days, early closing, etc)				
						overtime					

EMPLOYEE SIGNATURE _____

DATE _____

SUPERVISOR SIGNATURE _____

DATE _____

Timesheet due in Payroll by Noon on the Monday following the end of the period.

LOCATION NAME

SAMPLE TIME SHEET - EXEMPT

EMPLOYEE NAME: _____

PAY PERIOD ENDED: _____

Vacation Hours **0.00**

Sick Hours **0.00**

<u>DAY</u>	<u>DATE</u>	<u>Vacation Hours</u>	<u>Sick Hours</u>	<u>Other hours (enter code in last column)</u>	<u>TOTAL HOURS</u>	<u>Other Hours Code*</u>
SUNDAY					0.00	
MONDAY					0.00	
TUESDAY					0.00	
WEDNESDAY					0.00	
THURSDAY					0.00	
FRIDAY					0.00	
SATURDAY					0.00	
SUNDAY					0.00	
MONDAY					0.00	
TUESDAY					0.00	
WEDNESDAY					0.00	
THURSDAY					0.00	
FRIDAY					0.00	
SATURDAY					0.00	
		0.00	0.00	0.00	0.00	

* Other Hours Codes: H = Holiday J= Jury B = Bereavement Leave
O = Office Closed (snow days, early closing, etc.)

EMPLOYEE SIGNATURE _____

DATE _____

SUPERVISOR SIGNATURE _____

DATE _____

Timesheet due in Payroll by Noon on the Monday following the end of the period.

40.20 Reporting Payments for Services Rendered (Non-Payroll)

Policy: Parishes, missions, schools and early childhood centers will comply with federal and state requirements regarding the reporting of payments for rent and services rendered.

Purpose: To provide guidance in reporting requirements for payments of rent and to independent contractors for services rendered.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments: The Federal Income Tax Laws requires that all parishes, missions, schools and early childhood centers (entity) report payments for services performed by individuals and other unincorporated entities that are treated as independent contractors who receive \$600.00 or more during the calendar year. This includes payments to religious order priests and or sisters (see 40.25 Clergy and Religious).

I. Reporting Requirements

- A. Payments to corporations are generally exempt from reporting (see exception below for legal fees). Payments made to all other unincorporated businesses and individuals for services, if \$600.00 or more, must be reported.
- B. Examples of reportable payments may include:
 - 1. Religious priests, sisters, brothers and retired priests who do not receive a W-2 (see 40.25 Clergy and Religious).
 - 2. Computer programming or repairs services.
 - 3. Accounting services.
 - 4. Maintenance services: trash removal, snow removal, lawn care, etc.
 - 5. Rent
 - 6. Contractors: electrical, heating, air-conditioning, plumbing, paving, etc.
 - 7. Stipends for musicians, cantors, etc.

Note: this list is not all inclusive but an example of the types of payments that should be reviewed to determine the need to report.

- C. Payments to Corporations for Legal Services –The exemption from reporting payments made to corporations does not apply to payments for legal services, therefore, payments for attorneys' fees made to corporations must be reported.

II. Forms Required

- A. Form W-9: Request for Taxpayer Identification Number and Certification – The Federal Identification Number or Social Security Number of independent contractors that receive compensation from the entity is required for reporting purposes. The entity should require each independent contractor to submit a completed/signed Form W-9 and keep it on file. This information will be used for reporting the payments made. **The IRS will charge a penalty for missing ID numbers. The entity should not pay any independent contractors until a completed Form W-9 has been received in the business office.**

- B. Form 1099-MISC: Miscellaneous Income Statement – Form 1099-MISC reports payments to independent contractors. The entity is required by law to prepare a Form 1099-MISC for any non-corporate independent contractor who was paid \$600.00 or more in the calendar year.
1. The box used to report payments made depends on the nature of the payment:
 - i. Box 1 Rents - Enter amounts of \$600 or more for all types of rents, such as any of the following:
 1. Real estate rentals paid for office space. However, you do not have to report these payments on Form 1099-MISC if you paid them to a real estate agent.
 2. Machine rentals (for example, renting a bulldozer to level your parking lot). If the machine rental is part of a contract that includes both the use of the machine and the operator, prorate the rental between the rent of the machine (report that in box 1) and the operator's charge (report that as nonemployee compensation in box 7).
 - ii. Box 3 – Other Income – Enter other income of \$600 or more required to be reported on Form 1099-MISC that is not reportable in one of the other boxes on the form including prizes and awards that are not for services performed.
 - iii. Box 7 – Non-Employee Compensation –Include fees for services performed as a nonemployee and compensation for services performed by an individual who is not your employee; payments for legal services.
 2. **Due Date:** The recipients must receive Form 1099-MISC by **January 31st** of the following year.
- C. Form 1096: Annual Summary and Transmittal of U.S. Information Returns – Form 1096 is the summary and transmittal return for Form 1099's. Copy A of Form 1099-MISC must be attached to Form 1096, which is **due by the last day of February** of the following year.

III. Recommended Procedures – the following steps should be completed before the end of the calendar year:

- A. Identify from invoices or check copies, all individuals or businesses who have been or will be paid over \$600.00 for services from January 1st to December 31st.
- B. Request a Form W-9 from any individuals or businesses for whom their SSN or FIN is missing.
- C. Order sufficient Form 1099-MISC forms.
- D. Advise those receiving stipends that the reporting is required. They will be required to include the forms with their income tax returns, and pay FICA taxes as self-employed.
- E. If necessary, modify the filing systems so that all payments requiring reporting can be easily totaled.

Note: If questions arise about reporting and completing the forms, contact a member of the Finance Council/Committee who is familiar with tax accounting or the Diocesan Finance Office.

40.25 Clergy and Religious

Policy: Parishes, missions, schools and early childhood centers will maintain strong internal controls over payments to clergy and religious personnel to ensure compliance with required Diocesan policies and IRS regulations.

Purpose: To provide guidance with policies and procedures concerning compensation paid to clergy and religious

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments: Compensation paid to Diocesan priests, religious order priests and religious men and women is treated differently by the Federal Tax Code than compensation paid to lay employees. In addition to the controls identified for check processing in 30.10 Cash Disbursements-General and for payroll processing in 40.15 Payroll and Related Activity, the following guidelines should be followed for compensation paid to clergy and religious.

I. Diocesan Priests (active)

A. Salary/Stipend – Priests are paid monthly, at the end of the month, by the parish to which he was assigned on the first day of the month. Use the Schedule for Priests' Salary based on years of ordination issued by the Office of the Vicar General to determine that amount to be paid.

B. Payroll Tax Withholding

1. Social Security and MEDICARE Taxes: Diocesan priests are considered parish employees for income tax purposes, but are considered self-employed for Social Security and MEDICARE tax purposes. As such, a priest's wages are not subject to withholding for Social Security or MEDICARE.

2. Federal Income, State Income and City Tax Withholding: Diocesan priests are not required to have income taxes withheld from their pay. They may pay federal, state and local taxes quarterly, or estimated payments to the IRS and MO Department of Revenue. Alternatively, a priest may elect to have the parish withhold federal, state and/or city taxes from his pay by completing, signing and dating the appropriate withholding forms (Federal Form W-4, State MO W-4). He may elect to have sufficient amounts withheld as federal income tax to cover both federal income taxes and federal self-employment taxes.

C. Tax Reporting Requirements

1. Form W-2: As has been the practice since 1997, parishes shall issue Tax form W-2 for payments made to diocesan priests during the tax year. The Tax Form W-2 is issued at the end of the calendar year. Substitute priest stipends paid to ACTIVE Diocesan priests must be paid through payroll and reported on Form W-2.

Report on Form W-2, Box 1, and Box 17 the total of the following items:

- Salary and/or Substitute Priest Reimbursement paid January through December.
- ½ Social Security Self Employment Tax Reimbursement for in January for the prior calendar year.

Do not include the following items on Form W-2:

- Documented mileage reimbursement paid to the priest. The standard mileage reimbursement at the IRS approved mileage reimbursement rate, for *documented business mileage* will be paid to the priest, preferably on a monthly basis.
- Documented meal reimbursement allowed per month to priest for meals not provided at the rectory and eaten out. (Refer to the current Procedures and Benefits for Diocesan Priests issued by the Office of the Vicar General for the maximum monthly amount allowed.)
- Fair market value of housing provided. The fair market value of housing is used in computing the Social Security self-employment tax. These funds are not paid to the priest.

2. Form W-3: The parish shall complete Form W-3, Transmittal of Wage and Tax Statements. The Form W-3 is the grand total sheet which accompanies the W-2 forms at the end of the calendar year. The W-2's for the priest will be included with the lay W-2's. Only one W-3 need be filed.

3. Form 941: At the end of each quarter (March, June, September, December), the parish will need to file a Form 941, Employer's Quarterly Federal Tax Return. (See 40.15 Payroll and Related Activity)

Report on Line 2: "Total Wages and Tips" the following amounts in addition to amounts reported for lay employees:

- Priests' salaries paid for the current quarter.
- Substitute priests' reimbursements paid for the current quarter.
- ½ Social Security Self Employment Tax Reimbursement for prior calendar year paid in the current quarter

D. Social Security self-employment Tax Reimbursement-The parish is to reimburse each priest ½ the Social Security self-employment Tax **only**. The reimbursement doesn't extend to federal, state or local income taxes.

1. The reimbursement is calculated as follows (see Attachment 40.25-1 Sample Calculation Worksheet for Priests' Self-Employment Tax Reimbursement):

Total Wages as per Form W-2*
+ Annual Fair Market Value of Housing**
Taxable for Social Security Self Employment
x ½ Social Security self-employment Tax rate = (See *Circular E* for current rate)
½ Social Security Self Employment Tax Reimbursement for calendar year paid in January of the following year.

***Note:** If the wages reported on Form W-2 have been reduced by contributions to a 403(b) plan, the contributions must be added back to calculate total salary that is subject to Social Security Self Employment Tax. 403(b) contributions are excluded from Federal tax but are not excluded from Social Security Self Employment Tax.

******The schedule of Annual Fair Market Value of Housing is distributed by the Office of the Vicar General.

2. The parish should use account number **5143.XX, Clergy Social Security Reimbursement** for actual and budgeting expense.
3. The ½ reimbursement of Social Security self-employment Tax should be **paid to the priest in January of the following year.**
4. The ½ reimbursement of Social Security self-employment Tax is taxable to the priest in the year the reimbursement is received and must be included in the amount reported on Form W-2, thus the reimbursement must be made in the following year.
5. The ½ Social Security self-employment tax reimbursement paid in January should be reported on the Form 941, Line 2, Total Wages and Tips, for the first quarter report for March.
6. According to diocesan policy, the parish is to pay reimbursement to the diocesan priests assigned to the parish during the current tax year, ie January – December.
7. For parishes with priest changes during the year, the parish will need to send payment to the priest at his current assignment based on the partial year of service to the parish.
8. The ½ Social Security self-employment tax is not reimbursed to priests that were paid a substitute priest stipend during the calendar year.

II. Retired Priests - As has been the practice since the 2001 tax year, payments made to retired priests should be reported on **Tax Form 1099-MISC.**

- A. Tax Form 1099-MISC must be issued to any retired priest who received payments in **excess of \$600** for the tax year, January through December, must be reported.
- B. Payments made to retired priests are recorded in box 7, Non-Employee Compensation of Tax Form 1099 Miscellaneous.

See 40.20 Payments for Services Rendered (Non-Payroll) for additional filing requirements for 1099's.

III. Compensation Paid to Religious Order Priests, Brothers and Sisters

- A. According to IRS code, religious order priests, brothers, and sisters providing services to Diocesan institutions are considered agents of their orders, and are not liable individually for federal income or employment taxes on compensation paid by their employer, provided that three criteria are met:
 1. The religious order member must be subject to a vow of poverty, and
 2. The religious order member must be providing services for a Diocesan entity at the direction of his or her ecclesiastical superiors, and
 3. The religious order member must remit compensation to his or her religious order, which must be exempt from federal income tax under IRS code §501(c)(3).

If any of these criteria fails to be met, the religious order member is taxable individually on compensation received.

- B. Compensation can be paid by check payable to the religious order, or by check payable jointly to the religious order and the individual religious order member. If the payment criteria listed above is satisfied, and compensation is not taxable to the individual religious order member, no reporting on Form W-2 or Form 1099-MISC is required.
- C. Compensation Paid to Religious Order Priest Assigned to a Parish - The parish shall incur the same expense whether a diocesan or religious order priest is assigned to the parish. For a religious order priest the following items are paid directly by the parish on the priest's behalf to his order unless the priest participates in the Diocesans benefit program:
 - 1. Salary/Stipend: Use the schedule for Priests Salary based on years of ordination from issued by the Office of the Vicar General.
 - 2. Benefits (at the current plan year rate)
 - a. Healthcare
 - b. Priest Supplemental Medical Reimbursement Plan
 - c. Retired Priest Health Insurance Accrual
 - d. Retirement Dues
 - e. Long Term Care Insurance
 - f. Retired Priest Long Term Care Accrual
 - g. Life Insurance
 - h. Long-Term Disability
 - i. Short-Term Disability
 - j. Dental Care Insurance
 - 4. Social Security Self-Employment Tax: Payment would be made annually to the order at the rate of ½ of the current annual Social Security Self-Employment Tax Rate of Annual Salary/Stipend and Fair Market Value of Housing (see I.C. above).
 - 4. Other Reimbursement: Per the Procedures and Benefits for Diocesan Priests issued by the Office of the Vicar General.

(Parish Name)

Sample Calculation Worksheet for Priests' Self Employment Tax Reimbursement

Based on the Priest W2Federal Wages, W-2 Box 1 (a) \$ **Add: 403(b) contributions, W-2 Box 12 code E (b) \$ Add: Fair Market Value of Housing, (per schedule) (c) \$ Total Taxable for Self Employment (a)+(b)+(c) \$ 1/2 of Self Employment Tax Rate x %**Reimbursement to be paid** ***

**** Federal Wages must include the Social Security Self Employment Tax reimbursement that the priest received during the calendar year**

*****This reimbursement will be taxable to the priest in the next calendar year. It must be reported as Federal Wages on Priest's W-2 next calendar year.**

50.10 Bank Accounts

Policy: Appropriate internal controls over bank accounts will be maintained at all times to provide proper stewardship and reasonable caution in safeguarding the assets of parishes, missions, schools and early childhood centers.

Purpose: To establish procedures for the safeguarding of bank accounts.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

Section 20.0 Revenues and Related Activities identifies the internal control procedures for the safeguarding of cash receipts from the time of receipt to the time they are ultimately deposited into a banking institution. Parishes, missions, schools and early childhood centers ("entity") shall be equally diligent to safeguard amounts deposited into a banking institution by following the internal control procedures for bank accounts listed below.

I. Bank Account Access

A. All entity bank accounts containing entity funds shall be registered in the name of the entity only.

1. Inform the banking institution in writing that only the Pastor/Pastoral Administrator/Diocesan School Principal or his/her designee is permitted to open or close bank accounts. Providing clear direction to depositories regarding the authority to open and close bank accounts prevents employees and auxiliary organizations from establishing unauthorized or secret bank accounts in the name of the entity.
2. No accounts shall be registered in the name of an individual, whether clerical, religious or lay.
3. All entity accounts shall reflect the unique entity Federal Identification Number.

B. The entity federal tax identification number (FEIN) shall be safeguarded.

1. The FEIN of the entity should be secured and not available to unauthorized employees or other entity related personnel.
2. The FEIN should only be issued with the approval of the Pastor/Pastoral Administrator or his designee.
3. Before the FEIN is issued any individual the reason for the use of the number must be identified (i.e. applying for a grant, licensing a vehicle).
4. A log should be maintained identifying the recipient of the FEIN and the purpose for the request.

- C. All bank account information and bank passwords should be safeguarded. Requests for bank account information should be verified before any information is provided. Only known and authorized personnel should be given access to bank account information.
- D. Auxiliary organization bank accounts shall be under the control of the entity and the Pastor/Pastoral Administrator/Diocesan School Principal. The Pastor/Pastoral Administrator/Diocesan School Principal shall be an authorized signatory on all organization accounts (see 30.30 Auxiliary Organizations).
- E. ALL bank statements and bank correspondence for entity accounts including auxiliary organization accounts shall be sent to the business office. This is to ensure that the Pastor/Pastoral Administrator/Diocesan School Principal is aware of all entity bank accounts utilizing the entity FEIN.
- F. ALL bank statements and bank correspondence for the entity accounts including auxiliary organization accounts shall be opened by the Pastor/Pastoral Administrator/Diocesan School Principal before being forwarded to the Bookkeeper, Business Manager or auxiliary organization member.
- G. The Pastor/Pastoral Administrator/Diocesan School Principal or his designee should periodically ask the bank for a listing of all bank accounts in the name of entity and for all bank accounts carrying the entity's federal tax ID. A periodic review of the bank accounts listed in the name the entity or associated with the entity's federal tax ID is a good way to detect accounts that may have been opened without the knowledge of the Pastor/Pastoral Administrator/Diocesan School Principal. This type of review also detects non-entity accounts opened with the entity's federal tax ID number.

II. Operating Checking Account

- A. Each entity shall have only one operating checking account. Multiple bank accounts can complicate the accounting process. Transactions are more likely to be recorded incorrectly, bank transfers become more frequent and more complicated, and the financial activity of the entity becomes more difficult to monitor.
- B. Every receipt shall be deposited into this one operating checking account.
- C. Every disbursement shall be made from this one operating checking account.
- D. Allowable exceptions include: a separate bank account for Mass stipend receipts (see 20.10 Processing Receipts) and a zero balance account for payroll disbursements.
- E. Additional checking accounts shall be on an exceptional basis only.

III. Check Signing Authority

- A. The Pastor/Pastoral Administrator/Diocesan School Principal shall be an authorized signatory on ALL bank accounts.
- B. Under no circumstances shall the bookkeeper, accountant or business manager, or anyone else who has regular access to the accounting records of the entity, also be an authorized signer on a bank account. Segregating the access to cash from access to the accounting

records is an important element in the internal control structure (see 10.25 Segregation of Duties).

C. *It is the policy of the Diocese that signature stamps may not be used to sign checks.* Signature stamps are very difficult to control. Even when carefully safeguarded, there is still the danger that someone will gain access to the stamp and use it to sign checks without the Pastor's/Pastoral Administrator's/Diocesan School Principal's authorization.

D. As stated in 30.10 Cash Disbursements-General:

1. Blank checks should never be pre-signed. If the Pastor/Pastoral Administrator/Diocesan School Principal is unable to sign checks, arrangements should be made in advance for someone to perform this function in the event of an absence.
2. Consideration should be given to requiring two signatures on checks issued that are equal to or over a certain amount.

E. When the employment of an individual who is authorized to sign checks is terminated, the bank should be contacted immediately to revoke his/her check signing authority.

IV. Closing Bank Accounts

A. When a decision is made to close a bank account, the remaining check stock must be inventoried and compared to the check log (see 30.10 Cash Disbursements – General).

B. The remaining check stock should be shredded to prevent the fraudulent use of the checks. This will prevent a blank check from a closed account from being presented for payment resulting in a loss for a merchant, who as a member of the community may have honored the check unaware of the consequences.

50.15 Online Banking

Policy: Appropriate internal controls for online banking transactions will be practiced at all times to provide proper stewardship and reasonable caution in safeguarding the assets of parishes, missions, schools and early childhood centers.

Purpose: To establish procedures for online banking activity.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

Financial institutions consider the security of their online banking vitally important and each parish, mission, school and early childhood center (entity) must treat the security of workstations used by employees to access banking information online with the same level of care. The compromise of a bank customer's workstation is one of the leading causes of bank fraud, therefore, the proactive and vigilant attention to security-related matters is critical. The following procedures should be implemented to help maintain the security and confidentiality of banking transactions.

I. General Internet Security

- A. **Secure Location:** Computers used to transact business should be positioned in a secure location. Try to keep computers away from public areas and beware of opportunities for "shoulder surfing" where unauthorized persons might view transactional activity on a computer screen.
- B. **Time-Out:** Workstations shall be set up to utilize the "time-out" feature available for the browser and shall be set to revert to a screensaver after a specified number of minutes of inactivity and require a password to log back in. A computer shall never be left unattended when an online banking service is in use.
- C. **Wi-Fi Hotspots:** Bank accounts shall never be accessed from cafés or public Wi-Fi hotspots.
- D. **Browsers:** Users must always sign-out when finished using any online application and then close the browser. The browser may retain information that was entered in the login screen and elsewhere until the browser is exited. The most current version of the recommended browser should be used.
- E. **Encrypted Applications:** When using applications that require login credentials and/or process sensitive data, ensure "https://" (an "s" after the "p" not "http://") is in the address bar just prior to the website address.
- F. **Technology Solutions:** The entity should continue to evaluate and implement technology that detects threats to which the entity may be susceptible, such as technology that will detect drive-by-downloads.
- G. **Whitelisting & Web Monitoring:** The entity should consider the following:
 - 1. Deploying "whitelisting" software on computers which would allow only approved applications to run.

2. Implementing host intrusion preventions for computers.
3. Deploying web monitoring and filtering capabilities and block web browsing to all non-entity business related sites, especially, URL shortening services and access to Twitter, YouTube, Facebook and other social networking sites. The links and applications within the social networking sites are a haven for Trojans. A Trojan is software designed to look like it is doing what the user thinks it should, but in reality it is malware designed to infect the user's computer.

H. Anti-Virus & Anti-Spyware: Commercial anti-virus, firewall and anti-spyware programs should be installed on all workstations. Security patches must be installed as soon as they are made available by the operating system and the internet browser manufacturers.

I. Email Security:

1. Automate scanning of attachments within email and implement Spam Filtering on inbound email to block unsolicited email that may contain malicious URLs.
2. Train employees to beware of email asking for personal or login information, to recognize phishing email, and how to identify potential threats in email and instant messages, in addition to recognizing malicious sites through web browsing.
3. Fraudulent email can be difficult to recognize, train employees to beware of emails that:
 - i. Request the recipient to click a link to a spoof website – one that looks like a real company website and may even include the real company's official graphics and design. Phishing email has been known to impersonate companies such as NACHA, FedEx, the IRS and the Federal Reserve. Since a fraudulent email may even use exact working from the real company's website, it can be difficult to identify a spoof website.
 - ii. Asks the recipient to give, confirm or update sensitive personal information, such as Social Security numbers, usernames, passwords, PIN numbers or account numbers. NOTE: Even if no personal information is entered, by clicking on a link embedded in a fraudulent email, tracking software or viruses that track your keystrokes to gain your personal information may be inadvertently downloaded. Financial institutions do not normally ask users to enter personal or account information via email.
 - iii. Use pop-up windows for entering or confirming personal data.
 - iv. Have a sense of urgency asking you to provide the information immediately, citing a specific event that might happen if you fail to respond. For example, the email may state that an account may closed or temporarily suspended.
 - v. Contain spelling errors and/or bad grammar. These intentional spelling errors may allow the email to bypass spam filters used by Internet Service Providers (ISPs).

II. User ID and Password Security

A. Segregation of Duties: The Pastor/Pastoral Administrator/Diocesan School Principal or his/her designee shall designate two different individuals with administrative authorization

to make add/delete/modify users and user profiles. This separation of duties can mitigate the chance for internal losses due to fraud. Two administrators should be required to make changes: one to input the change and a second to approve the change.

B. Restrict User Access

1. The Pastor/Pastoral Administrator/Diocesan School Principal or his/her designee should assign users access to only the applications/modules and accounts that each user requires for his/her specific job function.
2. Immediately delete or modify all authorities upon an employee termination or a change in an employee's duties. Contact the financial institution to disable the employee's security codes or SecurID fob, if applicable.
3. The Pastor/Pastoral Administrator/Diocesan School Principal or his/her designee should review user access on a regular basis to ensure unauthorized users have not been added to the system and the authorized users have not been granted unnecessary permissions.

C. SecurID Fobs (if applicable): Many financial institutions use a SecurID fob in addition to a password to initiate and/or approve online transactions. It is critical to keep all SecurID fobs locked in a safe place when not in use. Users must never share a fob with anyone.

D. Password Protection: Users should be reminded to maintain strict confidentiality of IDs, passwords, PINs and (if applicable) fobs. IDs, passwords, or PINs shall never be shared. Users should create IDs, passwords, and PINs which cannot be easily guessed and are unique for each website. The automatic password save feature should be disabled in the browsers and software used to access the Internet. Passwords should be set to expire periodically.

E. Utilize the Controls within the Financial Institution Online Banking System:

Some online banking modules provide an opportunity to systematically limit exposure and require secondary review and approval of funds transfer activity. These controls are integral to the security of financial transactions and must be incorporated into the parish's operational procedures. Examples of controls that may be available to reduce the risk of fraud may include:

1. Transaction, user, account and daily limits for various types of transactions. Use of these features may be systematically enforced to limit the parish's exposure and allow for the proper segregation of duties among employees.
2. Review of wire transfers and ACH activity by a second authorized user. The segregation of duties in a funds transfer environment can mitigate the opportunities for fraudulent activity and reduce the opportunity for errors.
3. Administrative Dual Approval – require two system administrators to process administrative changes; one to initiate and the second to approve.

III. Operations

- A. Verify Transactions:** Always carefully and thoroughly verify transactions for authenticity and promptly reconcile accounts. Activity should be verified as quickly as possible during the banking day.
 - B. Segregation of Duties:** No one employee should have access to all phases of an online banking transaction. The duties for verifying activity/reconciling accounts and the authority to originate transactions should be segregated. The verifier/reconciler should not be given system authority to originate transactions.
 - C. Dual Control:**
 - 1. ACH and wire payments must be initiated with dual control: one person authorizes the creation of the ACH or wire payment and a second person authorizes the release of the payment.
 - 2. Approvals should be completed from separate computers. Known malware is designed to capture multiple users' credentials on the same computer.
- IV. Procedure for Online Bank Payments**
- A.** Set up the bank to require the approval of two people for all electronic payments.
 - B.** Print payment evidence and retain with paid invoices.
 - C.** The Pastor/Pastoral Administrator/Diocesan School Principal (or his/her designee who does not have access to the accounting records) shall review all electronic transactions, verify to supporting documents and initialize to evidence review and approval.
 - D.** The Pastor/Pastoral Administrator/Diocesan School Principal (or his/her designee who does not have access to the account records) shall access online banking on a routine basis, at a minimum weekly, to see that all transactions paid electronically have been included in documents that have been reviewed.
 - E.** Bank reconciliations shall be completed by an individual who does not process or approve electronic payments. The reconciliations shall include detail review of electronic payments listed on the bank statement and comparison to supporting documents approved by the Pastor/Pastoral Administrator/Diocesan School Principal (see 50.20 Bank Reconciliation).

50.20 Bank Reconciliation

Policy: All bank accounts will be reconciled on a monthly basis to provide proper stewardship and reasonable caution in safeguarding the assets of parishes, missions, schools and early childhood centers.

Purpose: To establish procedures for reconciling ALL bank accounts.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

Reconciliations of the cash balance per the month end bank statement to the month end General Ledger balance are a vital part of a good control environment. The following procedure should be employed for all bank accounts that are in the name of the parish, mission, school or early childhood center (entity) and use the entity's federal identification number.

I. Receiving the Bank Statements

- A. As stated in 50.10 Bank accounts, ALL bank statements using the Federal Identification number must be mailed to the business office and opened by the Pastor/Pastoral Administrator/Diocesan School Principal.
- B. Upon receipt, the monthly bank statements should be opened by the Pastor/Pastoral Administrator/Diocesan School Principal who should review the statement activity and check that the signatures on the checks or facsimile copies of checks are authentic.

II. Reconciling the Bank Statements

- A. The bank accounts shall be reconciled by someone who is not associated with the cash itself, its accounting or a signer on the account. If there is not another staff person available that is not associated with the cash, then a member of the Finance Council/Committee should perform the reconciliation or at a minimum perform a detailed review.
- B. The reconciliation of all cash balances must be complete prior to the arrival of the next monthly statement(s).
- C. The activity per the statement shall be reconciled to the activity per the check register or general ledger report.
- D. The differences between the book balance (check register or general ledger report) and the bank statement balance should be investigated, reconciled and recorded in the general ledger if necessary.
- E. Checks outstanding for more than six months should be investigated and resolved.
- F. The bank reconciliation shall be signed and dated by the person reconciling the account.
- G. All electronic payments listed on the bank statement shall be reviewed in detail and compared to the supporting documents approved by the Pastor/Pastoral Administrator.

III. Format of the Bank Reconciliation – Use the back of the bank statement or see Attachment 50.20 Sample Bank Reconciliation

A. Bank reconciliations are composed of two distinct sections:

1. Section One – the first begins with the balance shown on the bank statement and works an adjusted balance or the balance that the statement would show if all transactions were recorded by the bank (i.e. outstanding checks, deposits in transit, etc.)
2. Section Two – the second section starts with the balance shown by the parish records and also works to an adjusted balance or the balance that should be shown in the parish's records after all transactions are properly recorded (i.e. bank charges, interest, etc.).

B. Preparation and Reconciling Items

1. Section One:
 - i. Start the monthly reconciliations with the ending balance per the bank statement.
 - ii. + Deposits in Transit: any deposits in transit (deposits made by the parish but not yet recorded by the bank) are listed and added to the bank balance.
 - iii. – Outstanding Checks: any checks that were written on the account prior to month-end but which have not yet cleared the bank are listed and deducted from the bank balances.
 - iv. The result is the adjusted bank statement ending balance.
2. Section Two:
 - i. Start the second section of the monthly reconciliations with the ending balance per general ledger (or check register).
 - ii. + Unrecorded Deposits: any interest earned (or other deposits) and added to the bank account balance but not recorded by the parish are listed and added to the general ledger balance.
 - iii. – Unrecorded Deductions: any fees deducted by the bank but not recorded by the parish are listed and deducted from the general ledger balance.
 - iv. The result is the adjusted general ledger ending balance.
3. The adjusted balances in section one and section two must be the same amount. Any differences in these balances must be investigated and recorded.
4. Any reconciling items in section two such as interest received, bank charges incurred or recording errors should be summarized and drafted in journal entry form for posting to the general ledger.

- IV. Bank Reconciliation Review** – At least four times per year, a member of the Finance Council/Committee shall review the bank reconciliation, along with the financial report from the closed financial period. At a minimum, the bank reconciliation review should consist of the following:
- A.** The book balance on the financial report should be compared to the bank reconciliation report.
 - B.** The bank balance on the bank reconciliation should be compared to the bank statement.
 - C.** All reconciling items should be reviewed for reasonableness.
 - D.** The addition and subtraction on the bank reconciliation should be checked.
 - E.** All unusual or unidentified differences should be investigated and resolved.
 - F.** The payees on all checks (or check facsimiles) included in the bank statement should be reviewed to ensure that they agree with the payees as shown in the general ledger (or accounts payable) system. The reviewer should also ensure that all checks listed on the bank statement are present and reviewed.
 - G.** The council/committee member reviewing the reconciliation and report(s) must sign the bank reconciliation indicating a satisfactory review of the information.

Sample Bank Reconciliation
(entity name)
(General Ledger Account Number, Name of Account)

For the Month Ended _____

Ending balance per bank statement _____ (A)

ADD: deposits in transit (deposits made but not yet shown on this statement)

<u>Date</u>	<u>Description</u>	<u>Amount</u>	
_____	_____	_____	
_____	_____	_____	
_____	_____	_____	
_____	_____	_____	
Total Additions			_____ (B)
Subtotal			_____ (C) = (A) + (B)

DEDUCT: total of checks outstanding from list below _____ (D)

Adjusted Bank Statement Ending Balance _____ (E) = (C) - (D)

Ending cash account balance per general ledger _____ (F)

ADD: any deposits or other credits listed on the bank statement which have not been recorded in the general ledger.

<u>Date</u>	<u>Description</u>	<u>Amount</u>	
_____	_____	_____	
_____	_____	_____	
_____	_____	_____	
_____	_____	_____	
Total Additions			_____ (G)
Subtotal			_____ (H) = (F) + (G)

DEDUCT: any charges on the bank statement which have not been recorded in the general ledger. (i.e. service charges)

		</	

Adjusted General Ledger Ending Balance _____ (J) = (H) - (I)

BALANCES ON LINE (E) and (J) MUST AGREE

<u>CHECKS OUTSTANDING</u>	
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
TOTAL	_____
(transfer to (D) above)	

Reconciled
Reviewed by

Initials	Date
_____	_____
_____	_____

50.25 Deposit and Loan Fund

Policy: The Diocese will maintain a Deposit and Loan Fund to provide parishes, schools and Diocesan institutions favorable banking terms on deposits and loans.

Purpose: To establish procedures for the Diocesan Deposit and Loan Fund.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

The Diocesan Deposit and Loan Fund (DLF) is established by the Diocese to provide each parishes, mission, schools and early childhood centers more favorable banking terms on deposits and loans than would be received from a local financial institution. The DLF is established by the Bishop with the advice of the Diocesan Finance Council. The DLF is administered by the Diocesan Finance Officer. In addition to investments at the Diocesan level, parishes, mission, schools and early childhood centers are sources for funding the DLF.

I. Deposits

- A. Parishes, mission, schools and early childhood centers shall deposit surplus funds (i.e any funds over the amount necessary for normal operations) with the Diocese in the DLF.
- B. The DLF shall pay a fair rate of interest compared to prevailing market rates.
- C. The interest earned on deposits will be credited quarterly to the account at the rate in effect for the quarter. Monthly statements are mailed with the Diocesan monthly billing.
- D. The interest rate is reviewed and adjusted when appropriate by the Diocesan Finance Council.
- E. Funds may be withdrawn from deposit at any time by submitting a written request to the Diocesan Finance Officer stating the reason for the withdrawal. The request should be signed by the Pastor/Pastoral Administrator/Diocesan School Principal).
- F. No parish, mission, school or early childhood center will invest in stocks, bonds or real estate without **prior** written approval of the Bishop or his designee in **each** case.

II. Loans

- A. Parishes, missions, schools and early childhood centers may request a loan from the DLF by submitting a written request to the Diocesan Finance Officer (see the loan requirements in 30.35 Construction/Renovation Projects for loans related to new construction or major renovations projects).
- B. The Diocesan Finance Officer shall respond to loan requests in writing after reviewing the financial status of the entity requesting the loan, considering the reason for the loan, and receiving the approval of the Bishop.
- C. The pay back plan for the loan will be negotiated by the Diocesan Finance Officer.

- D. Once approved, a Promissory Note (see Attachment 50.25-1 Sample Promissory Note) will be executed signed by the Pastor/Pastoral Administrator/Diocesan School Principal and the Finance Council/Committee Chair Chair on behalf of the borrower and by the Bishop and his designee on behalf of the Diocese.
- E. No parish, mission, school or early childhood center shall loan funds to OR borrow funds from another parish, mission, school or early childhood center, parishioner, individual or group without **prior** written approval of the Bishop or his designee in **each** case.
- F. No parish, mission, school or early childhood center shall borrow funds from any outside financial institution without prior written approval of the Bishop or his designee. All financing shall be conducted through the Deposit and Loan Fund.
- G. The interest rate is reviewed and adjusted when appropriate by the Diocesan Finance Council.
- H. Loans outstanding will bear interest at the rate in effect and be computed at the end of the month on the average daily balance. The interest is billed on the Diocesan monthly billing on 15th of the following month. Statements of Loan Balances are mailed with the Diocesan Monthly Billing.

Sample Unsecured Promissory Note

Enter Date

I. Promise to Pay

ON DEMAND, and for value received, the undersigned, Enter Parish Name ("Borrower"), hereby, promises to pay to the order of the Diocese of Kansas City-St Joseph Deposit and Loan Fund ("Lender") the principal sum of \$Enter Loan Amount. Payment will be delivered to Lender to Enter Payment Mailing Address.

II. Repayment

The principal amount owed under this Promissory Note will be repaid per the attached schedule. The first payment will be due on Enter First Payment Date.

The principal outstanding will bear interest at the rate in effect and be computed at the end of the month on the average daily balance. The interest will be invoiced on the Diocesan monthly billing on 15th of the following month.

Borrower may, at any time and from time to time, prepay all or any portion of the amount outstanding, hereunder, with no prepayment penalty or fee.

III. Amendment; Modification; Waiver

No amendment, modification or waiver of any provision of this Promissory Note or consent to departure there from shall be effective unless by written agreement signed by both Borrower and Lender.

IV. Successors

The rights and privileges of the Lender contained in this Note shall inure to the benefit of its successors and assigns and beneficiaries, and the duties and obligations of the Borrower shall bind its successors and permitted assigns. The Borrower may not assign its obligations or rights hereunder without prior written consent of the Lender.

V. Breach of Promissory Note

No breach of any provision of this Promissory Note shall be deemed waived unless it is waived in writing. No course of dealing and no delay on the part of Lender in exercising any right will operate as a waiver thereof or otherwise prejudice Lender's rights, powers, or remedies. No right, power, or remedy conferred by this Promissory Note upon Lender will be exclusive of any other rights, power, or remedy referred to in this Note, or now or hereafter available at law, in equity, by statute, or otherwise.

VI. Governing Law

The validity, construction and performance of this Promissory Note will be governed by the laws of Missouri, excluding that body of law pertaining to conflicts of law. Borrower hereby waives presentment, notice of non-payment, notice of dishonor, protest, demand and diligence.

The parties hereby indicate by their signatures below that they have read and agree with the terms and conditions of this agreement in its entirety.

Borrower's Signature:

Enter Parish Name

Lender's Signature:

Diocese of Kansas City-St Joseph

Pastor/Pastoral Administrator Date

Bishop Date

Parish Finance Council Chair Date

Agent for Diocese Date

60.10 Chart of Accounts

- Policy:** All parishes, missions, schools and early childhood centers are required to follow the Diocesan Chart of Accounts and department code structure. Uniformity benefits the entity, its personnel and the Diocese.
- Purpose:** To provide guidelines for setting up account and sub-account numbers.
- Scope:** Applies to all parishes, missions, schools and early childhood centers.
-

General Comments:

A specified chart of accounts and department codes allows for clarity in reporting, for parish, mission, school and early childhood center use ("entity"), Diocesan use and financial review. While all like entities have similar programs, some may wish to obtain more detail than others, and the account code and department code structure allows for greater flexibility in tracking departments (or ministries). The use of expanded department codes will allow each entity to obtain the information it needs, while maintaining consistency for income and expense numbers in the financial review process. A standard chart of accounts also allows for continuity with changes in leadership.

Account Structure

There are three charts of accounts available for use: Basic Model (Attachment 60.10-1), Basic + School Model (Attachment 60.10-2) and the Expanded Model (Attachment 60.10-3). Each chart of accounts is based on a similar account number structure, in which each account number is made up of two parts, the account code and the department code.

Account Code: The four-digit account code is standard across all models and follows standardized accounting practices in the following account code structure:

ACCOUNT CODE - LEGEND	
1000	Assets Accounts
2000	Liabilities Accounts
3000	Equity Accounts
4000	Income Accounts
5000	Expense Accounts

The account code can be customized by creating additional account codes under Title Only accounts or accounts ending in zero. (See Attachment 60.10-4 Account Code Descriptions). Entries should not be posted to title only accounts. These accounts should be use for summary only. **Title only** accounts are **bolded** on the Chart of Accounts.

For example, Contribution Income: Offertory Weekly-Envelopes

ACCOUNT CODE		
4110	Contribution Income: Weekly - Envelopes	Roll-up (Total)
4111	5:00 pm Saturday	Detail
4112	8:00 am Sunday	Detail
4113	11:00 am Sunday	Detail

Note: If the account code ending in "0" is customized as shown in the example above, no postings will be made directly to the account ending in "0". In this case the "0" account is a total (roll-up) account.

Department Code: A standard set of two-digit department codes is established. The department code of 00 is applicable to all models and represents the grand total of all departments, i.e. the grand total of all Parish and School activity. The department codes can be customized by creating additional department codes by utilizing the "Other" department codes. In the BASIC MODEL, the only Department Code used is "00".

DEPARTMENT CODE			
00	PARISH – TOTAL (Applicable to ALL models)		GRAND TOTAL (ROLL-UP)
	10	Parish Administration (Applicable to Basic + School and Expanded Model)	Total (Roll-up)
	11	General Administration	Detail
	12	Development & Fund Raising	Detail
	13	Communications	Detail
	14	Buildings	Detail
	15-19	Other	Detail
	90	School (Applicable to BASIC + School and EXPANDED Model)	Total (Roll-up)
	91	School Elementary	Detail
	92	Extended Care	Detail
	93		Detail
	94		Detail
	95	Early Childhood Center	Detail
	97-99	Other	Detail

A department code has been added to the account Contribution Income: Offertory Weekly-Envelopes as an example below:

Model	Account Code	Department Code	Account Number
Basic	4110	00	4110.00
Basic + School	4110	11	4110.11
Expanded	4110	11	4110.11

CHART OF ACCOUNTS BASIC MODEL

INCOME ACCOUNTS

4100 Contribution Income

4110 .00	Offertory Weekly - Envelopes
4120 .00	Offertory Weekly - Plate
4130 .00	Offertory Weekly - Holy Days
4140 .00	Special Collections

4200 Development/Fund Raising

4210 .00	Capital Campaign
4220 .00	Gifts/Donations: Parish Societies/Organizations
4230 .00	Gifts/Donations: General
4240 .00	Fund Raising Event/Activity
4250 .00	Other
4260 .00	Other

4300 Operational

4310 .00	Interest Income
4320 .00	Rental Income
4330 .00	Mass Stipends
4340 .00	Poor Box Income
4350 .00	Votive Light Income

4500 Education

4510 .00	Tuition Income
4513 .00	Registration Fees
4515 .00	Book Fees, Activity Fees
4520 .00	Cafeteria Income
4530 .00	Sports Program Income
4540 .00	Transportation Income
4550 .00	Daycare Income
4560 .00	Pre-School Income
4570 .00	Extended Care Income

4600 Religious Education Income

4610 .00	Rel Ed. - Pre-K thru 8th
4620 .00	Rel Ed. - H.S.
4630 .00	Summer Programs
4640 .00	Rel Ed. - Adult
4650 .00	RCIA
4660 .00	Sacramental Prep
4670 .00	Retreats/Parish Missions
4690 .00	Other

4700 Ministry & Program Fee Income

CHART OF ACCOUNTS BASIC MODEL

4710 .00	Youth Ministry
4720 .00	Young Adult
4730 .00	Family Ministry
4740 .00	Senior Ministry
4750 .00	Social Ministry/Justice
4760 .00	Counseling
4770 .00	Prison Ministry
4780 .00	Other

4800 Diocesan/Parish Allocations

4810 .00	Diocesan Allocation
4820 .00	Parish Allocation

4850 Other

4855 .00	Sale of Religious Articles
4860 .00	Sale of Publications
4890 .00	Miscellaneous

4900 Extraordinary Income

4910 .00	Wills/Bequests
4970 .00	Sale of Property, Land, & Equipment

EXPENSE ACCOUNTS

5100 Personnel

5110 .00	Clergy Salaries
5115 .00	Substitute Clergy
5120 .00	Lay Salaries
5140 .00	Clergy Benefit (title only)
5141 .00	Clergy Health Ins./Retirement/Long Term Care
5142 .00	Clergy Auto Reimbursement
5143 .00	Clergy Social Security Reimbursement
5144 .00	Rectory/Household
5145 .00	Clergy - Continuing Ed./Retreat
5150 .00	Lay Benefits (title only)
5151 .00	Lay Benefits - Employer Portion
5152 .00	Lay Benefits - FICA
5160 .00	Religious Salary
5165 .00	Religious Benefits
5170 .00	Continuing Ed. (title only)
5171 .00	Continuing Ed. - Deacon
5172 .00	Continuing Ed. - Religious Women/Men
5173 .00	Continuing Ed. - Lay

CHART OF ACCOUNTS BASIC MODEL

5200 Facilities

5210 .00	Utilities (title only)
5211 .00	Gas
5214 .00	Electric
5217 .00	Water
5220 .00	Telephone/Fax/Internet
5230 .00	Ordinary Repair & Maintenance (title only)
5231 .00	Ordinary Repair & Maintenance - Buildings
5232 .00	Ordinary Repair & Maintenance - Grounds
5233 .00	Ordinary Repair & Maintenance - Equipment
5235 .00	Ordinary Repair & Maintenance - Contract Services
5240 .00	Custodial Supplies & Services
5250 .00	Furniture & Equipment (title only)
	Furniture & Equipment - Purchase (not including
5251 .00	Hardware/Software)
	Furniture & Equipment - Lease (not including
5252 .00	Hardware/Software)
5254 .00	Equipment - Multimedia
5255 .00	Equipment - Computer Hardware
5256 .00	Equipment - Computer Software
5260 .00	Property Taxes
5270 .00	Rental Expense
5280 .00	Security Expense
5290 .00	Other Expense

5300 General/Operational

5310 .00	Postage
5320 .00	Printing
5330 .00	Supplies
5340 .00	Purchased Services (title only)
5341 .00	Legal/Professional Services
5342 .00	Accounting Services/Expenses
5343 .00	Banking Services/Fees
5345 .00	Contract Labor/Services
5350 .00	Diocesan Obligations (title only)
5351 .00	Diocesan Assessment
5352 .00	Interest on Debt
5353 .00	Property & Casualty Insurance
5360 .00	Books/Periodicals (title only)
5361 .00	Resource Books
5362 .00	Resource Periodicals/Newspapers
5363 .00	Catholic Key
5365 .00	Textbooks
5368 .00	Other Books
5369 .00	Memberships & Dues
5370 .00	Development (title only)
5371 .00	General Stewardship/Development Expense
5372 .00	Envelopes
5373 .00	Building/Capital Campaign
5374 .00	Advertising/PR

CHART OF ACCOUNTS BASIC MODEL

5380 .00	Fund Raising (title only)
5381 .00	Fund Raising - Expense
5382 .00	Fund Raising - Events
5390 .00	Special Events (title only)
5391 .00	Celebrations/Events
5396 .00	Workshops/Seminars
5400 .00	Travel (title only)
5401 .00	Mileage
	Travel/Lodging/Meal (for meetings or
5402 .00	conferences)
5403 .00	Meals/Entertainment
5405 .00	Group Travel/Field Trips
5410 .00	Transportation (title only)
5411 .00	Vehicle Expense
5415 .00	Transportation - Leased
5420 .00	Sports Programs
5430 .00	Childcare
5435 .00	Testing
5440 .00	Cafeteria/Food Expense
5450 .00	Health/Medical Supplies
5460 .00	Volunteer Expense
5462 .00	Awards/Recognition (Staff/Volunteer)
5470 .00	Donations (title only)
5471 .00	Poor Box Expense
5472 .00	Donations to the Poor
5476 .00	Donations to Parishes
5479 .00	Donations to Organizations outside the Diocese
5480 .00	Educational Support (title only)
5481 .00	Elementary/Consolidated School Support
5486 .00	Elementary/Consolidated School - Donations
5488 .00	High School Support
5490 .00	Other

5500 Prayer & Worship

5510 .00	Liturgical Supplies
5520 .00	Vestments
5530 .00	Contracted Services - Stipend Musicians
5540 .00	Contractual Services - Other
5550 .00	Hymnals
5560 .00	Homily Aids
5570 .00	Instruments
5590 .00	Other

5600 Religious Education

5610 .00	Rel Ed. - Pre-K thru 8th
5620 .00	Rel Ed. - H.S.
5630 .00	Summer Programs
5640 .00	Rel Ed. - Adult
5650 .00	RCIA

**CHART OF ACCOUNTS
BASIC MODEL**

5660 .00	Sacramental Prep
5670 .00	Retreats/Parish Missions
5690 .00	Other

5700 Pastoral Ministry

5710 .00	Youth Ministry
5720 .00	Young Adult
5730 .00	Family Ministry
5740 .00	Senior Ministry
5750 .00	Social Ministry/Justice
5760 .00	Counseling
5770 .00	Prison Ministry
5780 .00	Other
5790 .00	Other

5900 Extraordinary

5910 .00	Repairs & Maintenance - Buildings > \$10,000
5920 .00	Repairs & Maintenance - Equipment > \$5,000
5930 .00	Furniture & Equipment Purchase > \$5,000
5960 .00	Purchase of Property
5970 .00	Purchase of Vehicle
5980 .00	New Construction/Major Renovation

CHART OF ACCOUNTS BASIC MODEL

BALANCE SHEET ACCOUNTS

1000 Cash Accounts

1010 .00	Parish Checking Accounts
1030 .00	Other Checking Accounts
1040 .00	Parish Funds on Deposit with Diocese
1060 .00	Other Funds on Deposit with Diocese
1070 .00	Parish Savings Accounts
1090 .00	Other Savings Accounts

2100 Payroll Withholding Accounts - Employee Portion

2110 .00	Federal Income Taxes
2120 .00	Medicare Taxes
2130 .00	Social Security Taxes
2140 .00	State Income Taxes
2150 .00	City Income Taxes
2160 .00	Health Insurance Premium
2163 .00	Dental Insurance Premium
2165 .00	Flexible Benefits: Part B
2168 .00	Flexible Benefits: Part C
2170 .00	Flexible Benefits: Admin. Fee
2173 .00	Tax Deferred Annuities 403(b)
2175 .00	Supplemental Voluntary Life Insurance
2180 .00	Garnishments
2190 .00	Other Payroll Deductions

2200 Clearing Accounts

2210 .00	Exchange Accounts - Payable to Others
2250 .00	Advance Tuition and Fees

2300 Diocesan/Universal Church Collections

2310 .00	American Catholic Overseas Aid
2315 .00	Black & Indian/Home Missions Collection
2320 .00	Campaign for Human Development
2325 .00	Communications Collection
2330 .00	Diocesan Capital Campaign (Gift of Faith)
2335 .00	Food for the Poor (BEAF)
2340 .00	Holy Childhood
2345 .00	Holy Land
2350 .00	Latin American Collection
2355 .00	Mission Sunday
2360 .00	Missionary Plan of Cooperation
2365 .00	Operation Rice Bowl
2370 .00	Peter's Pence
2375 .00	Religious Retirement
2380 .00	Special Collections - Specify
2385 .00	Special Collections - Specify

**CHART OF ACCOUNTS
BASIC MODEL**

2390 .00 Education Endowment Trust

2400 Designated

2410 .00 Designated Grants

2430 .00 Mass Stipends

2700 Long Term Debt

2710 .00 Diocesan Loan

3900 Net Assets

3900 .00 Net Assets

**CHART OF ACCOUNTS
BASIC + SCHOOL MODEL**

<u>PARISH</u>

INCOME ACCOUNTS

4100 Contribution Income

4110 .10	Offertory Weekly - Envelopes
4120 .10	Offertory Weekly - Plate
4130 .10	Offertory Weekly - Holy Days
4140 .10	Special Collections

4200 Development/Fund Raising

4210 .10	Capital Campaign
4220 .10	Gifts/Donations: Parish Societies/Organizations
4230 .10	Gifts/Donations: General
4240 .10	Fund Raising Event/Activity
4250 .10	Other
4260 .10	Other

4300 Operational

4310 .10	Interest Income
4320 .10	Rental Income
4330 .10	Mass Stipends
4340 .10	Poor Box Income
4350 .10	Votive Light Income

4600 Religious Education Income

4610 .10	Rel Ed. - Pre-K thru 8th
4620 .10	Rel Ed. - H.S.
4630 .10	Summer Programs
4640 .10	Rel Ed. - Adult
4650 .10	RCIA
4660 .10	Sacramental Prep
4670 .10	Retreats/Parish Missions
4690 .10	Other

4700 Ministry & Program Fee Income

4710 .10	Youth Ministry
4720 .10	Young Adult
4730 .10	Family Ministry
4740 .10	Senior Ministry
4750 .10	Social Ministry/Justice
4760 .10	Counseling
4770 .10	Prison Ministry
4780 .10	Other

CHART OF ACCOUNTS BASIC + SCHOOL MODEL

4800 Diocesan/Parish Allocations

4810 .10 Diocesan Allocation
4820 .10 Parish Allocation

4850 Other

4855 .10 Sale of Religious Articles
4860 .10 Sale of Publications
4890 .10 Miscellaneous

4900 Extraordinary Income

4910 .10 Wills/Bequests
4970 .10 Sale of Property, Land, & Equipment

EXPENSE ACCOUNTS

5100 Personnel

5110 .10 Clergy Salaries
5115 .10 Substitute Clergy
5120 .10 Lay Salaries
5140 .10 Clergy Benefit (title only)
5141 .10 Clergy Health Ins./Retirement/Long Term Care
5142 .10 Clergy Auto Reimbursement
5143 .10 Clergy Social Security Reimbursement
5144 .10 Rectory/Household
5145 .10 Clergy - Continuing Ed./Retreat
5150 .10 Lay Benefits (title only)
5151 .10 Lay Benefits - Employer Portion
5152 .10 Lay Benefits - FICA
5160 .10 Religious Salary
5165 .10 Religious Benefits
5170 .10 Continuing Ed. (title only)
5171 .10 Continuing Ed. - Deacon
5172 .10 Continuing Ed. - Religious Women/Men
5173 .10 Continuing Ed. - Lay

5200 Facilities

5210 .10 Utilities (title only)
5211 .10 Gas
5214 .10 Electric
5217 .10 Water
5220 .10 Telephone/Fax/Internet
5230 .10 Ordinary Repair & Maintenance (title only)
5231 .10 Ordinary Repair & Maintenance - Buildings
5232 .10 Ordinary Repair & Maintenance - Grounds
5233 .10 Ordinary Repair & Maintenance - Equipment
5235 .10 Ordinary Repair & Maintenance - Contract Services
5240 .10 Custodial Supplies & Services
5250 .10 Furniture & Equipment (title only)
5251 .10 Furniture & Equipment - Purchase (not including
Hardware/Software)

**CHART OF ACCOUNTS
BASIC + SCHOOL MODEL**

5252 .10	Furniture & Equipment - Lease (not including Hardware/Software)
5254 .10	Equipment - Multimedia
5255 .10	Equipment - Computer Hardware
5256 .10	Equipment - Computer Software
5260 .10	Property Taxes
5270 .10	Rental Expense
5280 .10	Security Expense
5290 .10	Other Expense
5300 General/Operational	
5310 .10	Postage
5320 .10	Printing
5330 .10	Supplies
5340 .10	Purchased Services (title only)
5341 .10	Legal/Professional Services
5342 .10	Accounting Services/Expenses
5343 .10	Banking Services/Fees
5345 .10	Contract Labor/Services
5350 .10	Diocesan Obligations (title only)
5351 .10	Diocesan Assessment
5352 .10	Interest on Debt
5353 .10	Property & Casualty Insurance
5360 .10	Books/Periodicals (title only)
5361 .10	Resource Books
5362 .10	Resource Periodicals/Newspapers
5363 .10	Catholic Key
5365 .10	Textbooks
5368 .10	Other Books
5369 .10	Memberships & Dues
5370 .10	Development (title only)
5371 .10	General Stewardship/Development Expense
5372 .10	Envelopes
5373 .10	Building/Capital Campaign
5374 .10	Advertising/PR
5380 .10	Fund Raising (title only)
5381 .10	Fund Raising - Expense
5382 .10	Fund Raising - Events
5390 .10	Special Events (title only)
5391 .10	Celebrations/Events
5396 .10	Workshops/Seminars
5400 .10	Travel (title only)
5401 .10	Mileage
5402 .10	Travel/Lodging/Meal (for meetings or conferences)
5403 .10	Meals/Entertainment
5405 .10	Group Travel/Field Trips
5410 .10	Transportation (title only)
5411 .10	Vehicle Expense
5415 .10	Transportation - Leased
5420 .10	Sports Programs
5430 .10	Childcare
5435 .10	Testing

**CHART OF ACCOUNTS
BASIC + SCHOOL MODEL**

5440 .10	Cafeteria/Food Expense
5450 .10	Health/Medical Supplies
5460 .10	Volunteer Expense
5462 .10	Awards/Recognition (Staff/Volunteer)
5470 .10	Donations (title only)
5471 .10	Poor Box Expense
5472 .00	Donations to the Poor
5476 .00	Donations to Parishes
5479 .00	Donations to Organizations outside the Diocese
5480 .00	Educational Support (title only)
5481 .00	Elementary/Consolidated School Support
5486 .00	Elementary/Consolidated School - Donations
5488 .00	High School Support
5490 .00	Other

5500 Prayer & Worship

5510 .10	Liturgical Supplies
5520 .10	Vestments
5530 .10	Contracted Services - Stipend Musicians
5540 .10	Contractual Services - Other
5550 .10	Hymnals
5560 .10	Homily Aids
5570 .10	Instruments
5590 .10	Other

5600 Religious Education

5610 .10	Rel Ed. - Pre-K thru 8th
5620 .10	Rel Ed. - H.S.
5630 .10	Summer Programs
5640 .10	Rel Ed. - Adult
5650 .10	RCIA
5660 .10	Sacramental Prep
5670 .10	Retreats/Parish Missions
5690 .10	Other

5700 Pastoral Ministry

5710 .10	Youth Ministry
5720 .10	Young Adult
5730 .10	Family Ministry
5740 .10	Senior Ministry
5750 .10	Social Ministry/Justice
5760 .10	Counseling
5770 .10	Prison Ministry
5780 .10	Other
5790 .10	Other

**CHART OF ACCOUNTS
BASIC + SCHOOL MODEL**

5900 Extraordinary

5910 .10	Repairs & Maintenance - Buildings > \$10,000
5920 .10	Repairs & Maintenance - Equipment > \$5,000
5930 .10	Furniture & Equipment Purchase > \$5,000
5960 .10	Purchase of Property
5970 .10	Purchase of Vehicle
5980 .10	New Construction/Major Renovation

<u>SCHOOL</u>

INCOME ACCOUNTS

4200 Development/Fund Raising

4210 .90	Capital Campaign
4220 .90	Gifts/Donations: Parish Societies/Organizations
4230 .90	Gifts/Donations: General
4240 .90	Fund Raising Event/Activity
4250 .90	Other
4260 .90	Other

4300 Operational

4310 .90	Interest Income
4320 .90	Rental Income

4500 Education

4510 .90	Tuition Income
4513 .90	Registration Fees
4515 .90	Book Fees, Activity Fees
4520 .90	Cafeteria Income
4530 .90	Sports Program Income
4540 .90	Transportation Income
4550 .90	Daycare Income
4560 .90	Pre-School Income
4570 .90	Extended Care Income

4800 Diocesan/Parish Allocations

4810 .90	Diocesan Allocation
4820 .90	Parish Allocation

5100 Personnel

5120 .90	Lay Salaries
5150 .90	Lay Benefits (title only)
5151 .90	Lay Benefits - Employer Portion
5152 .90	Lay Benefits - FICA
5160 .90	Religious Salary
5165 .90	Religious Benefits
5170 .90	Continuing Ed. (title only)

**CHART OF ACCOUNTS
BASIC + SCHOOL MODEL**

5172 .90 Continuing Ed. - Religious Women/Men
5173 .90 Continuing Ed. - Lay

5200 Facilities

5210 .90 Utilities (title only)
5211 .90 Gas
5214 .90 Electric
5217 .90 Water
5220 .90 Telephone/Fax/Internet
5230 .90 Ordinary Repair & Maintenance (title only)
5231 .90 Ordinary Repair & Maintenance - Buildings
5232 .90 Ordinary Repair & Maintenance - Grounds
5233 .90 Ordinary Repair & Maintenance - Equipment
5235 .90 Ordinary Repair & Maintenance - Contract Services
5240 .90 Custodial Supplies & Services
5250 .90 Furniture & Equipment (title only)
Furniture & Equipment - Purchase (not including
5251 .90 Hardware/Software)
Furniture & Equipment - Lease (not including
5252 .90 Hardware/Software)
5254 .90 Equipment - Multimedia
5255 .90 Equipment - Computer Hardware
5256 .90 Equipment - Computer Software
5270 .90 Rental Expense
5280 .90 Security Expense
5290 .90 Other Expense

5300 General/Operational

5310 .90 Postage
5320 .90 Printing
5330 .90 Supplies
5340 .90 Purchased Services (title only)
5341 .90 Legal/Professional Services
5342 .90 Accounting Services/Expenses
5343 .90 Banking Services/Fees
5345 .90 Contract Labor/Services
5350 .90 Diocesan Obligations (title only)
5351 .90 Diocesan Assessment
5352 .90 Interest on Debt
5353 .90 Property & Casualty Insurance
5360 .90 Books/Periodicals (title only)
5361 .90 Resource Books
5362 .90 Resource Periodicals/Newspapers
5363 .90 Catholic Key
5365 .90 Textbooks
5368 .90 Other Books
5369 .90 Memberships & Dues
5370 .90 Development (title only)
5371 .90 General Stewardship/Development Expense
5372 .90 Envelopes
5373 .90 Building/Capital Campaign
5374 .90 Advertising/PR

**CHART OF ACCOUNTS
BASIC + SCHOOL MODEL**

5380 .90	Fund Raising (title only)
5381 .90	Fund Raising - Expense
5382 .90	Fund Raising - Events
5390 .90	Special Events (title only)
5391 .90	Celebrations/Events
5396 .90	Workshops/Seminars
5400 .90	Travel (title only)
5401 .90	Mileage
5402 .90	Travel/Lodging/Meal (for meetings or conferences)
5403 .90	Meals/Entertainment
5405 .90	Group Travel/Field Trips
5410 .90	Transportation (title only)
5411 .90	Vehicle Expense
5415 .90	Transportation - Leased
5420 .90	Sports Programs
5430 .90	Childcare
5435 .90	Testing
5440 .90	Cafeteria/Food Expense
5450 .90	Health/Medical Supplies
5460 .90	Volunteer Expense
5462 .90	Awards/Recognition (Staff/Volunteer)
5490 .00	Other

5900 Extraordinary

5910 .90	Repairs & Maintenance - Buildings > \$10,000
5920 .90	Repairs & Maintenance - Equipment > \$5,000
5930 .90	Furniture & Equipment Purchase > \$5,000
5960 .90	Purchase of Property
5970 .90	Purchase of Vehicle
5980 .90	New Construction/Major Renovation

**CHART OF ACCOUNTS
BASIC + SCHOOL MODEL**

BALANCE SHEET ACCOUNTS

1000 Cash Accounts

1010 .00	Parish Checking Accounts
1020 .00	School Checking Accounts
1030 .00	Other Checking Accounts
1040 .00	Parish Funds on Deposit with Diocese
1050 .00	School Funds on Deposit with Diocese
1060 .00	Other Funds on Deposit with Diocese
1070 .00	Parish Savings Accounts
1080 .00	School Savings Accounts
1090 .00	Other Savings Accounts

1300 School Receivable

1310 .00	School Tuition Receivable
----------	---------------------------

2100 Payroll Withholding Accounts - Employee Portion

2110 .00	Federal Income Taxes
2120 .00	Medicare Taxes
2130 .00	Social Security Taxes
2140 .00	State Income Taxes
2150 .00	City Income Taxes
2160 .00	Health Insurance Premium
2163 .00	Dental Insurance Premium
2165 .00	Flexible Benefits: Part B
2168 .00	Flexible Benefits: Part C
2170 .00	Flexible Benefits: Admin. Fee
2173 .00	Tax Deferred Annuities 403(b)
2175 .00	Supplemental Voluntary Life Insurance
2180 .00	Garnishments
2190 .00	Other Payroll Deductions

2200 Clearing Accounts

2210 .00	Exchange Accounts - Payable to Others
2250 .00	Advance Tuition and Fees

2300 Diocesan/Universal Church Collections

2310 .00	American Catholic Overseas Aid
2315 .00	Black & Indian/Home Missions Collection
2320 .00	Campaign for Human Development
2325 .00	Communications Collection
2330 .00	Diocesan Capital Campaign (Gift of Faith)
2335 .00	Food for the Poor (BEAF)
2340 .00	Holy Childhood
2345 .00	Holy Land
2350 .00	Latin American Collection
2355 .00	Mission Sunday

**CHART OF ACCOUNTS
BASIC + SCHOOL MODEL**

2360 .00	Missionary Plan of Cooperation
2365 .00	Operation Rice Bowl
2370 .00	Peter's Pence
2375 .00	Religious Retirement
2380 .00	Special Collections - Specify
2385 .00	Special Collections - Specify
2390 .00	Education Endowment Trust

2400 Designated

2410 .00	Designated Grants
2430 .00	Mass Stipends

2700 Long Term Debt

2710 .00	Diocesan Loan
----------	---------------

3900 Net Assets

3900 .00	Net Assets
----------	------------

**CHART OF ACCOUNTS
EXPANDED MODEL**

<u>PARISH</u>

INCOME ACCOUNTS

4100 CONTRIBUTION INCOME

- 4110 .10 to .99 Offertory Weekly - Envelopes
- 4120 .10 to .99 Offertory Weekly - Plate
- 4130 .10 to .99 Offertory Weekly - Holy Days
- 4140 .10 to .99 Special Collections

4200 DEVELOPMENT/FUND RAISING

- 4210 .10 to .99 Capital Campaign
- 4220 .10 to .99 Gifts/Donate-Parish Society/Org
- 4230 .10 to .99 Gifts/Donations-General
- 4240 .10 to .99 Fund Raising Event/Activity
- 4250 .10 to .99 Other Devel/Fundraising Income
- 4260 .10 to .99 Other Fundraising Income

4300 OPERATIONAL

- 4310 .10 to .99 Interest Income
- 4320 .10 to .99 Rental Income
- 4330 .10 to .99 Mass Stipends
- 4340 .10 to .99 Poor Box Income
- 4350 .10 to .99 Votive Light Income

4600 RELIGIOUS EDUCATION INCOME

- 4610 .10 to .99 Rel Ed. - Pre-K thru 8th
- 4620 .10 to .99 Rel Ed. - H.S.
- 4630 .10 to .99 Summer Programs
- 4640 .10 to .99 Rel Ed. - Adult
- 4650 .10 to .99 RCIA
- 4660 .10 to .99 Sacramental Prep
- 4670 .10 to .99 Retreats/Parish Missions
- 4690 .10 to .99 Other Rel Educ Income

4700 MINISTRY & PROGRAM FEE INCOME

- 4710 .10 to .99 Youth Ministry
- 4720 .10 to .99 Young Adult
- 4730 .10 to .99 Family Ministry
- 4740 .10 to .99 Senior Ministry
- 4750 .10 to .99 Social Ministry/Justice
- 4760 .10 to .99 Counseling
- 4770 .10 to .99 Prison Ministry
- 4780 .10 to .99 Other Ministry Income

4800 DIOCESAN/PARISH ALLOCATIONS

4810 .10 to .99 Diocesan Allocation
4820 .10 to .99 Parish Allocation

4850 OTHER INCOME

4855 .10 to .99 Sale of Religious Articles
4860 .10 to .99 Sale of Publications
4890 .10 to .99 Miscellaneous Income

4900 EXTRAORDINARY INCOME

4910 .10 to .99 Wills/Bequests
4970 .10 to .99 Sale of Property, Land, & Equip

EXPENSE ACCOUNTS

5100 PERSONNEL

5110 .10 to .99 Clergy Salaries
5115 .10 to .99 Substitute Clergy
5120 .10 to .99 Lay Salaries
5140 .10 to .99 Clergy Benefit (title only)
5141 .10 to .99 Clergy Hlth Ins/Retiremt/LT Care
5142 .10 to .99 Clergy Auto Reimbursement
5143 .10 to .99 Clergy Social Security Reimb
5144 .10 to .99 Rectory/Household
5145 .10 to .99 Clergy - Continuing Ed./Retreat
5150 .10 to .99 Lay Benefits (title only)
5151 .10 to .99 Lay Benefits - Employer Portion
5152 .10 to .99 Lay Benefits - FICA
5160 .10 to .99 Religious Salary
5165 .10 to .99 Religious Benefits
5170 .10 to .99 Continuing Ed. (title only)
5171 .10 to .99 Continuing Ed-Deacon
5172 .10 to .99 Continuing Ed-Relig Women/Men
5173 .10 to .99 Continuing Ed-Lay

5200 FACILITIES

5210 .10 to .99 Utilities (title only)
5211 .10 to .99 Gas
5214 .10 to .99 Electric
5217 .10 to .99 Water
5220 .10 to .99 Telephone/Fax/Internet
5230 .10 to .99 Ord Repair&Maint (title only)
5231 .10 to .99 Ordinary Repair&Maint-Buildings
5232 .10 to .99 Ordinary Repair&Maint-Grounds
5233 .10 to .99 Ordinary Repair&Maint-Equipment
5235 .10 to .99 Ord Repair&Maint-Contract Serv
5240 .10 to .99 Custodial Supplies & Services
5250 .10 to .99 Furniture & Equip (title only)
5251 .10 to .99 Furniture & Equip - Purchase
5252 .10 to .99 Furniture & Equip - Lease
5254 .10 to .99 Equipment - Multimedia
5255 .10 to .99 Equipment - Computer Hardware
5256 .10 to .99 Equipment - Computer Software

5260 .10 to .99	Property Taxes
5270 .10 to .99	Rental Expense
5280 .10 to .99	Security Expense
5290 .10 to .99	Other Facilities Expense

5300 GENERAL/OPERATIONAL

5310 .10 to .99	Postage
5320 .10 to .99	Printing
5330 .10 to .99	Supplies
5340 .10 to .99	Purchased Services (title only)
5341 .10 to .99	Legal/Professional Services
5342 .10 to .99	Accounting Services/Expenses
5343 .10 to .99	Banking Services/Fees
5345 .10 to .99	Contract Labor/Services
5350 .10 to .99	Diocesan Obligations (title only)
5351 .10 to .99	Diocesan Assessment
5352 .10 to .99	Interest on Debt
5353 .10 to .99	Property & Casualty Insurance
5360 .10 to .99	Books/Periodicals (title only)
5361 .10 to .99	Resource Books
5362 .10 to .99	Resource Periodicals/Newspapers
5363 .10 to .99	Catholic Key
5365 .10 to .99	Textbooks
5368 .10 to .99	Other Books
5369 .10 to .99	Memberships & Dues
5370 .10 to .99	Development (title only)
5371 .10 to .99	Genl Stewardship/Developmt Exp
5372 .10 to .99	Envelopes
5373 .10 to .99	Building/Capital Campaign
5374 .10 to .99	Advertising/PR
5380 .10 to .99	Fund Raising (title only)
5381 .10 to .99	Fund Raising - Expense
5382 .10 to .99	Fund Raising - Events
5390 .10 to .99	Special Events (title only)
5391 .10 to .99	Celebrations/Events
5396 .10 to .99	Workshops/Seminars
5400 .10 to .99	Travel (title only)
5401 .10 to .99	Mileage
5402 .10 to .99	Travel/Lodging/Meals
5403 .10 to .99	Meals/Entertainment
5405 .10 to .99	Group Travel/Field Trips
5410 .10 to .99	Transportation (title only)
5411 .10 to .99	Vehicle Expense
5415 .10 to .99	Transportation - Leased
5420 .10 to .99	Sports Programs
5430 .10 to .99	Childcare
5435 .10 to .99	Testing
5440 .10 to .99	Cafeteria/Food Expense
5450 .10 to .99	Health/Medical Supplies
5460 .10 to .99	Volunteer Expense
5462 .10 to .99	Awards/Recognitn-Staff/Volunteer
5470 .10 to .99	Donations (title only)
5471 .10 to .99	Poor Box Expense

5472 .10 to .99	Donations to the Poor
5476 .10 to .99	Donations to Parishes
5479 .10 to .99	Donations-Orgs outside Diocese
5480 .10 to .99	Educational Support (title only)
5481 .10 to .99	Elementary/Cons School Support
5486 .10 to .99	Elementary/Cons School-Donations
5488 .10 to .99	High School Support
5490 .10 to .99	Other General/Operational Exp

5500 PRAYER & WORSHIP

5510 .10 to .99	Liturgical Supplies
5520 .10 to .99	Vestments
5530 .10 to .99	Contract Serv-Stipend Musicians
5540 .10 to .99	Contractual Services-Other
5550 .10 to .99	Hymnals
5560 .10 to .99	Homily Aids
5570 .10 to .99	Instruments
5590 .10 to .99	Other Prayer & Worship Exp

5600 RELIGIOUS EDUCATION

5610 .10 to .99	Rel Ed. - Pre-K thru 8th
5620 .10 to .99	Rel Ed. - H.S.
5630 .10 to .99	Summer Programs
5640 .10 to .99	Rel Ed. - Adult
5650 .10 to .99	RCIA
5660 .10 to .99	Sacramental Prep
5670 .10 to .99	Retreats/Parish Missions
5690 .10 to .99	Other Rel Educ Expense

5700 PASTORAL MINISTRY

5710 .10 to .99	Youth Ministry
5720 .10 to .99	Young Adult
5730 .10 to .99	Family Ministry
5740 .10 to .99	Senior Ministry
5750 .10 to .99	Social Ministry/Justice
5760 .10 to .99	Counseling
5770 .10 to .99	Prison Ministry
5780 .10 to .99	Other Pastoral Ministry Exp
5790 .10 to .99	Other Ministry Expense

5900 EXTRAORDINARY

5910 .10 to .99	Repairs & Maint-Bldgs > \$10,000
5920 .10 to .99	Repairs & Maint-Equip > \$5,000
5930 .10 to .99	Furn & Equip Purchase > \$5,000
5950 .10 to .99	Purchase of Property
5960 .10 to .99	Purchase of Vehicle
5980 .10 to .99	New Construction/Major Renovate

BALANCE SHEET ACCOUNTS

1000 CASH ACCOUNTS

1010 .00	Parish Checking Accounts
1020 .00	School Checking Accounts
1030 .00	Other Checking Accounts
1040 .00	Parish Funds on Deposit-Diocese
1050 .00	School Funds on Deposit-Diocese
1060 .00	Other Funds on Deposit-Diocese
1070 .00	Parish Savings Accounts
1080 .00	School Savings Accounts
1090 .00	Other Savings Accounts

1300 SCHOOL RECEIVABLE

1310 .00	School Tuition Receivable
----------	---------------------------

2100 PAYROLL W/H-EMPLOYEE PORTION

2110 .00	Federal Income Taxes
2120 .00	Medicare Taxes
2130 .00	Social Security Taxes
2140 .00	State Income Taxes
2150 .00	City Income Taxes
2160 .00	Health Insurance Premium
2163 .00	Dental Insurance Premium
2165 .00	Flexible Benefits- Part B
2168 .00	Flexible Benefits- Part C
2170 .00	Flexible Benefits- Admin. Fee
2173 .00	Tax Deferred Annuities 403(b)
2175 .00	Supplemental Voluntary Life Ins
2180 .00	Garnishments
2190 .00	Other Payroll Deductions

2200 CLEARING ACCOUNTS

2210 .00	Exchange Acct-Payable to Others
2250 .00	Advance Tuition and Fees

2300 CLEARING ACCOUNTS

2310 .00	American Catholic Overseas Aid
2315 .00	Black&Indian/Home Msn Collectn
2320 .00	Campaign for Human Development
2325 .00	Communications Collection
2330 .00	Diocesan Capital Campaign (GOF)
2335 .00	Food for the Poor (BEAF)
2340 .00	Holy Childhood

2345 .00	Holy Land
2350 .00	Latin American Collection
2355 .00	Mission Sunday
2360 .00	Missionary Plan of Cooperation
2365 .00	Operation Rice Bowl
2370 .00	Peter's Pence
2375 .00	Religious Retirement
2380 .00	Special Collections-Specify
2385 .00	Special Collections- Specify
2390 .00	Education Endowment Trust

2400 DESIGNATED

2410 .00	Designated Grants
2430 .00	Mass Stipends

2700 LONG TERM DEBT

2710 .00	Diocesan Loan
----------	---------------

3900 NET ASSETS

3900 .00	Net Assets
----------	------------

ACCOUNT CODE DESCRIPTIONS

INCOME ACCOUNTS

CONTRIBUTION INCOME

- 4110 Offertory Weekly - Envelopes**
Regular weekly offerings normally contributed during celebration of Mass. Can include those offerings mailed in or dropped off during the week and those offerings made on a period basis that is not weekly. (11-19 available for use)
- 4120 Offertory Weekly - Plate**
Loose money (cash, coin and loose checks) collected normally at the celebration of Mass from individuals without parish envelope/envelope account numbers. (21-29 available for use)
- 4130 Offertory Weekly - Holy Days**
Envelope and loose contributions made during the celebration of Mass on Holy Days including Christmas. (31-39 available for use)
- 4140 Special Collections**
Contributions made during the celebration of Mass for specific parish purposes or needs. Examples could include new boiler, monies to send youth to national convention, etc... (41-49 available for use)

DEVELOPMENT/FUND RAISING

- 4210 Capital Campaign**
Receipts associated with a major capital campaign. These receipts are usually the result of a multi-year pledging and relate to a capital/building project, debt reduction, etc. (11-19 available for use)
- 4220 Gifts/Donations - Parish Societies and Organizations**
Receipts from parish societies and organizations for specific or general parish use. (21-29 available for use.)
- 4230 Gifts/Donations - General**
Receipts from individuals, outside organizations or foundations for specific or general parish use including memorials. This account does not include wills/bequests. (31-39 available for use.)
- 4240 Fund Raising - Event/Activity**
Receipts resulting from various fund-raising activities including bazaars, festivals, auctions, socials, dances, etc. This account is for gross receipts; no-netting of expenses against receipts is to be done. (41-49 available for use)
- 4250 Other**
Receipts from other development and/or fund raising events held to supplement operating funds or for a special need or purpose. For example: bazaars, festivals, auctions, rummage sales, socials, dinners, dances, and recycling. Record gross income for the event, see accounts 5382 Fund raising event, 5381 Fund raising expense, 5390 Special Events for expenditures. (51-59 available for use)

4260 Other Development/Fundraising

Receipts from other development and/or fund raising events held to supplement operating funds or for a special need or purpose. For example: bazaars, festivals, auctions, rummage sales, socials, dinners, dances, and recycling. Record gross income for the event, see accounts 5382 Fund raising event, 5381 Fund raising expense, 5390 Special Events for expenditures. (61-69 available for use)

OPERATIONAL

4310 Interest Income

Receipts from checking accounts, savings and funds on deposit with Diocese. (11-19 available for use)

4320 Rental Income

Receipts from the rental or use of parish facilities or parish property from outside parties, including rental of buildings to a multi-parish school. Rental of facilities by parish societies or organizations should be accounted for in 4231. (21-29 available for use.)

4330 Mass Stipends

Receipts from completed mass intentions, marriages, baptisms, funerals, and blessings. Receipts for Mass stipends should be held in a separate checking account, i.e. a Mass Stipend checking account, until Mass is said. Once the Mass has been said the stipend should be transferred to the main checking account and recorded under this account number as income.

4340 Poor Box Income

Receipts placed in traditional poor box. The associated spending of these funds for the needs of the poor is recorded in 5471. (41-49 available for use)

4350 Votive Light Income

Receipts from votive shrines. (51-59 available for use)

EDUCATION

4510 Tuition Income

Tuition payments made for the current school year.

4513 Registration Fees

Receipts from the collection of registration fees for the current school year.

4515 Book Fees, Activity Fees

Receipts from the collection of book fees, lab fees, activity fees, etc. for the current year.

4520 Cafeteria Income

Receipts from fees collected for cafeteria, food service, or vending machines.

4530 Sports Program Income

Receipts from fees collected for various sports, sale of uniforms, and gate receipts at sporting events. (31-39 available for use)

4540	Transportation Fees Receipts from fees collected for transportation arrangements for field trips, sporting events, etc. (41-49 available for use)
4550	Day Care Income Receipts from fees charged/collected for day care only.
4560	Pre-School Income Receipts from fees charged/collected for pre-school only.
4570	Extended Care Income Receipts from fees charged/collected for extended care program only.

4600-4790 NOT USED IN THE EXPANDED MODEL

RELIGIOUS EDUCATION

Receipts for fees charged/collected for the various parish religious education programs.

4610	Rel-Ed - Pre-K thru 8th (11-19 available for use)
4620	Rel-Ed - H.S. (21-29 available for use)
4630	Summer Rel-Ed Programs (31-39 available for use)
4640	Rel-Ed Adult Formation (41-49 available for use)
4640	RCIA (41-49 available for use)
4660	Sacramental Prep (61-69 available for use)
4670	Retreats/Missions (71-79 available for use)
4690	Other

MINISTRY & PROGRAM FEE INCOME

Receipts for fees charged/collected for various ministry and pastoral programs.

4710	Youth Ministry (11-19 available for use)
4720	Young Adult Ministry (21-29 available for use)
4730	Family Ministry (31-39 available for use)
4740	Senior Ministry (41-49 available for use)

4750	Social Ministry/Justice (51-59 available for use)
4760	Counseling (61-69 available for use)
4770	Prison Ministry (71-79 available for use)
4780	Other
4790	Other

DIOCESAN/PARISH ALLOCATIONS

- 4810 Diocesan Allocation**
Allocations from the Diocese for parish based ministry or other special programs/projects.
- 4820 Parish Allocation**
Allocation received from other parishes including funds from a mission parish to main parish for reimbursement of expenses.

OTHER

- 4855 Sale of Religious Articles**
Receipts from the sale of religious articles.
- 4860 Sale of Publications**
Receipts from the sale of pamphlets, publications, etc.
- 4890 Miscellaneous**
Receipts for general use not included in the above accounts. For example, the amount the State of Missouri allows the employer to keep from employee state withholding.

EXTRAORDINARY

- 4910 Wills/Bequests**
Funds left to the parish from a will or estate for either general or restricted use.
- 4970 Sale of Property, Land, & Equipment**
Receipts from the sale of buildings, land, and equipment.

EXPENSE ACCOUNTS

PERSONNEL

- 5110 Clergy Salaries**
Salaries or compensation paid to pastor and associate pastor or to religious communities of the ordered priests. Also, compensation to deacons should be charged to this account.

5115	Substitute Clergy Payments for clergy who assist from time to time either in celebration of Mass, celebration of sacraments or other duties.
5120/5130	Lay Salaries Salaries paid to any lay employee. (21-39 available for use)
5141	Clergy Health Insurance/Retirement/Long Term Care Clergy health insurance premium, retirement dues, special assessment for health insurance of current/future retired priests and long term care insurance premiums.
5142	Clergy Mileage Reimbursement Reimbursement to clergy for mileage driven to carry out responsibilities of position. Mileage must be documented per the IRS regulations for an Accountable Reimbursement Plan per Diocesan Policy.
5143	Clergy Social Security Reimbursement Reimbursement for one-half of the Social Security/Medicare Tax priest paid in the previous year as an independent contractor/self employed per IRS.
5144	Rectory Household Payments for priests' household expenses such as food, laundry, cable TV, cleaning supplies and equipment. If the residence is leased, lease payments would be recorded in this account.
5145	Clergy - Continuing Education/Retreat Payments for approved degree programs, continuing education conferences and retreats. Should also include parish portion of sabbatical costs.
5151	Lay Benefits - Employer Portion Employer's portion of lay employee benefits payable to the diocese: retirement, health care insurance, life insurance, and long/short term disability insurance.
5152	Lay Benefits - FICA Employer's portion of Social Security and Medicare taxes payable to the federal government.
5160	Religious Salaries Compensation paid to any religious order for sister or brother. (61-64 available for use.)
5165	Religious Benefits Payments for sisters and/or brothers health care premiums and retirement dues.
5171	Continuing Education - Deacon Payments for continuing education programs related to the ministry of deacon.
5172	Continuing Education - Religious Women/Men Payments for continuing education opportunities such as conferences, classes, workshops and services. Does not include room, travel, and board.
5173	Continuing Education - Lay Payments for continuing education opportunities such as conferences, classes, workshops and services. Does not include room, travel, and board.

FACILITIES

- 5211 Gas**
Payments to utilities for natural gas and propane usage.
- 5212 Electric**
Payments to utilities for electrical service.
- 5213 Water**
Payments to utilities for water service including sewer/storm system expenses.
- 5220 Telephone/Fax/Internet**
Payments for phone purchase, rental, and installation. Including local and long distance telephone service, facsimile rental, purchase, supplies, services, internet and cable.
- 5231 Ordinary Repair & Maintenance - Buildings**
Payments for a) all maintenance activity regardless of cost and b) any repair/replacement of a recurring nature less than \$10,000 per repair/replacement.
- 5232 Ordinary Repair & Maintenance - Grounds**
Payments for a) all maintenance activity regardless of cost and b) any repair/replacement of a recurring nature less than \$10,000 per repair/replacement. Examples include landscaping and small repairs to parking lots, sidewalks, play areas, sports fields, etc.
- 5233 Ordinary Repair & Maintenance - Equipment**
Payments for any equipment maintenance and repairs which are less than \$5,000 per maintenance/repair.
- 5235 Ordinary Repair & Maintenance - Contract Services**
Payments for any contracted services for equipment maintenance and repairs (eg. trash removal, cleaning services, snow removal).
- 5240 Custodial Supplies & Services**
Payments for custodial and janitorial supplies and services (eg. cleaning supplies, toilet paper, paper towels, ice melt).
- 5251 Furniture & Equipment - Purchase**
Payments for the purchasing of furniture and equipment which are less than \$5,000 per furniture/equipment purchase.
- 5252 Furniture & Equipment - Leasing**
Payments for all leases of furniture and equipment.
- 5254 Equipment - Multimedia**
Payments for purchases of multimedia equipment less than \$5,000 per purchase (eg. audio/visual equipment).
- 5255 Equipment - Computer Hardware**
Payments for purchases of computer hardware less than \$5,000 per purchase. Include cost of maintenance agreements.

- 5256 Equipment - Computer Software**
Payments for purchases of any computer software. Include cost of maintenance agreements.
- 5260 Property Taxes**
Payment for property taxes payable to city and/or county for land or property not specifically exempted. Also, payments for boulevard taxes in the Kansas City area.
- 5270 Rental Expense**
Payment for rental or leasing of facilities for programs and events(eg. civic arenas, halls, storage trailers, classroom trailers).
- 5260 Security Expense**
Payment for facilities security to a security alarm company, security patrol, including payments to police officers for security special events.
- 5290 Other Expense**
Payment for other facilities expenditures not included above.

GENERAL/OPERATIONAL

- 5310 Postage**
Payments for postage, post office box rental, postage meter fees, courier services and postage related supplies. (11-19 available for use)
- 5320 Printing**
Payments for all types of general printing and duplicating projects sent out for processing (eg. bulletins, reports, correspondence, etc.). Envelopes recorded in 5372. (21-29 available for use)
- 5330 Supplies**
Payments for all types of supplies (eg. office supplies, meeting supplies, excluding supplies relating to facilities). (11-19 available for use)
- 5341 Legal/Professional Fees**
Payments for legal services, usually bills coming from the Diocese for use of legal counsel but can be from time to time when legal counsel is sought directly by the parish.
- 5342 Accounting Service**
Payments for accounting, bookkeeping and payroll services. Include in this account the cost of the parish financial review.
- 5343 Banking Services/Fees**
Payments for "hard dollar" bank charges/fees.
- 5345 Contract Labor/Services**
Any type of other professional service not recorded on 5341, 5342, or 5343 or not recorded as maintenance/repair (eg. trash removal, cleaning services, snow removal). Examples could be a strategic planning consultant, computer consultant services, or any other consultant activity that is on-site at the parish.
- 5351 Diocesan Assessment**
Payment to diocese for assessments (eg. Parish Diocesan Assessment and School Assessment).

5352	Interest on Debt Payments of interest on debts with the Diocese.
5353	Property and Casualty Insurance Payment for monthly property and casualty insurance premiums as billed by the Diocese.
5361	Resource Books Payment for resource books (eg. professional books, reference books).
5362	Resources Periodicals/Newspaper Payments for purchases of subscriptions to periodicals and newspapers.
5363	Catholic Key Payments for copies of the Catholic Key.
5365	Textbooks Payments for textbooks for educational purposes.
5368	Other Books Payment for other books such as library books.
5369	Memberships and Dues Payment for memberships and dues professional societies, organizations or groups.
5371	General Stewardship/Development Expense Payments associated with stewardship and development expenses (eg. fund raising consultants).
5372	Envelopes Payment for expenses associated with the printing, distribution, and record keeping of contribution envelopes.
5373	Building/Capital Campaign All payments associated with undertaking a capital campaign or Building Campaign. Including the cost of any fund-raising consultant.
5374	Advertising/Public Relations Payments for advertising or public relations (eg. want ads, brochures, public relations consultants).
5381	Fund Raising Expense Payments for any other type of fund raising expense.
5382	Fund Raising Event Payments associated with a fund raising event such as an auction.
5391	Special Events - Celebrations/Events Payments for having special parish celebrations like funeral dinners, anniversary, groundbreaking, dedication, etc.
5396	Workshop/Seminars Payments for expenses associated with hosting a seminar or workshop.

5401	Mileage Payment for reimbursement of mileage expense incurred within a scope of employees' duties - reimbursement is at the rate set by the IRS.
5402	Travel/Lodging/M meal (for meetings or conferences) Payments for air and ground transportation, hotels, lodging, and meals when attending meetings or conferences.
5403	Meals/Entertainment Payments for various types of meals, like breakfast, lunch or dinner meetings, meals expense for thank you of services, etc.
5405	Group Travel/ Field Trips Payments for general group travel. (eg. visiting a newly constructed church to get ideas for church construction, trips to shrines, youth field trips).
5411	Vehicle Expense Payments for fuel, maintenance, insurance, and licensing.
5415	Transportation - Leased Payments for vehicles leased or rented including fuel.
5420	Sports Programs Payments for all expenses connected with sports programs sponsored by the parish.
5430	Childcare Expenses associated with the care of children during parish sponsored meetings.
5435	Testing Payments related to the issuance of periodic standardized and/or required testing.
5440	Cafeteria/Food Expense Payments related to the operation of a cafeteria or lunch program.
5450	Health/Medical Expense Payments made to provide health services to the parish school/daycare.
5460	Volunteer Expense Payments for expenses associated with volunteer activities and programs.
5462	Awards/Recognition (Staff/Volunteer) Payments for expenses associated with honoring employees and/or volunteers.
5471	Poor Box Expense Expended funds associated with income Account 4340.
5472	Donations to the Poor Payments to programs serving the poor or direct payments to the poor.
5476	Donations to Parishes Payments made to other parishes a donation or reciprocal agreement.

5479	Donations to Organizations outside the Diocese Payments made to any organization outside the Diocese that has a charitable purpose.
5481	Elementary/Consolidated School Support Payments made to a elementary/consolidated school as per agreement with school.
5486	Elementary/Consolidated School - Donation Payments made to a elementary/consolidated school as per a donation. For example, assistance with utilities, building repairs, and building maintenance.
5488	High School Support Payments made to an area high school as part of a parent tithing program.
5490	Other Payment for expenses not included in other ordinary expenses listed above.

5500-5800 NOT USED IN EXPANDED MODEL

PRAYER & WORSHIP

5510	Liturgical Supplies All payments for supplies needed to carry out liturgical functions. These include candles, altar wine, hosts/breads, flowers, decorations, banners, linens, etc.
5520	Vestments Payments for new vestments and vestment cleaning/repair.
5530	Contracted Services - Stipend Musicians Payments for contracted organists, instrumentalist and vocalists involved in liturgy.
5540	Contractual Services - Other Payments for other contracted services, i.e. church sound system repair.
5550	Hymnals Payments for hymnals, song books, copyrights, pamphlets, and missalettes.
5560	Homily Aids Payments for homily aids (eg. homily service, items which enhance the homily's presentation and delivery).
5570	Instruments Payments for instrument maintenance, repairs, and purchases less than \$5,000.
5590	Other Payments for prayer and worship expense not included above.

RELIGIOUS EDUCATION

5610	Rel-Ed - Pre-K thru 8th (11-19 available for use)
5620	Rel-Ed - H.S. (21-29 available for use)
5630	Summer Rel-Ed Programs (31-39 available for use)
5640	Rel-Ed Adult Formation (41-49 available for use)
5650	RCIA (51-59 available for use)
5660	Sacramental Prep (61-69 available for use)
5670	Retreats/Missions (71-79 available for use)
5690	Other

All expenses associated with the conducting of these religious education ministries. Excluded would be those expenses recorded in Personnel- 5100 series through Facilities-5200 series.

PASTORAL MINISTRY

5710	Youth Ministry (11-19 available for use)
5720	Young Adult Ministry (21-29 available for use)
5730	Family Ministry (31-39 available for use)
5740	Senior Ministry (41-49 available for use)
5750	Social Ministry/Justice (51-59 available for use)
5760	Counseling (61-69 available for use)
5770	Prison Ministry (71-79 available for use)
5780	Other
5790	Other

All expenses associated with the conducting of these pastoral ministries. Excluded will be those expenses recorded in Personnel- 5100 series through Facilities-5200 series.

EXTRAORDINARY

5910	Extraordinary Repairs & Replacement - Buildings/Grounds Payments for any repair or replacement > \$10,000 that extends the useful life beyond one year or changes the buildings to make them more useful or desirable. Examples include parking lot repair, roof repair, boiler repair, mechanical repairs.
5920	Extraordinary Repairs - Equipment (>\$5,000) Payments for office and non-office equipment repairs that exceed \$5,000.
5930	Furniture & Equipment Purchase (>\$5,000) Payments for purchases of furniture and equipment which exceed \$5,000, including computer hardware and instruments.
5971	Purchase of Property Payments for purchases of land and/or buildings.
5972	Purchase of Vehicle Payments for purchases of vehicles for parish/school use.

5980

New Construction/Major Renovation

Payments for 1) any renovations, alterations, remodeling that enhance the useful life or make them more useful or desirable or 2) construction of a new building, including an addition made to existing buildings to increase the square footage.

BALANCE SHEET ACCOUNTS

CASH ACCOUNTS (ASSETS)

1010 Parish Checking Accounts

Deposits and payments for the parish are recorded to these accounts. A separate account should be established for each bank account. (11-19 available for use)

1020 School Checking Accounts

Deposits and payments for the school are recorded to these accounts. A separate account should be established for each bank account. (21-29 available for use)

1030 Other Checking Accounts

Deposits and payments for other activities are recorded to these accounts. A separate account should be established for each bank account. (31-39 available for use)

1040 Parish Funds on Deposit with Diocese Accounts

Deposits and withdrawals for the parish are recorded to these accounts. A separate account should be established for each diocesan deposit account. (41-49 available for use)

1050 School Funds on Deposit with Diocese Accounts

Deposits and withdrawals for the school are recorded to these accounts. A separate account should be established for each diocesan deposit account. (51-59 available for use)

1060 Other Funds on Deposit with Diocese Accounts

Deposits and withdrawals for the other activities are recorded to these accounts. A separate account should be established for each diocesan deposit account. (61-69 available for use)

1070 Parish Savings Accounts

Savings deposits and withdrawals for the parish are recorded to these accounts. A separate account should be established for each bank account. (71-79 available for use)

1080 School Savings Accounts

Savings deposits and withdrawals for the school are recorded to these accounts. A separate account should be established for each bank account. (81-89 available for use)

1090 Other Savings Accounts

Savings deposits and withdrawals for the other activities are recorded to these accounts. A separate account should be established for each bank account. (91-99 available for use)

SCHOOL RECEIVABLE (ASSETS)

1310 School Tuition Receivable

The account will only be used by parishes utilizing a tuition billing module of accounting software. The billing module posts the income to the tuition income account and posts to school tuition receivable. Payments of tuition are posted against this account.

PAYROLL WITHHOLDING ACCOUNTS- EMPLOYEE PORTION (LIABILITIES)

- 2110 Federal Income Taxes**
Employee portion of federal income tax should be recorded here. Payments of these amounts to the vendor should also be recorded in these accounts.
- 2120 Medicare Taxes**
Employee portion of Medicare tax should be recorded here. Payments of these amounts to the vendor should also be recorded in these accounts.
- 2130 Social Security Taxes**
Employee portion of Social Security tax should be recorded here. Payments of these amounts to the vendor should also be recorded in these accounts.
- 2140 State Income Taxes**
Employee portion of state income tax should be recorded here. Payments of these amounts to the vendor should also be recorded in these accounts.
- 2150 City Income Taxes**
Employee portion of city income tax should be recorded here. Payments of these amounts to the vendor should also be recorded in these accounts.
- 2160 Health Insurance Premium**
Employee portion of health insurance premium should be recorded here. Payments of these amounts to the Diocese should also be recorded in these accounts.
- 2163 Dental Insurance Premium**
Employee portion of dental insurance premium should be recorded here. Payments of these amounts to the Diocese should also be recorded in these accounts.
- 2165 Flexible Benefits: Part B - Unreimbursed Medical**
Employee portion of flexible benefits, part B, Unreimbursed Medical, should be recorded here. Payments of these amounts to the Diocese should also be recorded in these accounts.
- 2168 Flexible Benefits: Part C - Dependant Care**
Employee withholding for flexible benefits, part C, Dependant care, should be recorded here. Payments of these amounts to the Diocese should also be recorded in these accounts.
- 2170 Flexible Benefits: Administration Fee**
Employee withholding for flexible benefits, administration fee should be recorded here. Payments of these amounts to the vendor should also be recorded in these accounts.
- 2173 Tax Deferred Annuities §403(b)**
Employee withholding for flexible benefits, administration fee should be recorded here. Payments of these amounts to the vendor should also be recorded in these accounts.
- 2175 Supplemental Voluntary Life Insurance**
Employee withholding for supplemental voluntary life insurance should be recorded here. Payments of these amounts to the Diocese should also be recorded in these accounts.
- 2180 Garnishments**
Employee withholding for garnishments should be recorded here. Payments of these

amounts to the vendor should be recorded in these accounts.

2190 Other Payroll Deduction

Employee withholding for other payroll deductions should be recorded here. Payments if these amounts to the vendor should also be recorded in these accounts.

**** Note:** The Payroll Withholding Accounts-Employee Portion accounts should always zero out as the amounts recorded here are always remitted to the vendor or Diocese in a short period of time.

CLEARING ACCOUNTS (LIABILITIES)

2210 Exchange Accounts - Payable to Others

Receipts which are held temporarily to be paid to outside agencies.

NOTE: This account should always zero out as the amounts recorded here are always remitted to the vendor or Diocese in a short period of time.

2250 Advance Tuition and Fees

Receipts of tuition and registration fees for the next school year. These amounts will be transferred to Tuition Income and Registration Income at the beginning of the next school year.

DIOCESAN/UNIVERSAL CHURCH COLLECTIONS (LIABILITIES)

2310-2390 Receipts from all Diocesan/Universal collections should be recorded in these accounts. The checks written to remit the funds to the Diocese or appropriate agency should be recorded here.

NOTE: This account should maintain a zero balance, as transactions are short term in nature. An exception would be a collection at the end of a month, which is not remitted to the Diocese or agency until the following month.

DONOR DESIGNATED (LIABILITIES)

2410 Designated Grants

Grant monies received which must be spent in accordance with the grant document. The deposit should be recorded in this account. When the funds are spent for the specific purpose of the grant, the check is coded to the proper expense account and then a journal entry should be made to transfer the amount of the check from Account #2410 (debit) to Account #4230 (credit) to record the income.

2430 Mass Stipends

Receipts given for a mass to be said at a date in the future in memory of an individual(s). The deposit should be recorded in this account. At the point in time the mass is said, a check should be written and deposited into account #4330. A list of the mass dates, individuals and amounts should be maintained and reconciled to this account balance each month.

LONG TERM DEBT

(LIABILITIES)

2710

Diocesan Loan

Receipts of loan funds from the Diocese should be deposited into this account. Checks for repayment of the loan should also be charged to this account. At the end of the month, the balance in this account should be compared to the statement received from the Diocese. The amounts should always agree.

EQUITY

(EQUITY)

3900

Net Assets

Accumulated net operating surplus or deficit.

60.15 Financial Management Reports

Policy: All parishes, missions, schools and early childhood centers must accurately and completely report financial activity on a timely basis.

Purpose: To provide information and guidance concerning the content and format of the basic financial management reports used.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments:

In addition to being accurate, complete and timely, the report of financial activity should:

- summarize financial transactions in a simple, concise and consistent manner; and
- provide a “benchmark” in conjunction with the financial statements in the form of a budget so that readers of the statements have a basis of comparison for assessing financial activity.

I. Accounting Principles – the cash basis method of accounting shall used. The following accounting principles should be considered when recording transactions. See 10.15 Accounting Norms for more detail of these principles and of the accounting standards to be used. Refer to 60.10 Chart of Accounts and Attachment 60.10-3 Account Descriptions for specific accounts to be used.

A. Receipts/Revenue

1. Revenue is to be recorded when received, not on the basis of a pledge or other commitment.
2. Advance Payments: Receipts representing deposits for tuition payments received prior to the period in which the educational activities will take place are to be recorded as a liability and reclassified to income when the revenue is earned.
3. Custodial Receipts: Receipts over which the parish, mission, school or early childhood center (“entity”) has no discretion as to their use represent custodial transactions and are to be recorded as a liability until paid. This includes receipts from national and diocesan collections and payments for Mass intentions.
4. Designated Receipts: Receipts from an individual or an organization with their purpose restricted for a specific use. The funds are recorded as a liability until the specific use has been satisfied; at which time it is recorded as income.

B. Expenses/Liabilities

1. Expenses are to be recorded when payment is made for the merchandise received or service rendered.
2. Expenses Paid in Advance: Expenditure representing a deposit for merchandise or service which will be refunded or returned upon completion should be recorded as a prepaid asset. When the deposit is refunded, the prepaid assets account is credited.

C. Exchange Accounts

1. Receipts and expenditures connected only with actual exchanges such as collecting of money for a bus trip and issuing a check to cover the trip collections should be recorded in the exchange account.
2. The exchange accounts shall never be used to net income and expenses (See 10.15 Accounting Norms) and, in fact, shall contain no income or expense of the entity.
3. Specific donations and their related expenditures do not belong in the exchange account.
4. The activity that is run through this account shall only be activity related to the parish. No personal financial activity (i.e. employee purchases) should ever be run through this account.
5. There should be very little activity in the exchange account since there are few actual exchanges.

D. Debt

1. The principal amount of all loans payable is to be recorded as a liability and recorded on the balance sheet.
2. Principal loan payments shall be recorded as a debit to the loan payable account.

II. Financial Reports

- A. Statement of Financial Position/Balance Sheet – The statement of financial position/balance sheet is an important financial report to prepare and review. It reflects the net worth of the entity and includes a delineation of the entity's assets and liabilities. Assets include such things as cash, savings and receivables. Liabilities include custodial funds, payments received in advance and loans payable. Note: Interim accrual of accounts payable may be necessary when an entity is unable to pay their current invoices so that there is an accurate picture of indebtedness (see 30.20 Accounts and Loans Payable).

1. Format: A Balance Sheet is generally organized as follows:

Current Assets

Bank Accounts

Parish Checking Account	X,XXX	
Other Checking Account	X,XXX	
Parish Savings Account	XX,XXX	
Other Savings Account	X,XXX	
Total Bank Accounts		XX,XXX

TOTAL ASSETS

XX,XXX

Current Liabilities		
Payroll Withholding Accounts		
Federal Income Taxes	X,XXX	
MEDICARE Taxes	X,XXX	
Social Security Taxes	X,XXX	
State Income Taxes	XXX	
City Income Taxes	X,XXX	
Health Insurance Premiums	XXX	
Dental Insurance Premiums	XXX	
Flexible Benefits: Part B	XXX	
Tax Deferred Annuities 403(b)	X,XXX	
Supplemental Voluntary Life Insurance	XXX	
Garnishments	XXX	
Total Payroll Withholding Accounts		X,XXX
Clearing Accounts		
Exchange Accounts-Payable to Others	X	
Total Clearing Accounts		X
Diocesan/Universal Church Collections		
Operation Rice Bowl	XXX	
Catholic Charities Emergency Assistance	XXX	
		XXX
Total Current Liabilities		XX,XXX
Long Term Debt		
Diocesan Loan		XXX,XXX
Total Liabilities		XXX,XXX
Net Assets		
Net Assets	(XXX,XXX)	
Current Earnings/(Loss)	X,XXX	
		(XXX,XXX)
TOTAL LIABILITIES AND NET ASSETS		XX,XXX

2. How the Balance Sheet is Used:

- i. Bank Account – these balances can be used to verify the amount of money in each of the accounts and will reflect all checks written and deposits recorded.

-
- ii. Payroll Withholdings – Amounts in these accounts should always zero out. The accounts are credited for withholdings from employee paychecks and debited when payment is made to the various vendors.
 - iii. Clearing Accounts – Amounts in these accounts should always zero out. This account should be credit for receipts that are held temporarily and should be debited when payment is made to the outside agency.
 - iv. Diocesan/Universal Collections – Amounts in these accounts should always zero out. When funds are received for a collection, these accounts should be credited. The account should be debited when payment is made to the Diocese or other agency.
 - v. Designated – Receipts from an individual or an organization with their purpose restricted for a specific use. The funds are recorded as a liability until the specific use has been satisfied; at which time it is recorded as income.
 - vi. Long Term Debt – The balance of this account is the amount of the loan that has not been repaid. Additional loan funds received from the Diocese should be credited to this account. When loan payments are made, this account is debited (see 30.20 Accounts and Notes Payable).
3. How the Balance Sheet is Reviewed: The Balance Sheet should be printed at the end of each month (at a minimum) and each section should be reviewed as follows:
- i. Bank Account
 - a. Each checking account balance should be compared to the bank reconciliation (see 50.20 Bank Reconciliation). These balances should always be in agreement.
 - b. Each savings account balances should be compared to the monthly Statement of Loans and Deposits received from the Diocese. Any discrepancy should be researched and resolved.
 - ii. Payroll Withholdings
 - a. Balances remaining in these accounts should only represent the amounts not yet remitted to the taxing authorities or other vendors.
 - b. Balances **must** be verified at the end of each month to exact amounts that are known to be outstanding.
 - c. Payroll withholding **must** be remitted on time. Failure to report and/or remit payroll taxes could result in extensive liability to the entity and to the responsible person.

- iii. Clearing Accounts
 - a. Balances remaining in these accounts should only represent the amounts not yet remitted to the outside agency.
 - b. This is a temporary holding account and should zero out each month.
 - c. Balances should be verified at the end of each month to exact amounts that are known to be outstanding.
 - iv. Diocesan/Universal Collections
 - a. Any remaining balance in these accounts should only represent the amounts not yet remitted to the Diocese or other agency.
 - b. Balances should be verified at the end of each month to exact amounts that are known to be outstanding.
 - v. Designated
 - a. The ending balance in this account is the amount that has not been spent for the specific use.
 - b. A listing should be maintained which provides a detail of the remaining balances in these accounts which includes the detailing the donor, amount, and designation.
 - c. Balances should agree to the detail listing.
 - vi. Long Term Debt
 - a. The balance of this account is the amount of the loan that has not been repaid.
 - b. The balance at the end of the month should be compared to the monthly Statement of Loans and Deposits received from the Diocese. Any discrepancy should be researched and resolved.
- B. Income Statement – the Income Statement when it includes the budget versus actual expense data is probably the most useful financial report to the Pastor/Pastoral Administrator/Diocesan School Principal and the Finance Council/Committee. This report reflects actual revenues and expenses for the reporting period (usually one month), and should be designed to show budget versus actual information for the period and year-to-date. This is most useful in assessing whether or not revenues (primarily Offertory) and expenses approximate what was planned and budgeted for the fiscal year. The Pastor/Pastoral Administrator/Diocesan School Principal and the Finance Council/Committee should review this report monthly to ascertain whether or not adjustments are needed in the expenditure area of the budget. One of the most effective internal controls is the comparison of the budget to the actual receipts and disbursements. If significant variances from the budget are promptly investigated, the chance of a large misappropriation of funds occurring is greatly reduced.

For this report to be of maximum benefit to an entity, budget information must be entered into the accounting system. Each ministry, committee or program that submits a request for funds needs to project the timing of the expenditure. This will allow the Pastor/Parish Administrator/Diocesan School Principal, the Business Manager and the Finance Council/Committee to anticipate the cash flow of the entity. This is particularly useful when determining how a surplus in revenue received during the year should be used.

The format of an Income Statement is as follows:

Income Statement for the period xx/xx/xxxx to xx/xx/xxxx			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
RECEIPTS			
Contribution Income			
Development Income/Fund Raising			
Operational			
Education			
Religious Education			
Ministry & Program Fee Income			
Diocesan/Parish Allocations			
Other			
Extraordinary Income			
TOTAL: OPERATING INCOME			
EXPENSES			
Personnel			
Facilities			
General/Operational			
Prayer & Worship			
Religious Education			
Pastoral Ministry			
TOTAL: ORDINARY EXPENSES			
Extraordinary Expense			
NET SURPLUS OR (DEFICIT)			

60.20 Budgeting

Policy: Each parish and mission is to submit to the Diocesan Finance Office annually a completed Parish Budget Proposal by **July 31st of the year**. The Budget Proposal shall reflect a balanced budget.

Purpose: To establish procedures for preparing, submitting and monitoring of an annual budget. Budgetary control and financial reporting assure that the parish funds are being administered responsibly.

Scope: Applies to all parishes and missions.

General Comments:

The annual parish budget represents the financial plan for the parish operation. The Diocese does require that a parish have a balanced budget annually. The Diocese also promulgates that the Parish Finance Council has the responsibility to “coordinate the preparation of the annual parish budget and a long range financial plan in accordance with the mission, values and goals set by the Parish Pastoral Council and in consultation with other committees” (see 10.10 Parish Finance Council III B). This procedure identifies the recommended budget process and identifies what is considered a balanced budget.

Note: The budgeting process described here assumes the existence of a Parish Pastoral Council.

I. Process

- A. The Parish Finance Council is responsible for the design of the budget process as well as the development of the budget itself. The Finance Council could actually create a Budget Committee to oversee these two tasks, but the Budget Committee would be accountable to the Finance Council.
- B. The parish budget should be a reflection of the parish goals and priorities, (“planning drives budgeting, not vice versa”) which are the responsibility of the Pastoral Council. Those involved in the budget process should strive to find the comfort point between responsible, aggressive financial management and the obligation of a parish towards its Mission and People.
- C. Each department (or ministry area or office) should develop and present to Finance Council, expense budgets that are realistic and in line with the goals of that department and the priorities of the parish. Any income associated with the programs and institution of each department should be budgeted, and budgeted conservatively.
- D. The Finance Council (which includes the Pastor/Pastoral Administrator) should develop general income and support projections. The Finance Council and Pastor/Pastoral Administrator, should not be satisfied with simply projecting last year’s data (or some projected percentage increase); rather they should encourage creative programs and approaches to increase income and support, and generate more volunteer resources.
- E. The Finance Council, having reviewed income projections and the submitted budgets of each department, should develop a comprehensive balanced budget without eliminating programs. If this is not possible, the Finance Council should develop alternatives that would bring the budget into balance. The budget, with the suggested options, should be

presented to the Pastoral Council. The Pastoral Council reviews the submission, in light of the parish's Mission and priorities.

- F. The Finance Council, prior to its budget submission to the Pastoral Council, should not eliminate programs, but rather suggest creative alternatives such as implementing a stewardship program, adding a fund raising event, sharing of staff in certain ministry areas, re-evaluating the need for new equipment, etc.
- G. The Pastoral Council should bring the budget into balance, 1) in consultation with the Finance Council and parish departments, and 2) reflecting on the parish's Mission and priorities. The Pastoral Council ratifies the budget and submits it to the Pastor/Pastoral Administrator for final approval.
- H. The Pastoral Council should make an attempt to publish the annual budget, along with the parish's mission and goals, to the parish at large (bulletin insert, explanation at Mass, parish "town hall" meeting, or bulletin board presentation). The Finance Council should ensure that the budget is submitted to the Diocese as part of the Annual Financial Report.

II. What is a Balanced Budget?

- A. Those involved in the budget process should strive to find the comfort point between responsible, aggressive financial management and the obligations of a parish toward its Mission and People. It is the challenge of creating a reasonable, responsive, and responsible plan.
- B. The following is offered as a working framework as to what constitutes a balanced budget:
 - 1. Income should be budgeted conservatively; expenses should be budgeted realistically.
 - 2. The budget shall include full provision for the Diocesan Assessment, interest (and principal), insurance and benefit payments to the Diocese.
 - 3. Net Income should be large enough to handle required debt (principal) payments on diocesan loans and/or fund capital expenditures.
 - 4. Surplus funds on deposit can be considered in balancing the budget when the parish is facing a one-time or special operational expenditure OR an extraordinary repair/capital expenditure. Examples could be the following:
 - a. A parish wants to fund a Youth Minister position out of surplus funds on deposit; in this case, the parish decides to approve a one year draw from funds on deposit to fund the position, realizing that the subsequent year's budget will need to properly address the implications of this decision. The Pastor/Pastoral Administrator, Pastoral Council and Finance Council need to fully understand all budget implications and the implications for the diminishment of funds on deposit. An outside fund raising consultant might be another example.
 - b. A parish needs to put on a new roof, and cannot budget the funds operationally.
- C. A parish, when facing an extraordinary repair or capital improvement, can consider borrowing from the Diocese, realizing that the current operating budgets and subsequent operating budgets should be able to support principal and interest payments.

- D. The Diocesan Finance Office shall review budgets after their submission, and will report to the Bishop any budgets that would not appear to be in balance. At this time, appropriate following up from the Bishop or Diocesan Finance Officer would be forthcoming.

III. Sample Timeline

February

1. Diocesan Finance Office distributes forms to aid in the budget preparation. These forms include:
 - a. Annual Parish Financial Report and Budget spreadsheet (*Customized for your Parish*)
 - b. Estimate - Fringe Benefit Costs and Property & Casualty Insurance Premium
 - c. Clergy Salary Scale
 - d. Compensation for Religious Community Clergy 2013/2014
 - e. Tool - Salary and Benefit Calculator.
2. Give staff members budget forms.
3. Give organizations with monetary needs that will impact the budget their budget request forms.
4. Pastoral Council should decide on specific goals for the coming year.
5. Parishes may elect to assign a member of their Finance Council (or Budget Committee, if applicable) to work with each major ministry or committee, to gain a more in-depth knowledge of the financial requirements of each activity.
6. Have staff review their programs with the Pastor/Pastoral Administrator or designee to evaluate what will be continued and what will need to be revised or added for the next fiscal year.
7. Provide each staff member with actual spending figures for the current year to date by running a Detailed General Ledger report for individual sub-accounts.

April

1. Have each staff member prepare on initial line item budget. This first pass will be reviewed by the Finance Council or appropriate subcommittee to see how all the sub-accounts will fit into the overall budget.
2. The Finance Council will prepare reasonable income projections for the next fiscal year.

April-May

1. Suggestions from the Finance Committee or appropriate subcommittee will be incorporated and refinements will continue to be made until a balanced budget is developed.

May-June

1. Once the Pastoral Council has recommended a balanced budget and the Pastor/Pastoral Administrator approves it, it is sent to the Diocese. The budget is due to the Diocese by **July 31**.

2. The budget is entered into the parish's accounting system after it has been sent to the Diocese. The budget should continue to be compared to the actual monthly revenue and expenses throughout the year.

IV. Monitoring

- A. Once the fiscal year begins on July 1, the new budget should be implemented. Spending should not exceed the budgeted amounts – however, in the event of an unforeseen situation, adjustments may be made within a program with the approval of the Pastor/Pastoral Administrator. Similarly, the Finance Council has the responsibility to scrutinize the financial reports each month to see that the guidelines that were set out as the budget was being prepared are being followed.
- B. As the budget undergoes continual review by the Pastor/Pastoral Administrator, the Finance Council and pertinent staff members throughout the year, noticeable deviations may begin to occur. Small deviations may be acceptable, but if they start to accumulate major problems can occur.
 1. For minor situations, the person responsible should be asked for clarification. If the answers are satisfactory then no additional action is required, but monitoring should be continued.
 2. If major deviations occur, they must be attended to immediately. The Pastor/Pastoral Administrator, Finance Council and the pertinent staff member must immediately work to correct the problem. A satisfactory solution should be implemented, and again, monitoring should continue.
 3. If there is no resolution at the parish level because of the situation or because some individuals are unwilling to pursue correction, then the Pastor/Pastoral Administrator and the Finance Council need to seek help and recommendations from the Diocesan Finance Officer.

60.25 Reporting

Policy: Each parish shall submit a financial report to the Diocesan Finance Office, the Office of the Bishop and to the parish at large according to Diocesan Policy.

Purpose: To establish guidelines for submitting a financial report to the Diocese, the Office of the Bishop and the parish at large.

Scope: Applies to all parishes and missions.

General Comments:

Those entrusted as stewards of the temporal resources of the Church are accountable to those who provide monetary support to the Church. The Pastor/Pastoral Administrator and the Parish Finance Council have a responsibility to report the financial status of the parish to the Diocese, the Office of the Bishop and the parish at large.

I. Reporting to the Parish

- A. Each parish shall present/publish interim financial statements and information to the parish at large on a periodic basis appropriate for the parish but at least semi-annually.
- B. Each parish shall present/publish the parish operating budget to the parish at large on an annual basis at a time appropriate for the parish but no later than August 31st of the relevant budget year.
- C. A clear and adequate presentation of the fiscal year results shall be presented and/or published in a suitable form for the information of all parishioners preferably no later than 90 days after the close of the fiscal year.

II. Reporting to the Diocesan Finance Office

- A. Each parish shall submit to the Diocesan Finance Office annually a completed Parish Financial Report by **July 31st of that year**. The report will have been reviewed, approved and signed by the Pastor/Pastoral Administrator **and** by the Parish Finance Council. This submission shall include a budget proposal as defined in 60.20 Budgeting. The Parish Financial Report shall include the following attachments:
 - 1. Copies of the fiscal year end bank statements (ALL PAGES) and detailed bank reconciliation reports for all parish bank accounts.
 - 2. Copies of the fiscal year end bank statements (ALL PAGES) and detailed bank reconciliation reports for all parish auxiliary organization bank accounts.
 - 3. Copies of the current fiscal year end and the prior fiscal year end Balance Sheets from the parish accounting software.
 - 4. Completed Parish Internal Control Checklist (see Attachment 60.25-1 Parish Internal Control Check List) which has been signed by the Pastor/Pastoral Administrator and the Parish Finance Council Chairperson.

- B. From time to time, interim financial reports may be requested by the Diocesan Finance Office.

III. Reporting to the Office of the Bishop

- A. Each parish shall submit the Annual Certification Letter to the Bishop by October 15th after the close of the fiscal year.
- B. The Annual Certification shall include (see Attachment 10.10-3 Certification of the Parish Finance Councils activities:
 - 1. The date the previous fiscal period-end financial report was made available to parishioners.
 - 2. The date the current year budget was made available to the parishioners.
 - 3. The date(s) that interim financial statements were made available to parishioners.
 - 4. The dates of finance council meetings.
 - 5. Names and occupations of the Parish Finance Council members.
 - 6. Certification that the previous fiscal period-end report is accurate and complete to the best of the members' knowledge.
 - 7. Certification that the Parish Finance Council reviews and discusses the budget and financial statements.
 - 8. Certification that the Parish Finance Council members have read the current Diocese of Kansas City-St Joseph Diocesan Financial Policies and Procedures Manual, acknowledge responsibility to comply and to contact the Diocesan Finance Office with concerns about parish finances not being appropriately addressed.

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

GENERAL INFORMATION		YES	NO
1.	Are ALL activities of the parish, school and ECC recorded in the parish accounting software? If no, please explain: _____ _____ _____		
2.	Does the parish use ParishSoft to record contributions? If no, please explain: _____ _____ _____		
3.	Does the parish have a Finance Council? If no, please explain: _____ _____ _____		
4.	Are the members of the Parish Finance Council aware of their responsibilities as defined in Policy 10.10 of the Financial Administration Policies and Procedures Manual? If no, please explain: _____ _____ _____		
5.	Does the Parish Finance Council meet at least quarterly? If no please explain: _____ _____ _____		
6.	Are written minutes kept of the Finance Council meetings? If no please explain: _____ _____ _____		
7.	Are all bank accounts in the name of the parish? If no, please explain: _____ _____		
8.	Do all bank accounts contain the parish federal identificatin number (FEIN)? If no, please explain: _____ _____ _____		
9.	Has a letter been written to the parish banks indicating new accounts can only be set-up with an authorized letter from the Pastor/Pastoral Administrator and using the address of the parish? If no, please explain: _____ _____ _____		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

GENERAL INFORMATION	YES	NO
10. Does the Pastor/Pastoral Administrator receive the unopened bank statements directly from the bank for all accounts for review prior to forwarding the statements to the appropriate individual? If no, please explain: _____ _____ _____		
11. Are 941's completed timely? If no, please explain: _____ _____ _____		
12. Are ALL notices received from Federal, State and Local Tax Authorities discussed timely with the Pastor/Pastoral Administrator and the Parish Finance Council? If no, please explain: _____ _____ _____		
13. Has the parish prepared and submitted to the Diocese a balanced, annual budget? If no, please explain: _____ _____ _____		
14. Is a comparison of budget vs. actual with follow-up on key budget variances reviewed by the Pastor/Pastoral Administrator and the Parish Finance Council? If no, please explain: _____ _____ _____		
15. Do journal entries provide clear and thorough explanations of the transactions? If no, please explain: _____ _____ _____		
16. Are journal entries approved by someone other than the person who prepared the journal entry? If no, please explain: _____ _____ _____		
17. Are spending approval limits specified in writing? If no, please explain: _____ _____ _____		

**Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX**

Parish Name: _____

Loc # _____

Parish City: _____

GENERAL INFORMATION		YES	NO
18. Are financial records retained according to Diocesan policy? If no, please explain: _____			
19. Are critical data files stored off-site to assure continuity of processing and safeguarding of files? If no, please explain: _____			
20. Are important and valuable documents (e.g., blank checks, accounting records, back-up disks, sacramental records) kept in a secure and fireproof location? If no, please explain: _____			
21. Does the parish receive rental income? If yes, please describe: _____			
22. Did the parish receive any bequests this year? If yes, please provide: from whom, the amount received and the date received: _____			
23. Does the parish have a copy of the following:			
Financial Administration Policies and Procedures Manual			
Property and Casualty Insurance Handbook			
Personnel Procedures Handbook			
Diocesan Salary Scale Plan			

**Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX**

Parish Name: _____

Loc # _____

Parish City: _____

MONTH-END PROCEDURES		YES	NO
1. Are ALL of the following reports prepared monthly: statement of financial position/balance sheet, profit & loss statement and budget vs. actual? If no, please explain: _____ _____			
2. Does someone other than the bookkeeper (e.g., Pastor/Pastoral Administrator, business manager) review monthly the three reports listed above? If no, please explain: _____ _____			
3. Does the Parish Finance Council review monthly the three reports listed above? If no, please explain: _____ _____			
4. Are monthly bank statements received for all cash account balances recorded in the parish accounting system? If no, please explain: _____ _____			
5. Are ALL bank statements issued by the bank as of month-end? If no, please explain: _____ _____			
6. Are bank statements reconciled promptly upon receipt as of the month-end date? If no, please explain: _____ _____			
7. Are the bank reconciliations completed by someone who is not associated with the cash itself, its accounting or a signer on the account? Please provide name and position of the individual that completes the bank reconciliation _____ _____			
8. Do the printed bank reconciliations contain a detailed listing of the deposits in transit and the outstanding checks? If no, please explain: _____ _____			

**Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX**

Parish Name: _____

Loc # _____

Parish City: _____

MONTH-END PROCEDURES		YES	NO
9. Are the register balances shown on the bank reconciliations compared to the reported cash balances on the financial statements as of month-end? If no, please explain: _____			
10. Are reconciliations reviewed for old (i.e, 90 days or more past issuance date/receipt) outstanding items? If no, please explain: _____			
11. Are either the physical cancelled checks or photocopies of the cancelled checks reviewed every month for ALL bank accounts? If no, please explain: _____			
12. Does a qualified member of the Parish Finance Council review ALL bank reconciliations? If no, please explain: _____			
13. Are liability account balances reconciled to the account records monthly? If no, please explain: _____			
14. Are all funds on deposit with the Diocese balances per the parish records reconciled to the statements received from the Diocese every month? If no, please explain: _____			
15. Are all loans payable to the Diocese balances per the parish records reconciled to the statements received from the Diocese every month? If no, please explain: _____			
16. Are all files for the parish accounting system, parish contribution record system and other critical systems backed up at least monthly and stored off-site? If no, please explain: _____			

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

PERSONNEL	YES	NO
1. Do all employees with responsibilities for financial accounting, deposit preparation, or payment of invoices take vacation each year? If no, please explain: _____ _____		
2. Are all parish/school-directed workers considered employees AND included in the payroll system? If no, please explain: _____ _____		
3. Are the most current W-4 forms maintained for all employees? If no, please explain: _____ _____		
4. Does the Pastor/Pastoral Administrator approve in writing all changes in employee payroll information for new hires, terminations/resignations, and rate changes? If no, please explain: _____ _____		
5. Are vacation and sick leave records maintained, reviewed and approved by authorized personnel? If no, please explain: _____ _____		
6. Are payroll taxes and deferred compensation payments paid by the required due dates? If no, please explain: _____ _____		
7. Does the parish issue a 1099 to ANY independent contractor, substitute retired Diocesan priest or non-religious visiting priest paid \$600 or more during the calendar year? If no, please explain: _____ _____		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

AUXILLIARY ORGANIZATION ACCOUNTS		YES	NO
1.	Do ALL auxilliary organization accounts (e.g, Altar Society, Athletics Associations, Men's Club) contain the federal employer indentification number (FEIN) of the parish? If no, please explain: _____ _____		
2.	Is the Pastor/Pastoral Administrator included as an authorized signer on ALL auxilliary organization accounts? If no, please explain: _____ _____		
3.	Are signature cards updated when changes in leadership occur? If no, please explain: _____ _____		
4.	Are the bank statements for ALL auxilliary organization accounts mailed directly to the parish business office? If no, please explain: _____ _____		
5.	Does the Pastor/Pastoral Administrator receive the unopened bank statements for ALL auxilliary organization accounts, prior to forwarding them to the appropriate individuals? If no, please explain: _____ _____		
6.	Are ALL auxilliary organization bank statements issued by the bank as of month-end? If no, please explain: _____ _____		
7.	Are auxilliary organization bank reconciliations completed monthly and kept on file in the parish office? If no, please explain: _____ _____		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

OFFERTORY COLLECTIONS		YES	NO
1.	Are offertory collections placed in a safe or locked location as soon as practical, following each mass? If no, please explain: _____ _____		
2.	Is access to the vault, drop box, etc. restricted to only a select few? If no, please explain: _____ _____		
3.	Are count teams comprised of at least two individuals? If no, please explain: _____ _____		
4.	Are two or more count teams used in counting the offertory collections? If no, please explain: _____ _____		
5.	Are count team members rotated among different teams? If no, please explain: _____ _____		
6.	Are ALL count team members that are on the same team independent (i.e. not related or married to each other)? If no, please explain: _____ _____		
7.	Are members of the parish staff excluded from the count teams? If no, please explain: _____		
8.	Are all checks immediately endorsed for deposit during count procedures? If no, please explain: _____ _____		
9.	Is an offertory collection count sheet completed during each count and signed in INK by ALL count team members? If no, please explain: _____ _____		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

OFFERTORY COLLECTIONS	YES	NO
10. Are parishioner contribution records compared to the count sheets, deposit receipts and accounting records? If no, please explain: _____ _____		
11. Are ALL offertory collection items counted by the count teams before deposited in the bank? If no, please explain: _____ _____		
12. Is the deposit taken to the bank by at least two counters? If no, please explain: _____ _____		
13. Is the offertory collection deposit made timely (i.e. Monday following the count)? If no, please explain: _____ _____		
14. Is a copy of the counters' sheet, deposit slip and deposit receipt placed together in a parish file? If no, please explain: _____ _____		
15. Does the deposit include ALL monies from the offertory collections? If no, please explain: _____ _____		
16. Is the removal of monies from the offertory collections prohibited? If no, please explain: _____ _____		
17. Are offertory collections deposited separately from other deposits? If no, please explain: _____ _____		
18. Does an independent person compare the signed count sheet to the bank statement? If no, please explain: _____ _____		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____ Loc # _____

Parish City: _____

OFFERTORY COLLECTIONS	YES	NO

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

OFFERTORY COLLECTIONS	YES	NO
19. Does the Pastor/Pastoral Administrator review and initial the counters's sheet information? If no, please explain: _____ _____		
20. Are annual contribution statements prepared by individuals other than those who count or deposit the collections? If no, please explain: _____ _____		
21. Are annual contribution statements MAILED to ALL contributors? If no, please explain: _____ _____		

**Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX**

Parish Name: _____

Loc # _____

Parish City: _____

DISBURSEMENTS		YES	NO
1.	Is the only the Pastor/Pastoral Administrator authorized to sign checks for parish bank accounts? If no, please explain: _____ _____		
2.	Are rubber stamps or other facsimilie signatures prohibited? If no, please explain: _____ _____		
3.	Is the signing of blank checks before use prohibited? If no, please explain: _____ _____		
4.	Are checks made payable to cash prohibited? If no, please explain: _____ _____		
5.	Are invoices approved for payment by the Pastor/Pastoral Administrator or designee before checks are prepared? If no, please explain: _____ _____		
6.	Is adequate supporting documentation (e.g. original receipts, invoices, payroll register, mileage logs) examined by check signers prior to issuance of checks? If no, please explain: _____ _____		
7.	Are invoices defaced or marked "paid" with check # and date (or a duplicate copy of the check attached to the invoice) to prevent reuse? If no, please explain: _____ _____		
8.	Are checks pre-numbered and imprinted with the parish name and account number? If no, please explain: _____ _____		
9.	Are continuous check numbers used and accounted for, then agreed to the accounting system generated numbers? If no, please explain: _____ _____		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

DISBURSEMENTS	YES	NO
10. Does someone other than the bookkeeper or check signer mail the checks? If no, please explain: _____ _____		
11. Are voided checks defaced by removing the signature portion? If no, please explain: _____ _____		
12. Are voided checks retained in order to maintain proper sequential integrity? If no, please explain: _____ _____		
13. Is the Pastor/Pastoral Administrator, the only authorized user of parish credit cards? If no, please explain: _____ _____		
14. Does the parish have only one credit card account? If no, please explain: _____ _____		
15. Are the credit card charges reviewed by the Pastor/Pastoral Administrator? If _____ _____		
16. Are employees and volunteers prohibited from making personal charges on parish credit cards? If no, please explain: _____ _____		
17. Are ALL outstanding credit card balances paid in full each month? If no, please explain: _____ _____		
18. With the exception of minor petty cash items, are all disbursements made by check or Automatic Clearing House (ACH)? If no, please explain: _____ _____		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

DISBURSEMENTS			YES	NO
19. Does the parish pay bills online? Is yes, how does the parish ensure that all online bill payments are expenses of the parish and not individuals or other organizations?				

**Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX**

Parish Name: _____

Loc # _____

Parish City: _____

TUITION & FEES FOR SERVICES		YES	NO
1.	Does the parish have a school? Yes - continue to question #2; No - go to next section _____		
2.	Is school tuition recorded using the accrual or cash basis of accounting? _____		
3.	If accrual basis of accounting for tuition is not used, please describe how tuition receivables and revenues are recorded: _____ _____		
4.	Is the parish recording gross tuition charged? If no, please explain: _____ _____		
5.	Are individual tuition accounts tracked in the parish accounting system? If no, please explain: _____ _____		
6.	Are checks received for tuition and other fees immediately endorsed for deposit when received? If no, please explain: _____ _____		
7.	Are tuition and fees for services recorded and deposited daily? If no, please explain: _____ _____		
8.	Are tuition and fees receipts that are received in the offertory collections reconciled separately from offertory collections? If no, please explain: _____ _____		
9.	Are tuition and fee collections initiated within 30 days of the due date? If no, please explain: _____ _____		
10.	Is the aging and collectability of tuition and fees reviewed periodically by the Parish Finance Council and the Pastor/Pastoral Administrator?		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____ Loc # _____

Parish City: _____

TUITION & FEES FOR SERVICES			YES	NO

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

TUITION & FEES FOR SERVICES		YES	NO
11. Are ALL adjustments for tuition, other receivables or free tuition arrangements documented and approved by the Principal and the Pastor/Pastoral Administrator (or Business Manager)? If no, please explain: _____ _____			
12. Are tuition and fees received compared periodically with tuition and fee estimated? If no, please explain: _____ _____			

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

CAFETERIA RECEIPTS	YES	NO
1. Does the school have a cafeteria or hot lunch program? Yes - continue to question #2; No - go to next section		
2. Are tickets issued to students purchasing lunches? If no, please explain: _____ _____		
3. Is the number of meals served compared to daily cafeteria revenues? If no, please explain: _____ _____		
4. Are sales of inventory items (i.e. milk) compared to beginning and ending counts? If no, please explain: _____ _____		
5. Are daily deposits made of all cafeteria funds received? If no, please explain: _____ _____		
6. Are the cafeteria receipts included in the parish financial statements? If no, please explain: _____ _____		
7. Are the cafeteria receipts deposited in the parish operating account? If no, please explain: _____ _____		
8. Do cafeteria personnel only use checks (not cash) for purchases? If no, please explain: _____ _____		
9. Is cafeteria payroll processed by the parish bookkeeper? If no, please explain: _____ _____		

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

CAFETERIA RECEIPTS	YES	NO
10. Are cafeteria bills paid through the parish accounts payable system? If no, please explain: _____ _____ _____		
11. Does the cafeteria participate in government subsidized milk/lunch programs? If no, please explain: _____ _____		

**Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX**

Parish Name: _____

Loc # _____

Parish City: _____

EXTENDED CARE RECEIPTS		YES	NO
1. Does the parish school have an extended care (after school) program? Yes - continue to question #2; No - go to next section			
2. Is a daily log maintained of the students attending the extend care program? If no, please explain: _____ _____			
3. Is the daily attendance log compared to daily extended care revenues? If no, please explain: _____			
4. Are individual extended care family accounts tracked in the parish accounting system? If no, please explain: _____ _____			
5. Are checks received for extended care fees immediately endorsed for deposit when received? If no, please explain: _____ _____			
6. Are daily deposits made of all extended care funds received? If no, please explain: _____ _____			
7. Are the extended care receipts included in the parish financial statements? If no, please explain: _____ _____			
8. Are the extended care receipts deposited in the parish operating account? If no, please explain: _____ _____			
9. Are statements provided to families of annual childcare receipts? If no, please explain: _____ _____			
10. Are extended care fee collections initiated within 10 days of the due date? If no, please explain: _____			

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

EXTENDED CARE RECEIPTS		YES	NO

11. Is the aging and collectability of extended care fees reviewed periodically by the Parish Finance Council and the Pastor/Pastoral Administrator?			

**Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX**

Parish Name: _____

Loc # _____

Parish City: _____

EARLY CHILDCARE LEARNING CENTERS		YES	NO
1. Does the parish have an early childhood learning center (ECLC)? Yes - continue to question #2; No - go to next section			
2. Is ECLC tuition recorded using the accrual or cash basis of accounting? _____			
3. If accrual basis of accounting for ECLC tuition is not used, please describe how tuition receivables and revenues are recorded: _____ _____			
4. Is the parish recording gross tuition charged? If no, please explain: _____ _____			
5. Are individual ECLC tuition accounts tracked in the parish accounting system? If no, please explain: _____ _____			
6. Are checks received for ECLC tuition and other fees immediately endorsed for deposit when received? If no, please explain: _____ _____			
7. Are ECLC tuition and fees for services recorded and deposited daily? If no, please explain: _____ _____			
8. Are ECLC tuition and fees receipts that are received in the offertory collections reconciled separately from offertory collections? If no, please explain: _____ _____			
9. Are ECLC tuition and fee collections initiated within 30 days of the due date? If no, please explain: _____ _____			
10. Is the aging and collectability of ECLC tuition and fees reviewed periodically by the Parish Finance Council and the Pastor/Pastoral Administrator? _____			

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____ Loc # _____

Parish City: _____

EARLY CHILDCARE LEARNING CENTERS			YES	NO

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____

Loc # _____

Parish City: _____

EARLY CHILDCARE LEARNING CENTERS	YES	NO
11. Are ALL adjustments for ECLC tuition, other receivables or free tuition arrangements documented and approved by the Principal and the Pastor/Pastoral Administrator (or Business Manager)? If no, please explain: _____ _____		
12. Are ECLC tuition and fees received compared periodically with ECLC tuition and fee estimated? If no, please explain: _____ _____		
13. Are statements provided to ECLC families of eligible annual childcare receipts? If no, please explain: _____ _____		

**Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX**

Parish Name: _____

Loc # _____

Parish City: _____

OTHER REVENUES		YES	NO
1.	Is the mail opened by an individual other than the bookkeeper? If no, please explain: _____		
2.	Are checks immediately endorsed for deposit to the parish bank account? If no, please explain: _____ _____		
3.	Is a record of all mail receipts of cash or checks prepared? If no, please explain: _____		
4.	Is a copy of the list for mail receipts of cash or checks given to the bookkeeper with the checks for depositing? If no, please explain: _____ _____		
5.	Does someone at month-end compare the daily receipt list with the deposit posted on the bank statement? If no, please explain: _____ _____		
6.	Are bank deposits made frequently and intact? If no, please explain: _____ _____		
7.	Does the parish have a SCRIP program? If yes, please answer the following: Is SCRIP inventory kept in a secure location? Who is the SCRIP Program Coordinator? (provide name & position) _____ Who reconciles the SCRIP receipts? (provide name & position) _____		
This FINAL page should be signed and dated by the Pastor/Pastoral Administrator and the Chair of the Parish Finance Council.			
Pastor/Pastor		Date	

Diocese of Kansas City-St Joseph
Parish Internal Control Checklist - June 30, 20XX

Parish Name: _____ Loc # _____

Parish City: _____

OTHER REVENUES		YES	NO
Parish Finance Council Chair		Date	

60.40 Financial Records Retention

Policy: All Parish, mission, school and early childhood center financial records shall be kept in a secure place on the premises and retained according the Diocesan guidelines.

Purpose: To establish the retention schedule for financial records.

Scope: Applies to all parishes, missions, schools and early childhood centers.

General Comments: When possible, important documents such as employee records, payroll records, important legal documents, and current journals and ledgers shall be kept in some type of fire proof cabinet. Financial records shall be retained according to the schedule listed below:

Type of Record	Retention Period			
	Permanent	7 Years	3 Years	1 Year
Accounts Payable Journals		X		
Accounts Receivable Journals		X		
Bank Deposit Slips		X		
Bank Reconciliations			X	
Canceled Checks (see exceptions)		X		
Canceled checks made for important payments (taxes, purchase of property, special contracts)	X			
Cash Books	X			
Cash Disbursements Journals		X		
Cash Receipts Journals		X		
Chart of Accounts	X			
Contracts and Leases (expired)		X		
Contracts and Leases (still in effect)	X			
Correspondence (general)			X	
Deeds, Mortgages and Bills of Sale	X			
Duplicate Deposit Slips				X
Employment Tax Payments (from filing date)		X		
Form 941 (from filing date)		X		
Form W-2/W-3 (from filing date)		X		
General Ledger	X			
Insurance Records (claims, policies, etc)	X			
Inventory Records		X		
Invoices from Vendors		X		
Legal Correspondence	X			
Miscellaneous Internal Reports			X	
Offertory Envelopes		X		
Parish Annual Reports	X			
Parish Financial Council Meeting Minutes		X		

60.40 Financial Records Retention

Type of Record	Retention Period			
	Permanent	7 Years	3 Years	1 Year
Parish Financial Review Reports (reviews conducted by the Diocese)		X		
Payroll Journals		X		
Petty Cash Vouchers			X	
Property Appraisals	X			
Property Records (including depreciation schedules)	X			
Trial Balance (Year End)	X			

60.50 Parish Financial Reviews

Policy: The Diocesan Finance Office will periodically conduct a Parish Financial Review of the parishes.

Purpose: To evaluate internal controls and associated procedures.

Scope: Applies to all parishes and missions.

General Comments:

Those entrusted as stewards of the temporal resources of the Church have a responsibility to ensure that proper controls are in place to protect those resources. Situations of suspicious nature may arise when controls are lax; and it is quite possible an innocent person could be falsely accused, or at least suspected. Proper controls can protect not only the parish assets but the reputation of those responsible for them. The Diocesan Finance Office will engage the Diocesan Auditors to conduct reviews of the parishes to provide assurance that reasonable controls are in place.

I. Objectives of the Parish Financial Reviews

- A. To determine whether parish accounting procedures provide reasonable assurance that parish assets have been properly safeguarded.
- B. To determine whether parish accounting procedures provide reasonable assurance that its' financial activities have been properly recorded and summarized, and reported to its' parishioners and the Diocese.
- C. To determine whether parish accounting procedures provide reasonable assurance that the parish is complying with all civil and Diocesan regulations.

II. Review Process

The financial review process consists of evaluation and testing the parish accounting procedures and internal controls to determine whether the controls are adequate to meet the above objectives and whether they are operating effectively. This manual contains the financial policies of the Diocese and the financial procedures to which all Diocesan parishes, missions, school and early childhood centers must adhere.

III. Review Results

As a result of the financial review process, weaknesses in accounting procedures and internal controls will be identified, and a report containing recommendations to improve these procedures and controls issued to the Pastor/Pastoral Administrator.

The Pastor/Pastoral Administrator in consultation with the Parish Finance Council shall review the report and implement recommendations as appropriate.