



2022

Parish & School Accounting Manual



Archdiocese of Cincinnati
DEPARTMENT OF FINANCIAL SERVICES

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Parish Accounting Manual for the Archdiocese of Cincinnati

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I. Finance Committee

A. Definition

The Parish Finance Committee is a consultative body established to advise and assist the pastor and the Parish Pastoral Council in matters pertaining to the financial affairs of the parish. The relationship between the pastor and the committee is one of support and collaboration. The authority of the pastor, as defined by Canon Law, to act and decide on behalf of the parish, is not changed by the establishment of the Finance Committee.

These Guidelines are designed to aid pastors and Finance Committee members in the effective functioning of a Parish Finance Committee by supporting the pastor in his stewardship of parish resources while being accountable to the parish and the Archdiocese. An active, well-formed Parish Finance Committee is a key element for promoting the financial health of a parish, fostering accountability and assisting the pastor with his temporal responsibilities.

In the administration of temporal goods of the parish, Canon 532 defines the role of the pastor as the authoritative representative of the parish. Canon 532 says:

“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 canons 1281-1288.”

Canon 537 introduces the Parish Finance Committee as a **mandated** body having an advisory and consultative role with the pastor. Canon 537 says:

“Each parish is to have a finance council which is regulated by universal law as well as by norms issued by the diocesan bishop; in this committee 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.”

Every parish therefore is required to have a Parish Finance Committee, both by adherence to the Code of Canon Law and by local norms issued by the Archbishop of Cincinnati. To be effective the Parish Finance Committee should meet regularly with specific agendas and should have access to all the relevant financial information and policies of the parish. If the pastor in good conscience feels he cannot accept the recommendations of the Finance Committee, he shall fully and frankly communicate this reservation to the committee's membership.

What applies to the pastor in these guidelines also applies to a Parochial Administrator.

What follows are guidelines of suggested ways to organize and operate a Parish Finance Committee. Each parish may also establish particular norms that more specifically define how a Parish Finance Committee is expected to operate.

B. Establishment

The Finance Committee works closely with the pastor, who is accountable to the Archbishop for the administration and stewardship of the temporal goods of the parish. The pastor, according to Canon Law, has among his responsibilities the management of parish financial and temporal affairs. The Finance Committee is a consultative body that assists the pastor in meeting these obligations. While the Finance Committee does not have decision making authority, consultation is at the heart of the

decision-making process – sharing information, listening, contributing to the discussion, and promoting consensus.

Canon law states that the pastor is obligated to consult the Finance Committee on certain matters. Although the pastor is not obliged to follow the recommendations of the Finance Committee after the consultation, the pastor ordinarily should not act against recommendations, especially when there is consensus, unless there is an overriding reason. In other words, the prudent pastor would not override the advice of the Finance Committee unless there was a serious reason to do so. When acting against the recommendations of the Finance Committee, the pastor should provide an explanation to the Finance Committee regarding the reasons for his decision.

In order to be effective in their responsibilities as members of the Finance Committee, members should have a love for the Church and its mission and develop a thorough understanding of the parish's mission, goals, people and other resources. The members should have knowledge of Archdiocese of Cincinnati statutes and policies regarding temporal issues and other financial matters. It is the pastor's responsibility to give the members appropriate background, information and enrichment so they are able to carry out their duties. This responsibility would include providing a copy of the Document on Temporal Affairs of the Archdiocese of Cincinnati.

C. Relationship to the Parish Pastoral Council

The primary function of the Finance Committee will be to advise both the pastor and the Parish Pastoral Council regarding the financial implications of their respective policy decisions. It will also prepare budgets in accord with the policy and priority decisions of the pastor and the parish. (Document on Temporal Affairs of the Archdiocese of Cincinnati #12)

The basic function of the Finance Committee is to provide necessary research, financial planning and recommendations that will keep the parish financially sound. The ultimate responsibility for policy, priority decisions, fundraising, approval and implementation of budgets shall rest, not with the Finance Committee, but with the pastor in consultation with the Parish Pastoral Council (Document on Temporal Affairs #13). Each Parish Pastoral Council shall have a standing committee or sub-committee of the Finance Committee for issues regarding buildings and grounds. This committee or sub-committee shall consist of members who have experience in the fields of maintenance and construction. Its function is to assist the pastor and Parish Pastoral Council in planning the maintenance of the parish properties, and in studying the necessity and/or advisability of acquiring real estate or undertaking a building project. (Document on Temporal affairs #120)

D. Membership

The Finance Committee is about the life of a community of faith and, as such, its members should be members of that community of faith. As in other matters, the pastor may use his discretion in the selection of qualified members from the parish community. However, the pastor is encouraged to select members with background and/or knowledge of managing an institution's financial affairs. Members of the Finance Committee do not need to be elected by parishioners; they may be appointed by the pastor.

Representation

While considering the characteristics of membership in the above paragraph, members should reflect the diversity of a parish community. Where appropriate, outside advice and counsel can also be engaged to obtain needed specific expertise.

Members of the Finance Committee should be active members of the parish, knowledgeable or willing to become knowledgeable of the scope of the parish programs and services.

Members of the Finance Committee should be chosen based on demonstrable skills or expertise in management and/or finance. Skill sets to consider include business, law, accounting, banking and communications. Additionally, persons with professional knowledge and experience in engineering, construction, maintenance, and purchasing could also make a significant contribution and should be recruited when available. Expertise can vary widely and include a business executive, accountant, lawyer, and small business owner (any business, even a small neighborhood business). The unique talents within the parish community should be sought. A parish Time, Talent, and Treasure survey may be helpful in identifying parishioners having the desired skills and willingness to serve.

Number of Members

Membership must consist of at least two members (Canon 1280 of the Code of Canon Law). It is recommended that the Finance Committee have an odd number of members and that, except for unusual circumstances, membership be capped at no more than nine voting members. It may be helpful to form subcommittees in addition to the building and grounds sub-committee mentioned earlier.

Officers

It is recommended, but not required, that every Finance Committee have a Chairperson and a Secretary. Responsibilities may include the following. The Chairperson would preside at all meetings and, in consultation with the pastor, be responsible for selecting the hour and location of meetings, preparing the meeting agenda, and any other duties so assigned by the pastor.

The Secretary would be responsible for the recording and distribution of minutes, notifying members of upcoming meetings, maintaining a permanent record of each member's tenure and of business conducted by the Finance Committee, and any other duties so assigned by the Chairperson.

Conflicts of Interest / Preclusion to Members

Finance Committee members owe the parish a duty of loyalty. The duty of loyalty requires a member to act in the best interest of the parish rather than in the personal interest of the member or some other person or organization. In particular, the duty of loyalty requires a Finance Committee member to avoid conflicts of interest that are detrimental to the parish.

Any person who may have a conflict of interest in view of other services, either paid or unpaid, rendered to the parish by the Finance Committee member, the member's family or the member's business must disclose the conflict and can serve if waived by the pastor.

On an annual basis the Finance Committee members should disclose in writing any known financial interest that the individual, or a member of the individual's family, has in any business entity that transacts business with the parish. The Conflict of Interest Policy of the Archdiocese of Cincinnati is available at on the website <http://www.catholicaoc.org>.

No parish employee or member of the family of an employee or relative of the pastor may serve on the Finance Committee, but a pastor may invite a parish employee to attend a Finance Council meeting.

Members of the Finance Committee may serve in other volunteer service roles in the parish such as other committees or boards if, in the judgment of the pastor, such dual service will not create conflict of interest situations. The role of the Finance Committee should not be vitiated. It is recommended that no member serve on the Finance Committee at the same time as a closely related person (e.g. husband and wife, mother and son,...).

Role of Parish Employees

Parish employees are not members of the Finance Committee; they are staff and support the Parish Finance Committee. Parish employees should be available to answer questions regarding parish programs, accounting, financial reporting, and internal controls. The Finance Committee should be provided relevant and timely information including financial reports (Statement of Financial Position, Statement of Activities, budget to actual comparisons, internal controls, loan balance payments and interest payments, investment of surplus funds, and status of fundraising drives) to review.

The parish business manager should attend meetings in an Ex-Officio, non-voting capacity. Likewise, when parish buildings and grounds are to be discussed, inviting staff responsible for these areas can enhance the discussion.

The Business Manager plays a key supporting role in the administration of the parish. It is important that the Finance Committee and the Business Manager communicate with the pastor on issues and priorities, and coordinate their activities.

Confidentially

Members must maintain confidentiality on those matters designated as confidential. It should be assumed that all items discussed at a Finance Committee meeting are considered confidential unless otherwise stated. Materials such as agendas, meeting minutes, and review materials should not be disclosed if designated as confidential.

Because confidential matters are discussed, Finance Committee meetings are not generally open to the parish community. Summary reports to the Parish Pastoral Council and to the parish community may be shared. Communication with the parish may also occur at the onset of studying an issue to solicit needs and concerns, gifts and resources of the parish community. There should be a process to provide a forum for listening outside the Parish Finance Committee meeting. The Finance Committee shall review the parish annual report prior to distribution to the congregation.

Terms

Members are to be appointed by the pastor for fixed terms to be determined at the local level, and may be reappointed or terminated in this role by the pastor at the pastor's sole discretion. It is suggested that reappointments are limited to a specific period of time. It may be helpful to stagger the terms so that there is continuity of service and no disruption to the function of the Finance Committee. For example, a parish may adopt a term of three years, renewable once.

When a pastorate becomes vacant, it is recommended that the Finance Committee remain in place to assist the Parochial Administrator and to provide continuity in a transition. After a suitable period of transition with a new pastor, the new pastor can ask the committee members if they are willing to complete their respective terms. He may ask some or all of the members to resign so that new members can be recruited to the Finance Committee.

E. Regular Meetings

It is recommended that the Finance Committee meet at least once a quarter, or more frequently if required. Some parishes use a format of the Finance Committee meeting every other month with subcommittees meeting during the off months. Meeting times and dates should be predictable, such as a day and week of each month. Since the purpose of the Finance Committee is to provide advice and assistance to the pastor and the Parish Pastoral Council, the pastor should be present at the Finance Committee meetings. It is recommended that the Finance Committee members formulate a communication method to deal with Finance Committee matters between meetings, while all the time, keeping the pastor apprised.

Meeting agendas should be prepared in advance of the meeting by consultation between the pastor and Finance Committee Chair. The agenda should list the major items for discussion. Supplying information in advance to members will lead to more productive meetings.

F. Record of meetings

Minutes of the meetings of the Finance Committee should be prepared to outline the significant actions taken at each meeting. The minutes should be maintained by the Secretary of the committee. A copy of all Finance Committee minutes should be kept on file at the parish.

G. Recommended Areas for Finance Committee Consultation

The Finance Committee shall review the parish annual budget and parish annual report. They shall be involved in the preparation of both reports, particularly the budget report. After review, the pastor, business manager and chairperson of the Finance Committee are to co-sign the Statement of Activities – Columnar by Entity each report before it is submitted to the Archdiocese. The Finance Committee minutes should reflect that the pastor and the Finance Committee members that they have met, developed, and discussed the financial statements and budget of the parish. (Document on Temporal affairs #12, 14,)

The Finance Committee should provide assistance in the formulation and communication of the Annual Financial Report to the parish community, as required by Canon 1287§2. The Annual Financial Report to the parish community often includes more than just financial information (e.g. a statement of gratitude, description of key issues, programs and events, statistics related to church attendance, sacraments, school and religious education enrollment, etc.) Additionally, many parishes find it helpful to provide parishioners with semi-annual or even quarterly updates on the parish's financial condition. Understandable, regular and complete communication of financial information to parishioners is a key responsibility of the pastor and an important area for the Finance Committee to assist. Communication keeps parishioners informed of the parish's condition, its priorities, its needs, and progress on previously announced initiatives.

The Finance Committee should regularly review periodic (at least quarterly) financial reports – Statement of Financial Position, Statement of Activities, budget to actual comparisons, as well as prior year results and cash flow analysis. Detail of budget to actual comparisons should be reviewed by individual program category, such as the elementary school and religious education. Care must be taken with disclosure of individual salaries and wages, and Finance Committee member do not have a right to the individual salaries and wages of staff. Significant variances from budgeted figures should be investigated and explained. (Document on Temporal affairs #110)

The advice of the Finance Committee may be sought for acts of ordinary administration and is required for some acts of administration. The degree of consultation varies. For certain actions of day-to-day administration, the pastor does not need any specific authorization to carry out such acts, but may find it helpful to seek the advice of the Finance Committee even in these matters. (For example, while the purchase of ordinary amounts of office supplies is within the pastor's authority, the Finance Committee may provide useful advice on strategies that reduce the cost of such recurring purchases.) (Document on Temporal affairs #13).

A parish will also need to seek written approval of the Archbishop prior to performing extraordinary acts of administration (c. 1281.1). Extraordinary acts of administration are defined by local norms and sometimes by the particular statutes of the parish. Extraordinary acts taken without such approval of the Archbishop are invalid acts under Canon Law and may also be invalid from a civil law standpoint.

In the Archdiocese of Cincinnati, there are certain expenditures that require consultation with the Parish Pastoral Council and the pastor may choose to consult with the Finance Committee. The expenditure by a parish of over \$5,000.00 for repairs (except in case of emergency), for capital improvements, for equipment or for contributions of a charitable purpose, must be submitted to the Parish Pastoral Council for consultation. An Expenditure of over \$25,000.00 for such purposes must be submitted to the Parish Pastoral Council and receive its consent (i.e. approval) before action may be taken by the pastor. Additionally, such expenditures require the written approval of the Director of Financial Services.. (Document on Temporal affairs #53).

The advice of the Finance Committee may be sought in the management of parish funds and banking arrangements. A limited number of bank accounts should be established and procedures for approving new accounts should be in place. The Finance Committee may approve a new bank account before it is opened. This also applies to bank accounts for auxiliary groups.

The Finance Committee should review any indebtedness of the parish and assist the pastor in fulfilling his obligations under canon 1284.5, i.e. to "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." Planning for debt repayment should be an integral part of the budget process.

The Finance Committee may review internal controls and procedures:

- a. If written procedures do not exist, the Finance Committee may participate in the development of written procedures for cash receipts, cash disbursements, administration of bank accounts, petty cash, and payroll.
- b. The Finance Committee may review the financial reports for parish general operations, parish school(s) and other parish organizations or programs with bank accounts or revenue collection responsibilities, to determine that proper accounting practices and internal control procedures are in place.
- c. The Finance Committee may request a control review or Parish Review from the Archdiocesan Parish Auditor.

The Finance Committee may examine the parish financial statements. Alternatively the parish may engage a CPA firm to examine annually the parish financial statements at the parish's expense. (Document on Temporal affairs #95). Before a CPA firm is secured, consultation with the Archdiocesan Finance Office may occur.

Additionally, the Finance Committee may :

- review the activities of any parish auxiliary groups and verify cash balances of bank accounts.
- annually meet with auxiliary groups to review the reporting of past year's activities and a review of the budget for the coming year.
- assess the accounting practices and internal control procedures in use by parish auxiliary groups to insure compliance with Archdiocesan policies.
- review the activities of the auxiliary groups to assure that they are not jeopardizing the tax-exempt status of the parish.
- consult on the construction or renovation of parish facilities, the sale or purchase of parish property, and lease agreements.
- assist the pastor in planning for repair, replacement, or service of property and equipment to ensure that the parish buildings and property are adequately maintained.
- review maintenance and utility costs seeking to minimize costs through preventative maintenance, energy conservation, and the implementation of risk management programs and recommendations. (Document on Temporal affairs #120).
- assess effectiveness of existing fund-raising programs and recommend new programs or changes to existing programs if revenues are insufficient.
- support parish and Archdiocesan stewardship programs.
- review fundraising activities, such as raffles, bingo, and concession sales for acquisition of required licenses, support documentation for tax filings, and actual tax filings.
- become knowledgeable on Archdiocesan fiscal policies and norms to provide advice on implementation.
- evaluate compliance with Archdiocesan fiscal policies and assist the pastor in meeting these obligations.
- provide advice on what the parish needs to do to comply with Archdiocesan policies and USCCB recommendations with respect to conflicts of interest, and fraud detection, reporting and prevention.
- provide advice on how to use undesignated bequests or other unbudgeted revenue.
- provide advice on hiring and evaluating a business manager or anyone providing business services to the parish.
- provide advice on training that might be helpful for parish staff.
- provide guidance and support to the parish by seeking opportunities for grants and other potential opportunities.
- make other funding opportunities known to the parish staff / ministries, and assist in developing grant and other proposals for funding to the parish.
- where possible, help the pastor manage the parish endowment program and particularly, help insure that the purpose of the endowment is well-defined considering the long-term needs and life of the parish and that any restricted gifts are first reviewed to assure that the parish can accept the restriction and, once accepted, that the funds are spent consistent with the donor restriction(s). Similarly, provide advice and oversight if an endowment already exists. See the Document on Temporal Affairs of the Archdiocese of Cincinnati # 60 – 65 for the establishment of an endowment.

Appendix A

REFERENCES

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.

1281.2 – 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 committee.

1281.3 – 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, movable 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 housekeeper.

Canon 1284.2 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.

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 committee for its consideration; any contrary custom is reprobated.

Canon 1287.2 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.

Definition: A juridic person is an artificial person constituted by competent ecclesiastical authority for an apostolic purpose, with a capacity for continuous existence and with canonical rights and duties like those of a natural person. Like a civil-law corporation, it is a legal construct which can and must be conceived of apart from the natural persons who constitute it, administer it, or for whose benefit it exists. Of its nature, a juridic person is perpetual and, once established, it can outlast all natural persons or material goods which formed it.

THE ARCHDIOCESE OF CINCINNATI DECREE PROMULGATION OF EXTRA-SYNODAL DOCUMENT ON TEMPORAL AFFAIRS (*paragraph numbers are in parentheses*)

(11) Canon 537 of the 1983 Code of Canon Law requires that each parish have a Finance Committee (Finance Council)

(12) The Parish Council shall therefore have a standing Finance Committee, which shall be composed of persons with special training or experience in this area. Because of the large portion of the total parish finances devoted to the operation of the parish school or consolidated school, (in parishes which have a school or participate in a consolidated effort) special effort should be made to include persons who are knowledgeable about school finances. The Finance Committee will serve the pastor as well as the Parish Council. Its primary function will be to advise both the pastor and the Parish Council regarding the financial implications of their respective policy decisions. It will also prepare budgets in accord with the policy and priority of the pastor and the parish.

(13) The basic function of the Finance Committee is to provide necessary research and financial planning. The ultimate responsibility for policy, priority decisions, fund raising, approval and implementation of budgets shall rest, not with the Finance Committee, but with the pastor in consultation with the Parish Council.

(14) The annual financial planning process at each parish, and the budget generated thereby, ought to include some provision for the voluntary sharing of resources with other Church units. To this end, the members of the Parish Council, the Parish Education Commission, and the Finance Committee should not fail to acquaint themselves with the comparable financial statues of their parish and others, as well as the needs of the deanery, and of the Archdiocesan, national and universal aspects of the Church's mission. It is further recommended that the Parish Council have a standing committee to establish lines of communication for this purpose, which will report regularly to the Council on these matters.

(16) The Parish Council (and its committees) shall generally exercise and advisory/consultative role in setting policy for the administration of the temporal affairs of the parish. In certain cases, it is specifically stated that the affirmative vote of the Parish Council in a prerequisite to action by the pastor, or permission from the Director of Financial Services is required, (cf. TA 53,54) in which cases the affirmative vote of the council is a consultative requirement, which must be satisfied before action may be taken.

In all other cases, every effort must be made, in a spirit of Christian charity and shared responsibility, to achieve a consensus. Failing this, the ultimate responsibility for the decisions rests with the pastor. The Parish Council, however, by a vote of two thirds of the membership, may appeal the decision of the pastor, after hearing his reasons for the decision. The Appeal Board shall consist of the Director of Financial Services, who shall act as Chairman; the local Dean; a lay designee appointed by the dean (if the dean is the pastor in question, the Archbishop shall make the appointment); and the chairperson of the Archdiocesan Pastoral Council, or his/her designee.

(53) December 1, 2004 "The expenditure by a parish of over \$5,000.00 for repairs (except in case of emergency), for capital improvements, for equipment or for contributions of a charitable purpose, must be submitted to the Parish Pastoral Council for consultation. An Expenditure of over \$25,000.00 for such purposes must be submitted to the Parish Pastoral Council and receive its consent (i.e. approval) before action may be taken by the pastor . Additionally, such expenditures require the written approval of the Director of Financial Services. This latter approval is also required in the case of Archdiocesan institutions and agencies. Archdiocesan High School will follow the directives of the Archdiocesan Office of Education in regard to such expenditures. Institutions and agencies of the Archdiocese will

consult with their Advisory Boards to satisfy the requirements specified in this paragraph. The amounts specified shall be reviewed and adjusted periodically in view of economic conditions.

(60) Endowments of any kind, i.e. restricted funds from which only the income may be used, are to be accepted or established only with the written permission of the Archbishop. Applications for permission should be made to the Director of Financial Services, and must contain the following information:

(61) A. The appraised value or cash value of the principal of the restricted fund, whether it be real estate, equities, or other assets.

(62) B. The obligation(s) imposed by the acceptance or establishment of the restricted fund.

(63) C. A certified true copy of the will or other instrument by which the restricted fund is established.

(64) D. The length of time the restricted fund is to endure. Founded Masses are strongly discouraged (not to be accepted without the permission of the chancellor), but if accepted will be limited to a life of twenty-five years. In general, restricted funds to which spiritual benefits are attached in perpetuity are discouraged.

(65) E. A list of the restricted funds by which the parish or institution is already obligated.

(95) The parish financial record shall be examined annually either by the Finance Committee of the Parish Council or by a Certified Public Accounting Firm.

(97) Each year prior to June 1. The pastor, working with the Parish Council, the Parish Education Commission and the Finance Committee shall prepare a budget for the entire parish operation, including the school, for the next year. The budget should contain the same items as the approved chart of accounts and may be prepared on an extra copy of the official reporting form. The provisions for review and adjustment of the budget, set forth in the Archdiocesan Accounting Manual (Section IV, Procedure VIII) should be followed. A copy of the budget shall be furnished to the Financial Services Department upon request

(110) The financial administrator of the parish school is the pastor, in cooperation with the school principal and the Parish Education Commission. The Parish Education Commission with the assistance of the Finance Committee of the Parish Pastoral Council, shall review projections and budgets for the operation of the parish elementary school, and shall share in the responsibility for the implementing the means of securing the revenues to meet the needs.

(120) Each Parish Council shall have a standing committee or sub-committee of the Finance Committee of the issues regarding buildings and grounds. This committee or sub-committee shall consist of members who have experience in the fields of maintenance and construction. Its function is to assist the pastor and Council in planning the maintenance of the parish properties, in studying the necessity and/or advisability of acquiring real estate or undertaking a building project. In the last instance, the committee will assist in the planning of the new building or renovation in close cooperation with the Council's Finance Committee.

II. Internal Controls

Note: Although the term parish is used throughout this manual, it also applies to schools and other institutions.

The foundation of any finance or administrative manual is the concept of internal controls. In other words, there should be processes in place to protect the parish and school from loss. The concept of internal control must be understood so that we do everything possible to be good stewards of the resources entrusted to the parish and school.

A. Internal Control Definition

The concept of internal control can be very confusing since it encompasses such a wide range of conditions, actions and systems. The standard definition, which doesn't help much, is that internal control is a process defined to provide reasonable assurance regarding the achievement of objectives.

This standard definition goes on to identify the following as categories:

1. Effectiveness and efficiency of the business operations of the parish and school
2. Reliability and accuracy of financial reporting
3. Compliance with applicable laws and regulations

In summary, internal controls are simply methods or tools employed by administrators to get the job done in an efficient manner while limiting the loss of the parish's and school's resources/assets.

B. Promoting Internal Control-Tone at the Top

The pastor, administrator, principal and business manager /bookkeeper are ultimately responsible for setting a tone of control over administrative and financial matters. The tone at the parish or school is a very efficient and inexpensive internal control. By tone, we mean that the top people at the parish or school demonstrate to the staff the type of behavior that is acceptable. Rather than saying what to do, the top people should model the behavior that all employees are expected to follow. Some examples of appropriate behaviors are:

1. The administrator does not have personal mail run through the parish postal meter.
2. The business manager/ bookkeeper does not leave the door to the safe open all day.
3. Petty cash is neither unlocked nor left in an unsecure area.
4. The business manager/bookkeeper explains that he/she is unable to process a check without an original invoice or other prescribed documentation.
5. The pastor reviews trends in collections and expenses and asks questions regarding variances.

The pastor and principal must demonstrate ethical values and good business practices to the staff. The staff should recognize that fraud (stealing, embezzlement, etc.) will not be tolerated. The cues sent by managers eventually are signals of control and accountability that will discourage people from wrongdoing and encourage efficiencies.

C. Honest Employees

Any control system is dependent on the competency and honesty of the people that use it. It goes without saying that no one should steal from the parish or school. The employees should understand the lines of authority and they should understand their duties in relation to other staff members. The following are controls that will help in promoting honesty and competency for both employees and volunteers:

1. Organization chart for defining responsibility lines
2. Record of persons with parish keys and alarm codes
3. Job descriptions for each employee (and volunteer roles that require significant time)
4. Time tracking systems for hourly employees with notated approval by a supervisor

D. Separation of Duties

This concept is simply dividing duties or functions so that no one person has control over all parts of a transaction. It is like having two sets of eyes watching. The question to ask is “does one person perform all parts of the transaction from initiating to reconciling?” Examples of what must be avoided include:

1. Handling cash receipts **and** recording cash receipts into the ParishSOFT general ledger
2. Approving payment of wages **and** preparing the actual payroll
3. Authorizing expenditures, reviewing invoices **and** preparing checks for signature
4. Preparing checks **and** signing checks
5. Counting the collection, preparing the deposit **and** recording the deposit into the accounting system or posting to the individual donors’ accounts
6. Logging mail receipts **and** recording the deposit of mail receipts.

When it is not possible to have adequate segregations of duties, it is important to implement a compensating control. An example of this could be increased periodic oversite and review by the pastor, principal or the finance committee.

E. Conflict of Interest

Clergy, employees and volunteers should avoid placing themselves in a position that might present or could be perceived to present a conflict of interest. Obviously, such conflict may call into question one’s integrity. All clergy/employees must disclose the existence and nature of any actual or possible conflict of interest annually by completing a conflict of interest form. If a conflict exists, this form should be reviewed by the pastor or principal and the finance committee if deemed necessary. The Pastor or Principal can request a review by the Archdiocese of Cincinnati Chief Financial Officer for financial matters or the Archdiocesan Director of Human Resources. It is recommended that volunteers with financial responsibilities read the Ethics policy in the parish/school handbook and sign a conflict of interest form annually. The potential for a conflict of interest exists in many circumstances, and the following are examples to be avoided:

1. Having private business involvement or other dealings with the parish (i.e., construction work, remodeling, housekeeping, technology, etc.)
2. Accepting gifts for services or favors
3. Engaging in transactions with his or her friends or relatives
4. Acting with partiality toward another employee or parish member
5. Violating confidence of another for personal gain
6. Using a personal credit card instead of a parish credit card for parish business to profit from credit card rewards.

F. Suitable Documents

Of all the internal control tools, proper documentation is one of the most important. It is difficult to identify internal controls without proper documentation. This means that documentation is required any time a transaction or unusual event occurs. Recommended documentation includes who, what, where, when, why and how. For example:

1. Date on invoice/check request/receipt number
2. Purchase order number if used by location
3. Persons involved in transaction
4. Amount of funds or properties involved
5. Proper authorization/approval signatures
6. Proper general ledger account codes
7. Complete description of items purchased, work performed and where work was done
8. Payment check copy or stub if available

It is recommended that each location adopt a bill payment policy. (See Exhibit A in this section)

G. Accounting Records

Accounting records and documents must be maintained for the parish, school and all affiliated organizations using the parish tax identification number. One major objective is to provide reasonable assurance that the financial records reflect all financial transactions that have occurred. The recording of **all** transactions must be correct as to quantity and dollar amount and must be made in the proper accounting period. Accounting software must be used. All bank accounts that use the parish tax identification number should be on the accounting software as well as all notes on deposit with the Archdiocese, other assets, and loans payable to banks or the Archdiocese. Supporting documentation should be:

1. Simple and easy to use to help reduce error
2. Numbered to help keep physical control over the document
3. As few in number as possible to minimize confusion
4. Designed to ensure that they will be properly completed.

H. Physical Control over Assets

The safeguarding of assets is an important aspect of any system of internal control. Safeguarding assets includes cash, property and financial records.

1. A fireproof safe bolted to the floor or wall, or a sturdy locked fireproof cabinet must be available.
2. Accounting records should be secured in a locked room or file cabinets and accessible only to authorized individuals.
3. Financial records, personnel records and sacramental records should not be removed from the office nor kept in someone's house, car, or a temporary location.
4. All parish and school facilities should be locked when not in use. A key log should be maintained to ensure that the pastor/administrator/principal knows who has access to the various areas of the facilities.
5. Safe combinations should be changed periodically, especially when a key member of the staff leaves (voluntarily or involuntarily).

6. Offices or desks should be kept locked if they contain financial records or other sensitive and confidential material.

I. Administrative Controls

Administrative controls are simply ensuring that documentation exists so that an independent party could verify approval for the movement of assets into or out of an organization. If funds or property are transferred, documentation should exist to show, at a minimum:

1. Date
2. Persons involved in transaction
3. Amount of funds or properties involved
4. Proper authorization/approval signatures
5. Circumstances of the movements including the reason
6. Source and destination
7. Proper general ledger account codes

J. Independent Verification of Transactions

The human condition prevents us from objectively evaluating our own performance effectively. In addition, few individuals are able to record large amounts of data with perfect accuracy. It is therefore necessary for supervisors to periodically assess the performance of their subordinates to help ensure that any accounting and internal control systems are functioning properly. The Parish Auditor is available to assist in an independent review. These are covered in more detail within specific sections. Pay special attention to:

1. Reconciling actual transactions with transactions entered into ParishSOFT.
2. Reconciling bank accounts to the general ledger.

K. When Things Don't Work

Any theft, misappropriation of funds, or suspicions of such must be reported immediately to the Archdiocesan Chief Financial Officer, Archdiocesan Director of Benefits & Risk Management, Archdiocesan Parish Auditors, or EthicsPoint. Any flagrant and deliberate violation or noncompliance of the archdiocesan financial policies must also be reported to the Archdiocesan Chief Financial Officer.

The Archdiocese of Cincinnati is committed to investigate and to hold responsible those involved in any financial misconduct. The Archdiocese has selected EthicsPoint to provide a way to anonymously and confidentially report actual or possible violations of financial policies. Individuals may file a report on this site or contact EthicsPoint by dialing toll-free 1-888-389-0381.

All inquiries will be handled promptly and discreetly. You have the right to remain anonymous, and confidentiality will be maintained insofar as possible. Employees will not be penalized, dismissed, demoted, or suspended and no retaliatory action will be taken against them for reporting or inquiring in good faith about potential breaches of our policies or for seeking guidance on how to handle issues or concerns.

Sample bill payment policy

EXHIBIT A

All bills should be given to the Business Manager/bookkeeper on a timely basis to ensure that vendors are paid before bills are past due. Requests for reimbursements should be processed within 30 days and within the current fiscal year.

- All disbursements require an original vendor invoice, a check request form, or a performance agreement for documentation.
- Payments will not be paid from statements.
- No payments will be made in cash or by check to an employee so that they can pay someone else.
- We recommend that donations are not given to individuals, but to the 501C(3) charity they represent.
- Users of parish credit cards must turn in the original, detailed receipts on a timely basis so that the credit card bill can be processed and paid before the due date. Users of parish credit cards are to sign a credit card user agreement.
- All reimbursement requests should be supported by a summarization of original, detailed receipts that show evidence of payment by the requester. Reimbursements will not be made for cash paid to another person for work done.
- Request for reimbursement for meals should include the business purpose and who ate as required by the IRS.
- The parish will not pay a credit card bill in someone else's name. The parish will reimburse an individual using their personal credit card upon presentation of an original, detailed receipt attached to a check request explaining the parish expense. The individual will then pay their own credit card bill.
- Mileage will only be reimbursed upon submission of a detail mileage log showing date, business purpose of trip, from location, to location, and total miles driven for each trip. Miles are reimbursed at a rate that is less than or equal to the current IRS mileage rate. Gasoline purchases will only be paid for a rental car or for use in parish equipment.
- All payments to current and departing employees (except for documented expense reimbursements) must be processed through payroll as taxable earnings.
- Employee advances should be accounted for in such a way to ensure that there is follow up, that original, detailed receipts are subsequently collected, and unused funds are returned.
- Payments for services to people on the payroll at AOC locations should be sent to the primary AOC location with an extra salary compensation form and the check made payable to the primary AOC locations. Mileage reimbursements to these employees can be made payable directly to these employees.

The parish requires that someone other than the requester approve a disbursement over **\$1,000 (or other dollar amount)**. All payments to staff or credit card bills must be approved by the Pastor. All disbursements must be approved by one of the following individuals as evidenced by their name or initials on the vendor invoice or check request:

Department head/Principal	All requests by their departments
Business Manager	All recurring bills and non-recurring bills under \$5,000 (or other dollar amount) not requested by department heads/Principal

Pastor

All requests by department heads over **\$1,000 (or other dollar amount)**
All payments to staff
All credit card bills with original detailed receipts attached and summarized
All non-recurring payments **over \$5,000 (or other dollar amount)**

As a reminder, all purchases \$5,000 and over for equipment, repairs, capital improvements or donations made by the parish are to be reviewed and recommended to the Pastor as noted in the Pastoral Council minutes. All expenditures over \$25,000 must have the approval of the Parish Council and the written approval of the Archdiocesan Director of Finance.

The check signer will be the Pastor or two lay persons. It is recommended that the Pastor not be the sole signer on checks to reimburse himself. The check signer should compare check details to invoice details. The check stub, or a copy of the check stub, should be attached to the front of the invoice or check request as evidence of payment.

Paid bills should be filed in accordance with the Parish's record retention policy in such a manner to facilitate locating paid bills.

III. Financial Reporting

A. Recording financial transactions and preparing financial statements

Financial transactions (bank deposits, disbursements) should be recorded on a timely basis and monthly financial statements should be prepared using the Archdiocese of Cincinnati chart of accounts within the ParishSOFT accounting software program.

To record payroll and direct deposits or withdrawals from bank accounts or if an adjustment is necessary, a journal entry should be used. Each journal entry should include a clear and thorough explanation. At least quarterly, the pastor or his designee should review the journal entry report provided from the accounting software and sign or initial the report to indicate their review and approval.

B. Financial records

All financial records documenting transactions should be available to the parish/school as needed. Records should not be kept offsite at the residence of employees or at other locations where access to the records is limited. Disbursement documents, deposit documents, journal entry documentation and payroll reports should be filed in locked filing cabinets or locked offices in a manner that facilitates locating these documents. Each parish/school should adopt a record retention policy (see website for the record retention policy) and file financial records by fiscal year to facilitate destruction. The parish/school should consider keeping copies of significant repair and maintenance and building/equipment purchase invoices in a permanent file separate from its annual disbursement documents.

C. Parish financial reports

The parish/school budget and the annual report to the parishioners should be prepared by the business manager/ bookkeeper. The budget and annual reports should be reviewed by the Finance Council before being submitted to the Parish Pastoral Council and to the pastor for approval.

An annual parish financial report is to be completed and issued to the parish by September 30 each year. Parishes must also submit to the Archdiocesan Finance Office the Annual Report cover page (available on the website under Finance Office Documents). The Finance Office will print the Statement of Financial Position and the Statement of Activities reports for each location.

The Statement of Financial Position report should include all cash (bank accounts using the parish federal tax identification number), Archdiocesan notes (green certificates), certificates of deposits, savings accounts, trust funds, endowment monies, investment accounts, etc. and all debt whether with the Archdiocese of Cincinnati or with a financial institution.

If the parish/school is not using the ParishSOFT accounting software, a Parish and Elementary School Financial Report will need to be manually prepared and sent to the Archdiocesan Finance Office with financial statements from your accounting software by September 30 each year.

Each year by September 30th, the pastor must publish a financial report for the fiscal year ended June 30 to the members of the parish, including a separate report of the parish elementary school operations or the parish's consolidated school operations. This report shall contain the budget for the year reported, the actual experience, and the budget for the coming year.

See **Section I - Finance Committee** for guidance on Finance Committee's role regarding internal controls, procedures, and financial statements.

D. Regular report preparation

Financial reporting should be completed on a monthly basis in a timely manner to facilitate control and corrective action, if necessary. Once all deposits, disbursements and payrolls are entered into the location's accounting software for the month, all bank accounts reconciled using the location's accounting software, and the monthly financial statements printed and reviewed for possible corrections, the accounting period should be closed in the software.

E. Communication of results

Financial results should be given to the pastor and Finance Council preferably on a monthly basis. If the Finance Council meets on a quarterly basis, the financials can be e-mailed/mailed to the members on a monthly basis. This will allow for any questions to be looked into before the next meeting. The financials should then be discussed at the next Finance Council meeting. The parish business manager/bookkeeper, who is responsible for preparing the financials, should also be present at the Finance Council meeting to answer any questions related to the parish's income, expenses or changes in assets and liabilities.

IV. Budgeting Principles

Budgeting is essential to proper planning, control, and evaluation of parish operations. Each year prior to June 1, the pastor, working with the Parish Council, the Parish Education Commission and the Finance Committee shall prepare a budget for the entire parish operation, including the school, for the next fiscal year. The budget should contain the same items as the approved chart of accounts.

Budgeting need not be a time-consuming and arduous process. Looking into the future requires assumptions, uncertainty and considerable cooperation and compromise among people. It does require a concerted effort to devote adequate attention to the budget process.

There are ten reasons why budgeting is important to our parishes. Budgeting:

1. Formalizes the planning process;
2. Reduces emotion-charged discussions;
3. Serves as a basis for performance and program evaluation;
4. Is a basis for financial control;
5. Aids in communication and coordination;
6. Gets staff involved;
7. Increases the commitment to give;
8. Generates confidence in the parish's leadership;
9. Allows for continued operation when cash receipts and disbursements are mismatched; and
10. Allows time to invest or borrow prudently.

The duties of the Parish Finance Committee include review of an annual operating budget including a capital improvement budget which is then submitted to the Parish Council for review and recommendation to the pastor. Budgets should be in a format consistent with parish financial reporting.

REMEMBER: A FAILURE TO PLAN IS A PLAN FOR FAILURE!

A. Budget Process

There are many approaches to annual budgeting. The pastor and the Finance Committee can produce budgets from the "top down". Alternatively, they can request each program or department to come up with estimates of income and expense and then add the departmental budgets together to build the budget from the "bottom up". The top-down approach is generally faster and more streamlined, but it can leave many segments of the parish feeling left out, and it may overlook important sources of income or significant expenses. The bottom-up approach requires more time, but usually results in a budget that has wider acceptability.

Budget preparation should begin several months before the start of the new fiscal year. The budget should be put together in late winter or early spring, so it can be reviewed and recommended to the pastor by June 1st. Make a timeline for budget preparation and share it with all parties involved. Otherwise, you could find yourself putting together a "guess" budget at the last minute.

B. Budget Approaches

Incremental Budget

The most common way to prepare a budget is to look at income and expense for the past and current year and project how each category may increase or decrease in the year to come. The advantage of this

approach is that it is easy to prepare and understand. The disadvantage is that the budget relies on the past, which cannot be changed, rather than on the future which can be changed. It also assumes that current programs are the priority of the parish without evaluating alternatives.

When using this approach, look at each type of income and expense separately and consider whether it was unusual in any way last year. Will it likely go up or down? Has there been a trend over the past few years? What is the trend in the October count? What is the school enrollment trend?

Think about any new projects or programs your parish will be implementing in the new fiscal year. These will certainly involve additional costs and, hopefully, generate some additional revenues as well. A small parish will generally find this approach the easiest to implement.

Program Budget

Program budgeting operates on the premise that programs function to achieve certain objectives and by clearly establishing those purposes the parish can improve both the use of its resources and the effectiveness of programs. It provides a better understanding of what each program is attempting to do and directs program leaders to pay attention to program achievements and goals. It also provides a better understanding of what parishioners' contributions are supporting. This approach, however, takes longer than incremental budgeting. If you are a larger parish, this approach is most likely the one that you will want to use.

These are the steps in program budgeting:

1. Define program objectives (for example, increase school enrollment by 3%)
2. Delineate activities needed to carry out objectives
3. Determine the nature and levels of resources needed to support the activities
4. Determine the budget requirements to provide resources listed in Step 3
5. Prepare a budget for each activity
6. Prepare a program budget by grouping activity budgets

Zero-Based Budgeting

Zero-based budgeting takes the program budget a step further. This approach to budgeting is generally done every 5 to 10 years or with changes in parish leadership. It examines the mission of the parish to see if objectives or circumstances have changed or what revisions in staffing or programs are needed. This will determine what new activities and staffing changes are necessary to carry out those revised objectives. This is the most difficult budget to prepare as it requires the most time and planning in conjunction with thinking and doing things in new and different ways. It also ensures that the parish will direct resources to those programs and activities that will accomplish the mission of the parish.

C. Budget Process

Revenue is usually the most important (and the most difficult) part of the budget to estimate reliably. It should receive as much care and study as expense projections and should be estimated conservatively. Revenues determine what expenses the parish can afford. But looking at it from the other end, the estimated costs of the parish's goals, plans and activities determine how much revenue it is going to need. While this may seem obvious, they indicate the basic problem inherent in budgeting: "Which comes first, the revenue or the expenses?" The realistic answer is that both sides of the money equation need to be worked on together. Plans must be realistic based on an appraisal of likely revenue sources. New or increased sources may have to be developed to make the execution of priority plans possible.

Budget low on income and high on expenses. Your goal is to end the year with a surplus, or at a minimum to break even. It is much less painful to figure out how to spend some unexpected income than to decide how to cut expenses. Don't include unlikely or uncontrollable sources of income. For example, it is very difficult to project bequest income, so you should not plan on receiving it unless you know with certainty that the amount will be received during the budget year. If you have been conducting a capital or other special fundraising campaign, will it continue in the next fiscal year? And are any of those dollars available to cover expenses or are they being put aside for a special purpose?

You may be receiving a grant or other funding that is restricted for a certain purpose. When you receive such a grant, be sure you understand how the money can and cannot be used. Budget for the grant in a separate general ledger account and be sure to not include any expenses that the grant will not cover.

Payroll and personnel benefits are frequently large expense categories. Look carefully at all these line items. Do you plan to add a new staff person? Revise job descriptions and duties? Increase or decrease someone's hours? Give raises? In general, even projecting a level-staffing pattern will result in some increases in personnel costs.

Remember to budget for cash outlays that are not traditionally considered expenses. These include payments on outstanding loans, purchases of equipment or other capital items and major repairs to buildings and grounds. Do not include special Archdiocesan collections in either income or expense. These are pass-through items—you collect the funds and send them directly to the Archdiocese.

As noted previously, you will probably need to budget by program areas if you are a larger parish. In general, programs will include Religious Education, Liturgy, Service to Others and, if applicable, Parish School. Line up your budget by program, with a goal that each program will pay for itself. In practice, your offertory collection will underwrite many expenses in other categories. Identify line items by programs, so you have a budget for payroll including employment taxes and benefits, program expenses, etc. for each program.

It is important to coordinate the preparation and approval of the parish school budget with the parish Education Commission to avoid catastrophic consequences in the middle of the fiscal year. Often, the school budget includes a subsidy from parish operations and the parish budget must include adequate resources to provide that subsidy or alternative courses of action must be implemented.

Budgets are to be reviewed by the Parish Finance Committee and by the Parish Council before June 1st of each year. Budgets are to be in a format consistent with parish financial reporting. The Pastor approves the final budget.

D. Capital Budget

Parishes that are planning major repairs, renovations, new construction or the purchase of major equipment should also prepare a capital budget.

- How well does the present equipment or facilities serve the needs of the parish in terms of condition and capacity? Have maintenance costs reached the point where it would be economical to replace worn equipment with new or reconditioned equipment?
- What are alternate plans for financing: outright purchase, installment purchase, long-term rental, bank loan, etc.?

- What sources exist for financing each of these alternatives: special donations, installment purchase paid out of excess operating funds, special fund drives, etc.

There is no typical format for the capital budget, only the need for a clear and orderly presentation of the parish's plans for major asset replacements or acquisitions including the plan for funding them. A capital budget should cover at least the following points and one or more future annual periods:

- Major asset acquisitions planned: descriptions, acquisition dates, suppliers, whether additions or replacements of existing assets, estimated costs
- Mode of acquisition: lease, purchase, trade-in or sale of current assets, or bank loan
- Source of funds to purchase: savings or investments, cash borrowings or installment payments. If a special fund drive is planned, over what period of time will it occur?
- Schedule of deposits or payments on loans, installments, or rentals, showing individual amounts and grand total for each month and year covered in the capital budget.

E. Budget Implementation

As soon as the budget(s) have been approved by the Pastor, the business manager/bookkeeper should:

- Review the budget to look at timing of income and expense. This will help you with projecting cash flow during the year, and it will make your budget to actual financial reports more accurate. Using the ParishSOFT budget function or a computer spreadsheet, you can project each line item throughout the twelve months. Income and spending patterns can differ markedly between summer and winter, so consider seasonal fluctuations. Some programs may not operate during all 12 months. If you are planning large capital expenditures, put these into the budget spreadsheet when you plan to spend the money.
- Once the revenue and expenses are spread by month in the ParishSOFT budget function, you can take these revenue and expense totals to a separate spreadsheet, and by adding a beginning cash balance and a few formulas in your spreadsheet, you can develop a useful cash flow statement.
- ParishSOFT, and almost all other accounting programs, will allow you to enter budget figures into the system by month or on an annual basis. This will allow your financial statements to show throughout the year budget-to-actual statements of income and expense. Enter the budget by line item and by program to maximize the value of the reports. Throughout the year, as you make deposits and write checks, refer to your budget to be sure you code your entries to line up with your budget. Don't code expenses to categories only because you have not spent all the dollars budgeted there. Always remember that you want your expenditures to be recorded as accurately as possible both for information now and as a guide for future budgets.
- Use your accounting software to produce reports for the Finance Committee, Parish Council, and parishioners. Look at the reports available through the software and use them where possible.
- Consider the ultimate end products -- your Annual Financial Report to the parishioners and monthly or quarterly financial statements for use by the Pastor, Parish Council, and Parish Finance Committee. Look at all the information that is required and think about whether the way you are recording transactions will generate the information these groups will need.

**THE ARCHDIOCESE OF CINCINNATI DECREE PROMULGATION OF EXTRA-SYNODAL DOCUMENT ON
TEMPORAL AFFAIRS**

Below are paragraph references to the above document.

(11) Canon 537 of the 1983 Code of Canon Law requires that each parish have a Finance Committee (Finance Council)

(12) The Parish Council shall therefore have a standing Finance Committee, which shall be composed of persons with special training or experience in this area. Because of the large portion of the total parish finances devoted to the operation of the parish school or consolidated school, (in parishes which have a school or participate in a consolidated effort) special effort should be made to include persons who are knowledgeable about school finances. The Finance Committee will serve the Pastor as well as the Parish Council. Its primary function will be to advise both the Pastor and the Parish Council regarding the financial implications of their respective policy decisions. It will also prepare budgets in accord with the policy and priority decisions of the Pastor and the parish.

(13) The basic function of the Finance Committee is to provide necessary research and financial planning. The ultimate responsibility for policy, priority decisions, fund raising, approval and implementation of budgets shall rest, not with the Finance Committee, but with the Pastor in consultation with the Parish Council.

(14) The annual financial planning process at each parish, and the budget generated thereby, ought to include some provision for the voluntary sharing of resources with other Church units. To this end, the members of the Parish Council, the Parish Education Commission, and the Finance Committee should acquaint themselves with the financial statutes of their parish and the universal aspects of the Church's mission. It is further recommended that the Parish Council have a standing committee to establish lines of communication for this purpose, which will report regularly to the Council on these matters.

(16) The Parish Council (and its committees) shall generally exercise an advisory/consultative role in setting policy for the administration of the temporal affairs of the parish. In certain cases, it is specifically stated that the affirmative note of the Parish Council is a prerequisite to action by the pastor, or permission from the Archdiocesan Director of Financial Services is required (cf. TA 53, 54) in which case, the affirmative vote of the Council is a consultative requirement which must be satisfied before any action may be taken.

(97) Each year prior to June 1, the pastor, working with the Parish Council, the Parish Education Commission and the Finance Committee, shall prepare a budget for the entire parish operation, including the school, for the next fiscal year. The budget should contain the same items as the parish's chart of accounts. The provisions for review and adjustment of the budget, set forth in the Archdiocesan Accounting Manual (Section IV, Procedure VIII) should be followed. A copy of the budget shall be furnished to the Financial Services Department upon request.

(98) Each year within three months after the end of the fiscal year, the pastor must publish a financial report for the fiscal year ended June 30 to the members of the parish, including a separate report of the elementary school operations. These reports are generally to follow the form of those submitted to the Financial Services Department, using at least the main categories of the parish's chart of accounts. The report to the parishioners shall contain the projected budget for the year reported, the actual experience, and the budget for the coming year.

V. Sunday and Holy Day Collections

The primary source of parish funds is the weekend and Holy Day offertory collection. Other fundraising events and means are to be considered secondary or supplementary. Stewardship, tithing programs, and offertory-increase programs in general are greatly encouraged as representative of the effective presentation of the ideal of sacrificial giving. Stewardship programs based on annual pledges or budget giving are highly desirable means of planned fulfillment of the obligation of support of the mission of the Church. (*Document on Temporal Affairs* #75)

An extra or secondary collection for some specific parish purpose is not forbidden, at the discretion of the pastor after consulting with the Parish Council, provided all of the proprieties for the liturgical celebration are carefully observed. (*Document on Temporal Affairs* #76)

Appendix B - Mass Collection Procedures are included for a more detailed description on how to complete the weekly collection count.

Ideally, different individuals should complete the receiving of cash, processing payments, recording transactions, and bank reconciliation functions. Segregation of these duties as much as possible is essential. This option is not always possible, especially if there are only one or two individuals available to perform these duties. When segregation of duties is not possible the pastor or a volunteer parishioner with the proper background can perform one of these functions on a monthly basis.

A. Count teams

At least two individuals should be present and involved when collections are counted. No one person should ever sort and organize money prior to the arrival of the count team, including the Pastor. When practical, individuals who have the ability to record parish financial data should not be involved with the count team. If necessary, these individuals should only supervise the count and not be directly involved.

B. Proper rotation of count team duties and members

Ideally, collections should be counted by multiple count teams which are rotated periodically. These teams should not consist of two related people. If necessary to have two related individuals on one count team, there must be another unrelated person present at all times. Related individuals should never be left alone with the collections.

C. Tamper evident bags

The ushers should consolidate the collections in pre-numbered tamper resistant bags immediately following the offertory collection. The pre-numbered tamper resistant bags should be provided to the ushers before the weekend and Holy Day Masses. A log of each bag number provided the ushers should be maintained by the business manager/bookkeeper. Bags not in use should be locked in a secure area with limited access. Only the bags needed should be given out prior to the Mass. The pastor or his designee should periodically review the log.

D. Collections should be handled properly

Checks should be restrictively endorsed during counting procedures, a collection count sheet should be completed that includes tamper resistant bag numbers opened by the counters, inked in totals, signatures of the counters in pen and periodically reviewed by the pastor or a volunteer parishioner with

the proper background. Cash should never be taken from the collection for any purpose, such as replenishing petty cash or cashing checks. See Appendix B for a sample of a collection count sheet.

E. Parishioner envelopes

When the collection is counted, the parishioner envelopes should be separated from the loose checks and loose cash. The collection count sheet should include specific spaces for envelope checks, envelope cash, envelope totals, loose checks and loose cash. As collection envelopes are opened, care must be taken to ensure that the money enclosed agrees to the amount on the collection envelope.

After the count, parishioner envelopes should be bundled together and entered into the census/donation records. Ideally, envelope entry into the program should be done by a staff member not involved in the collection count. The parish may enter loose checks into the census/donation records. The donation report total page should be reconciled to the collection count sheet and retained with the collection count sheet. The envelopes should then be retained at the parish in accordance with the record retention policy. The envelopes should be kept in a secure area with limited access. After the designated time period, the envelopes should be shredded or destroyed so that no parishioner information is disclosed to inappropriate individuals.

The documentation for the collection deposit would include the collection count sheet, a bank receipt for the deposit, a tape of checks deposited and the total page from the census/donation posting. The tape of the checks can be discarded once the bank agrees that the amount of the deposit equals the amount on the collection count sheet.

If a check depositing device is used by the parish, a copy of the total page of this report should also be included in the documentation for the collection. Parishioner checks retained by the parish should be kept in a secure area with limited access. After the designated time period, the checks should be shredded or destroyed so that no parishioner or bank information is disclosed to inappropriate individuals.

F. Adequate physical safeguards

All collection receipts should be deposited intact daily, or locked in the safe in a pre-numbered tamper resistant bag under dual control (access by two people). Limit entry to the safe to only people requiring access. The safe combination should be adequately safeguarded. Any deposits that are left in the safe overnight should be documented in case of loss or theft.

G. Diocesan collection

Collections marked "parish" will stay with each individual parish, while collections marked "Diocesan" or "Special Collection" will be forwarded to the Archdiocese of Cincinnati after deposit. The diocesan collections will be counted in accordance with parish counting procedures and recorded, when received, in the accounting system in the appropriate collection liability account. After the special collection is deposited, a check for the total amount received should be prepared and the amount should be recorded in the accounting system to the appropriate diocesan collection liability account.

H. Other automatic collections

ACH and credit card collections

ACH (Automatic Clearing House) is a method of moving money between banks. Parishioners may give authorization to debit their bank account for a specific amount of money to be donated to their church

each week/month/quarter/year/or one time. This authorization can be given online to a third party vendor or to the parish. Likewise, parishioners may give authorization to have their credit card charged for a weekly/monthly/quarterly/annually/or one time collection donation.

Parishioner controlled/initiated collections

Parishioner controlled/initiated giving is a method where the parishioner initiates automatic giving on their own through an online bill paying service. This usually generates a paper check to the parish, which is then handled as a regular contribution in the same manner in which the parish currently handles checks for the regular collections that come in the mail.

I. Internal Controls

Parishes need to protect the confidentiality of information of the parishioners who choose to use these automated methods of offering by providing security. The credit card or bank account portion on the authorizations forms should be shredded once the first successful ACH or credit card transaction has been made. If this information is kept on the parish computer, the data must be secured by password.

Parishes need to implement controls and oversight over these methods of collections. Segregation of duties is essential to ensure proper handling of all accounting functions. Separate individuals should be in charge of accepting, processing, and verifying the parishioner authorization forms. Another individual should also be in charge of processing any updates, changes, or cancellations.

Different individuals should also complete the recording and the bank reconciliation functions of the other automatic church collections.

Bank accounts should be reconciled each month and the bank reconciliations reviewed and initiated by the pastor or a volunteer parishioner with the proper background.

Upon receipt of all the monthly bank statements, the automatic collection activity on the bank statements should be reconciled to the automatic collection backup details and to the general ledger of the parish accounting system.

J. Parishioner contribution statements

A staff member who is independent of the collection counting, depositing and the recording of collections by donor should prepare and distribute year-end parishioner statements. Ideally, the year-end parishioner statements should be handed out or mailed to everyone that has contributed to the parish during the calendar year. There should also be a copy either on paper or on a computer file of the year-end statements maintained in the parish office. Reported variances between the donation and collection records should be reported to the pastor or his designee; these variances should be investigated, and resolved. If the backup is located on a computer file, be sure to have additional backups in secure locations with limited access at both the parish office and an offsite location.

For single donations of \$250 or more, an adequate tax substantiation receipt should be issued. For guidelines on this subject please refer to Written Acknowledgement, under the Charitable Contribution Receipt section.

K. Tracking parishioner contributions

Written procedures should be developed to instruct the individual completing the data entry of collections by donor. Collections should be entered on the date that the offertory is collected; do not

use the date that is printed on the collection envelopes, if these two dates are different. For example, if a family submits multiple envelopes for the previous Sundays on one Sunday. These offerings should be entered with the Sunday collection date that the multiple envelopes were received, not the day the data is being entered, or the Sunday dates printed on the envelopes. The Sunday dates printed on the envelopes can be entered as a memo entry if desired.

L. Reviewing parishioner contribution summary report

Periodically (quarterly) print the Donation Summary Report and compare to the Sunday collection worksheets. Depending upon the percentage of envelope usage, a determination can be made if the deposits are reasonable.

M. Written Collections Procedures

Formal written procedures should be adopted and each individual member of the count teams be trained and given a copy of the procedure. The policy must be updated as the procedures are modified or changed.

Appendix B

Example of Mass Collection Procedures

To be completed prior to the Mass and by the Users at Mass Collection

A pre-numbered tamper resistant bag for each collection is assigned to each Mass. One bag is to be used for each collection. If there is a scheduled second collection for a Mass, then a second bag should be assigned. Before a bag is given to the ushers or assigned to a particular Mass, a record of the bag number is made and kept in the parish office.

On the front of the pre-numbered tamper resistant plastic bag, the business manager/bookkeeper should write the Mass time, the date, and whether it is the first or second collection. Information written on the bag should be written in pen or marker.

After the collection has been gathered, the ushers should remove the contents from the individual baskets and place it in the pre-numbered tamper resistant bag(s) that has been assigned to that Mass. At least two ushers must be present as the contents from the individual baskets are placed in the pre-numbered tamper resistant bags. The pre-numbered tamper resistant bags are sealed in the presence of two ushers. The ushers who place the money in the bag should initial the pre-numbered tamper resistant bag. There is no need for the ushers to count the money before it is placed in the pre-numbered tamper resistant bag. Only after the money is placed in the pre-numbered tamper resistant bag should a second collection be taken, if one is scheduled. Ideally, the collection should not be brought forward to the alter until it is placed in the pre-numbered tamper resistant bag(s).

The pre-numbered tamper resistant bags should be locked in a secure place until the bags are opened by the count team members. Pre-numbered tamper resistant bag(s) that are brought from the Church to the parish office should be handled by two individuals. Only a limited number of people should have access to the keys or the combination to the secure place.

A spare pre-numbered tamper resistant bag should be available to the ushers if the assigned pre-numbered tamper resistant bag is spoiled for some reason. The business manager/bookkeeper should maintain a record of the pre-numbered tamper resistant bag number that serves as the spare. If one of the assigned pre-numbered tamper resistant bags is spoiled, it should be retained and placed inside the spare bag and included with the collection. The spoiled bag should not be discarded.

If a contribution is given after the assigned bag has been sealed, it should be carefully safeguarded and placed with the sealed pre-numbered tamper resistant bag in the safe or secured place. If the ushers choose, it may be placed in the spare pre-numbered tamper resistant bag that is available to the ushers.

The pre-numbered tamper resistant bags should be delivered to the money counters unopened. If the seal is broken on any pre-numbered tamper resistant bag, the pastor, the business manager/bookkeeper and the Chief Financial Officer of the Archdiocese are to be notified.

The pre-numbered tamper resistant bag number should be recorded on the collection count sheet. The pre-numbered tamper resistant bags log should be periodically compared to the collection count sheets by the Pastor or his designee.

Collection & Counters

The count is to be performed by at least two designated, unrelated individuals. If a designated counter is not available, then a substitute counter should be assigned. No individual who is involved with the recording of financial information should be involved with the count. If necessary, this individual should only supervise the count and not be directly involved. The pastor should be made aware of any substitutions that need to be made on the count teams.

Ideally, no parish employee, including the pastor, should recount or disturb/spoil the collection after the collection counters have completed their work.

The following supplies should be available before the count is started:

- Collection count sheet(s)
- Endorsement stamp
- Deposit slip
- Adding machine or computer

The collection should be separated by various types of revenue shown on the collection count sheet. To simplify the count, one counter could do the regular collection and the other counter all the second collections, miscellaneous donations and income. Then they could switch and verify each other's count. The following procedures are to be performed for each collection:

- The counting team retrieves the bag(s) from the safe. If a bag is missing, opened, or appears to be tampered with, these irregularities should be promptly investigated. The bag number(s) should be recorded on the collection count report.
- Separate church envelopes from loose checks and loose cash.
- Count and record the loose cash using the following procedure:
 - Organize currency and coins by denomination. Count the currency and coins in the traditional manner. Recorded the total on the collection count sheet.
 - Have 2nd counter recount and verify the loose cash total.
- Checks which are not in an envelope should be kept separate and recorded. Count and record the loose checks, using the following procedure:
 - Endorse all loose checks, using the deposit stamp.
 - If the census/contribution records are handled manually, each check should be recorded during the count process on the loose check report. If the name is not on the official parish list, record the name and amount on the list.
 - If the census/contribution records are handled by computer software, the loose checks should be recorded on a loose check report. After the count has concluded, the envelopes and loose check report should be entered into the census/contribution software.
 - Prepare an adding machine tape of the amounts listed on the loose check report.
 - Prepare two adding machine tapes of all loose checks received.
 - Compare the totals from the two previous steps above. Investigate any discrepancies.
 - Record the loose check total on the collection count sheet.
- Record the total loose check amount on the deposit ticket and attach one of the adding tapes of the checks. Identify the adding machine tape as 'loose checks.'
- Count and record the collection in envelopes, using the following procedure:

- Open all envelopes and check to see if the amount written on the outside of the envelope agrees with the enclosed amount. Circle the amount, if correct. If incorrect, mark correct amount, initial and circle.
 - If the census/contribution records are handled manually, each envelope may be recorded during the count process on the parishioner list.
 - If the census/contributions are handled by computer software, envelopes may be bundled, and entered into the program later.
- Separate checks and cash.
- Endorse all checks, using the endorsement stamp
- Prepare two adding machine tapes of all the envelope checks and reconcile any discrepancies
- Record the envelope check total on the collection count sheet.
- Count the currency and coins in the traditional manner. Record the envelope cash total on the collection count sheet.
- Have 2nd counter recount and verify the cash total.
- Prepare an adding machine tape of amounts on all envelopes received. Attach adding machine tape to envelope bundle.
- Ensure that the total for envelopes received equals the total of envelope checks and cash received on the collection count sheet.
- Record the total amount of envelope checks on the deposit ticket and attach one of the adding machine tapes of the checks. Identify the adding machine tape as 'envelope checks.'
- Recount all cash and compare to all cash recorded on the collection count sheet.
- Record the total amount of cash on the deposit ticket and initial the ticket.
- All counters are to sign and date, in ink, the collection count sheet. Keep the deposit slip copy with the count sheet and send the original deposit slip to the bank.
- Compare the total per the collection report to the deposit slip. Investigate any difference.
- Place the deposit funds and the deposit slip into the bank bag, seal the bag and deposit in the bank. If tamper-resistant bags are used, the numbered bank seal should be removed and stapled to the count sheet and deposit slip copy. The bank will process a receipted slip of the deposit. The bank-receipted deposit slip should also be attached to the count sheet.

To be completed by the parish business manager/bookkeeper:

- The bag numbers on the collection count sheet should be compared to the log. Any difference should be investigated.
- An entry to record the deposit should be made in the accounting system by referencing the date on the completed collection report.
- Compare the bank-receipted deposit slip with the multi-part deposit slip copy and with the collection count sheet. Investigate any changes or discrepancies.
- Reconcile the total loose checks and envelopes totals from the collection count sheet to the total of the weekly census/contribution batch report. Any discrepancy should be investigated and resolved immediately.
- Variations in the collection deposit, the bank statement, and the accounting system should be resolved and entered.
- The bank should never alter the original deposit advice but put through a separate bank adjustment for any variation.
- If there are bank adjustments to the deposit, a reconciliation should be noted on the collection count sheet and the reconciliation signed by the Pastor.

VI. Other Church Receipts (bequests, restricted donations, stock donations, etc.)

Ideally, different individuals should complete the receiving of cash, processing payments, recording transactions, and bank reconciliation functions. Segregation of these duties as much as possible is essential. This option is not always possible, especially if there are only one or two individuals available to perform these duties. When segregation of duties is not possible, the pastor or a volunteer parishioner with the proper background can perform one of these functions.

A. Mail or office receipts of cash or check

All parish/school mail should be opened by an individual who does not have accounting duties. At this time, invoices received should be forwarded to the business manager/ bookkeeper who will then obtain approval by the individual receiving the goods or service.

Checks that are received in the mail should be immediately endorsed for deposit to the parish checking account. A log of all the checks received in the mail should be prepared and forwarded to the individual(s) responsible for depositing and recording the receipts. The deposit of these funds should be made daily, if possible. A copy of the log with the items deposited highlighted should be kept as backup for the deposit.

A standard receipt should be issued for all cash and check payments received **in person**. The receipt should be issued from a receipt book containing pre-numbered receipt forms in triplicate. The top copy is for the giver, the second copy is attached to the check/cash, and the third copy is kept in the book. The receipt book should be periodically reviewed to make sure no receipts have been issued out of sequence. Individual receipts should be periodically traced to the deposit records to ensure all receipts are deposited timely and accurately. When not in use, the receipt book(s) should be kept in a location with limited access.

The mail log and the pre-numbered receipt books should be inspected quarterly by an individual not involved in the receipt process. Any discrepancies should be reported to the pastor.

At a minimum, a deposit of other receipts should be made once a week with the monies locked in a secure location with limited access until the deposit is made. Any deposits that are left in the safe overnight should be documented in case of loss or theft. The documentation of the deposits that are left in the safe overnight should be kept in a secure location outside of the safe.

For single donations of \$250 or more, an adequate tax substantiation receipt should be issued. For guidelines on this subject please refer to Written Acknowledgement, under the Charitable Contribution Receipt section.

Miscellaneous checks and cash received are to be posted to an appropriate revenue account in the financial records separate from any related expenses. Refunds received are to be posted in the expense account where the overpayment was charged.

B. Bequests

Bequests for a restricted purpose must be used in exact accord with the directions of the donor or testator. Care should be exercised in the acceptance of restricted funds to avoid incurring an obligation, especially of a spiritual nature such as Masses, which might turn out to be impossible or extremely difficult to fulfill. (*Document on Temporal Affairs #58*)

When a bequest is received, the parish will record the bequest within the census/contribution software. Any reported difference between the bequest deposited and the census/contribution software should be investigated and resolved by an individual other than those already involved in the receipt process.

In accordance with the *Document on Temporal Affairs # (85) (1)*, the first \$5,000 of the bequest will be recorded in the appropriate revenue account (Bequests under \$5,000). Additional revenue received in excess of \$5,000 will be recorded in the appropriate revenue account (Bequests over \$5,000).

The parish should not accept any bequest that requires obligations that cannot be performed in less than 12 months. All bequests that cannot be satisfied in less than 12 months must follow the same requirements set forth in the restricted donations section. The parish must document all restrictions as defined by the donor and keep written records of the restriction in a secure location. The parish should record the restricted funds as temporarily restricted within the accounting software in accordance with Archdiocesan guidelines, the funds should not be recorded as a liability. The pastor or his designee will ensure that expenditures utilizing temporarily restricted funds are in compliance with the donor restrictions. The parish will maintain sufficient records to ensure that all restrictions have been met.

C. Stock donations

See stock donation procedures on Archdiocese of Cincinnati website.

For a sample letter to the donor to thank them for their tax donation, see Appendix C.

D. Archdiocesan designated collections

The following collections are for 'external' purposes. The second collection on the designated days shall be sent to the Chancery for the designated purpose.

1. Catholic Relief Services Collection, for overseas relief
2. Good Friday Collection, for the support of the Shrines of the Holy Land
3. Mission Sunday Collection
4. National campaign for Human Development
5. Holy Father Collection in June, for the Holy Father and for appeals sponsored by the Holy See.
(*Document on Temporal Affairs #84* as amended May 19, 2016)

Additional Archdiocesan designated collections include Respect Life, C.I.S.E., Ash Wednesday, Office of Military Services and Religious Retirement.

The parishes should send the monies collected for Archdiocesan designated collections shortly after the collection date to the Finance Office or in some cases to the Mission Office. These funds are not the property of the parish and should not be used for operating expenses or for funding parish ministries. These funds should be posted to the appropriate liability accounts in the ParishSOFT chart of accounts.

E. Parish designated collections and restricted donations

Any documentation by which a restricted fund is established shall be required to contain a provision for the transfer of commutation of the obligations attached, in the event of the cessation of existence of the beneficiary entity, or in the event changing circumstances make the obligation impossible. (*Document on Temporal Affairs #66*)

When a parish collects funds for a designated project such as a capital campaign or for a specific repair/replacement, the funds collected are restricted for the designated purpose. The parish should

note all primary AND secondary uses for the funds collected in its written and verbal communication to donors. The parish should consider the language used for solicitation of designated funds/donor gifts to ensure that excess funds can be used for a secondary purpose (maintenance, cleaning, etc.). The funds collected are recorded as revenue in the accounting software when received and recorded as expense in the accounting software when spent.

The parish should not accept any donation from an individual or organization that requires obligations that cannot be performed. The parish must document donor restrictions for the uses for the funds donated. The pastor should consult with the Parish Finance Council and Pastoral Council before accepting a restricted donation. The parish may wish to contact the Archdiocesan Finance Office to review the donor restrictions documentation to ensure that the restrictions are appropriate. All funds that have been donated to the parish become the property of the parish and the individual gives up the right to directly influence the expenditures of the funds.

The parish should record the funds with the note 'temporarily restricted' within the financial revenue accounts in accordance with Archdiocesan guidelines, and the funds should not be recorded as a liability. The pastor or his designee will ensure that expenditures utilizing temporarily restricted funds are in compliance with the designated collection/donor restrictions. The parish will maintain sufficient records to ensure that all restrictions have been met and all funds have been used.

F. Candle / Poor Box offerings

When candle offerings receptacles are located within the church, they should be securely fastened and have limited key access. The offerings should be collected on a weekly basis by at least two individuals, to protect those involved. If possible, the offerings should be collected and counted at the same time as the weekly collection. The candle offerings should be recorded on the collection count sheet, and taken to the bank along with the rest of the weekly collection deposit. The candle offerings should be posted to the appropriate revenue account in the ParishSOFT chart of accounts.

If the candle offerings are given to another group such as the Altar and Rosary Society, it must first be posted to the appropriate revenue account in the ParishSOFT chart of accounts. Then a check can be written out of the parish operating account, to the appropriate society, expensing a candle distribution account. Candle offerings should **never** be kept at the parish as a petty cash fund.

G. Loose cash and change offerings

Loose cash and change not received as part of the weekly collections should be counted at the same time as the weekly offerings. The loose cash and change offerings should be recorded on the collection count sheet, and taken to the bank along with the rest of the weekly offering deposit. The loose cash and change should then be recorded as revenue within the accounting software.

If the loose cash and change are given to another group such as St Vincent de Paul, it must first be recorded as revenue within the accounting software. Then a check can be written out of the parish operating bank account to the appropriate society expensing the check to a loose cash and change distribution account. Loose cash and change should never be kept at the parish as a petty cash fund.

H. Soda/ Snack machines

The money from parish/school owned and operated soda/snack machines should be collected by at least two individuals to protect those involved. If possible, the monies should be collected and counted

at the same time as the weekly collection. The monies should be recorded on the collection count sheet, and taken to the bank along with the rest of the weekly collection deposit. The loose cash and change should then be recorded into a soda/snack income account in the parish books. If the soda/snack machines are located in areas of the school that are not accessible at the time of the weekly collection, internal controls should be in place so that the money is collected in a timely manner and recorded appropriately. The amount of money collected should be compared to the product refilled in the vending machine to verify that nothing has been taken.

I. Parish controlled other collections

Occasionally, parishes may ask their parishioners for monies for a parish program or ministry—their food pantry or Thanksgiving/Christmas food boxes, debt reduction, donations for a youth program/trip, etc. Donations made in envelopes designated for this cause should be counted as part of the weekly collection, recorded on the collection count sheet, and taken to the bank along with the rest of the weekly collection deposit. These donations should also be included in the parish's census/contribution records. Such collections should be recorded in an appropriate revenue account in the parish accounting software. When these funds are spent for the designated purpose, the spending should be recorded as an expense within the accounting software in accordance with Archdiocesan guidelines, the funds should not be recorded as a liability.

J. Pass Through collections to 501(c)(3) charities

Occasionally, parishes may ask their parishioners for monies for a third-party 501(c)(3) charity such as St. Vincent de Paul via a second collection. The use of a St Vincent de Paul Society at each parish is highly encouraged. Each Society is independently operated and utilizes a separate tax ID; therefore all donations made to the society are tax deductible to the donor. Funds collected for the Society are not subject to the parish's annual assessment from the Archdiocese.

Some parishes may wish to operate a ministry similar to St Vincent de Paul Society. Donations to this ministry may not be tax deductible to the donor as explained in Charitable Contributions Receipts and the total contributions are subject to the parish's annual assessment from the Archdiocese.

It is recommended that donations made in envelopes designated for St Vincent de Paul Society or similar 501(c)(3) charity be counted as part of the weekly collection, recorded on the collection count sheet, and taken to the bank along with the rest of the weekly collection deposit. These donations should also be included in the parish's census/contribution records. Such collections should be recorded in an appropriate liability account in the accounting software as the parish is solely the collection agent until the funds are remitted to the appropriate third-party charity. A check for these second collection funds should be prepared within three to four weeks after the designated collection date to allow for the receipt of late donations yet still remit the monies on a timely basis to the third-party charity.

K. Requests to collect funds for an individual

Occasionally, parishes/schools will be asked to collect funds to benefit an individual. One such request might be for money from parishioners for a joint gift for a seminarian who spent time at the parish or for a departing pastor or other employee. It is recommended that parishes/schools tell people wanting to make a gift to these individuals to give their gift directly to the person as there could be tax consequences for the individuals when the parish/school gives money or gift cards to such individual. Also, individuals writing checks to the parish/school for these gifts might be tempted to take the amount of such checks inappropriately as charitable tax deductions.

A second type of request that might be made of the parish/school is to collect funds to benefit a parishioner, school family or relative thereof who has experienced financial need due to fire, accident, health issue, death, etc. See the section on Charitable Contribution Receipts for guidance.

L. Rental income

The parish may rent a portion of a building to parishioners/school families or an outside third party for meetings or private parties. The parish may also have a building which they rent to a third party. Rental income is to be recorded as a revenue and rental expenses recorded separately as expenses in the financial records. See the section on Leasing of Property for further guidance.

M. Religious Education Fees

The parish may collect registration fees for religious education programs. It is recommended that parents be asked to pay such fees by check made payable to the parish and bring or send the check to the parish office. Online payment services are recommended if that option is available. If parents pay in cash, it is recommended that cash be brought to the parish office where a receipt will be given. If parents are unable to come to the parish office because classes are in the evenings or on weekends when the parish office is not open, the religious education teacher can receive checks or cash. The teacher is to issue a pre-numbered three-part receipt for any monies collected and note the family name and student name on the receipt. It is recommended that the parish office reconcile religious education income to a list of students enrolled in religious education. Religious education fees should be posted in a religious education revenue account as these fees are not subject to archdiocesan assessment.

N. Youth/Senior event fees

The parish may collect event fees for youth or senior programs. It is recommended that parishioners be asked to pay such fees by check made payable to the parish and bring or send the check to the parish office. Online payment services are recommended if that option is available. If parishioners pay in cash, it is recommended that cash be brought to the parish office where a receipt will be given. If parishioners are unable to come to the parish office because groups meet in the evenings or on weekends when the parish office is not open, the youth director or senior coordinator can receive checks or cash. The youth director or the senior coordinator are to issue a pre-numbered three-part receipt for any monies collected and note the parishioner/student's name on the receipt. It is recommended that the parish office reconcile this income to a list of event participants. Event fees should be posted in an appropriate revenue account and event expenses in an appropriate expense account. Event fees and expenses are treated as socials for purposes of archdiocesan assessment.

APPENDIX C

SAMPLE STOCK DONTATION THANK YOU LETTER

Donor

Address

Date

Dear Donor:

On (date) you donated (number) shares of (name) stock for (name of parish/school). Thank you so much for your generous gift!

On the day the shares were received, the (name) stock high was (\$ value) and the low was (\$ value), giving an average of (\$ value) per share, which indicates a gift value of (\$ value).

Thank you again for your generous gift, and I note that no goods or services were provided in exchange for this gift.

Sincerely yours in Christ,

(NAME)

Business Manager

Share price information gathered from a source deemed reliable, while provided here without guarantee. Please retain this letter for your tax filing purposes.

VII. Charitable Contribution Receipts

Donors may make contributions to a parish/school for specific individuals and wish to earmark the funds. Parishes and schools have a responsibility to accurately report each gift's deductibility. However, deductibility cannot be assured unless proper procedures are followed.

The phrase "charitable contribution" is synonymous with the word "gift" – a word that raises both gift and income tax liabilities. To distinguish a tax-deductible charitable contribution from an ordinary gift, a donation must be given "to or for the use of" a qualified organization. If given directly to an individual, the contribution is generally not tax-deductible. An ambiguity arises when the gift is given to a qualified organization but restricted to benefit specified individuals.

In order for a contribution to be given "to or for the use of" a qualified charity, the parish must maintain control and discretion over the contribution's use. If a donor provides money to the parish, mandating that a specific individual receive the benefit (e.g., for Sally Smith's tuition), no deduction is allowed.

A second type of request that might be made of the parish/school is to collect funds to benefit a parishioner, school family or relative thereof who has experienced financial need due to fire, accident, health issue, death, etc. If the parish/school collects funds for the purpose of providing funds to a specific individual to receive a benefit (e.g., for Sally Smith's tuition), clearly no tax deduction is allowed. It is recommended that the parish/school utilize the St Vincent de Paul Society or a non-specified account (tuition assistance, hurricane relief) to assist individuals. The assistance accounts must have written procedures on how and when assistance is given.

To ensure deductibility of earmarked gifts, a parish may state in its charitable solicitations that it welcomes recommended designations, but that all gifts are to the parish, subject to its control and final discretion. In its written charitable receipt records, the parish may also include the following information: (1) the parish has ultimate discretion over the destination of the contributions; (2) a confirmation that the donor intends for the parish, not the individual, to be the gift recipient; and (3) an acknowledgment of the donor's preference to support a particular cause. Since ambiguities are common in this area of giving, parishes must remind donors that improperly earmarking gifts may compromise the deductibility of the donation.

A. Written acknowledgement of donations received

Per IRS Publication 1771, an organization that does not acknowledge a contribution incurs no penalty; but, without a written acknowledgment, the donor cannot claim the tax deduction for any single contribution of \$250 or more. Although it is a donor's responsibility to obtain a written acknowledgment, our parishes/schools can assist a donor by providing a timely statement containing:

1. The name of parish/school organization
2. The amount of a monetary gift
3. A description (but not the value) of a non-cash contribution
4. A statement that no goods or services were provided by the organization in return for the contribution, if that was the case
5. A description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
6. A statement that goods or services, if any, that an organization provided in return for the contribution consisted entirely of intangible religious benefits, if that was the case

A separate acknowledgment may be provided for each single contribution of \$250 or more, or one acknowledgment, such as an annual summary, may be used to substantiate several single contributions of \$250 or more. There are no IRS forms for the acknowledgement. Letters, postcards, or computer generated forms with the above information are acceptable. A parish/school can provide either a paper copy of the acknowledgement to the donor, or a parish/school can provide the acknowledgement electronically, via email addressed to the donor.

Parishes typically send written acknowledgement to donors no later than January 31 of the year following the donations. For the written acknowledgement to be considered timely, a donor must receive the acknowledgement by the date of the return.

It is recommended that a copy of all such letters be retained in a file and reviewed periodically by the pastor or his designee. If the copy is located in a computer file, be sure to have adequate file backup.

B. Goods and services provided in exchange for contribution

A gift acknowledgment must describe goods or services a parish/school provided in exchange for a contribution. It must also provide a good faith estimate of the value of the goods or services because a donor must generally reduce the amount of their charitable tax deduction by the fair market value of the goods and services provided by the parish/school. Goods or services include cash, property, meal/beverages, services, benefits, or privileges. An example would be the cost of the meal and drink tickets included in a fundraiser ticket. However, there are important exceptions:

1. **Token Exception:** Insubstantial goods or services a charitable organization provides in exchange for contributions do not have to be described in the acknowledgment.

Goods and services are considered to be insubstantial if the payment occurs in the context of a fund-raising campaign, in which a parish/school informs the donor of the amount of the contribution that is a deductible contribution, and:

- the fair market value of the benefits received does not exceed the lesser of 2 percent of the payment or \$106*, or
- the payment is at least \$53*, the only items provided bear the parish / school's name or logo (for example, calendars, mug, or posters), and the cost of these items is within the limit for "low-cost articles," which is \$10.60*.

Free, unordered low-cost articles are also considered to be insubstantial.

Example of a token exception: If a charitable organization gives a coffee mug bearing its logo that costs the organization \$10.60 or less to a donor who contributes \$53 or more, the organization may state that no goods or services were provided in return for the \$53 contribution. The \$53 is fully deductible.

2. **Intangible Religious Benefits Exception:** If a religious organization provides only "intangible religious benefits" to a contributor, the acknowledgment does not need to describe or value those benefits. It can simply state that the organization provided intangible religious benefits to the contributor.

What are “intangible religious benefits”? Generally, they are benefits provided by a tax-exempt organization operated exclusively for religious purposes and are not usually sold in commercial transactions outside a donative (gift) context. Examples include admission to a religious ceremony and a de minimis tangible benefit, such as wine used in a religious ceremony. Benefits that are not intangible religious benefits include education leading to a recognized degree, travel services and consumer goods.

C. Unreimbursed Expenses

If a donor makes a single contribution of \$250 or more in the form of unreimbursed **expenses**, for example, out-of-pocket transportation expenses incurred to perform donated services for a parish/school, then the donor must obtain a written acknowledgment from parish/school containing a:

- description of the services provided by the donor
- statement of whether the parish provided goods or services in return for the contribution
- description and good faith estimate of the value of goods or services, if any, that the parish provided in return for the contribution
- statement that goods or services, if any, that the organization provided in return for the contribution consisted entirely of intangible religious benefits, if that was the case.

In addition, a donor must maintain adequate records of the unreimbursed expenses. See Publication 526, *Charitable Contributions*, for a description of records that will substantiate a donor’s contribution deductions.

Example of an unreimbursed expense: A chosen representative to an annual convention of a charitable organization purchases an airline ticket to travel to the convention. The organization doesn’t reimburse the delegate for the \$500 ticket. The representative should keep a record of the expenditure, such as a copy of the ticket. The representative should obtain from the organization a description of the services that the representative provided and a statement that the representative received no goods or services from the organization.

D. Examples of Written Acknowledgments

“Thank you for your cash contribution of \$300 that (Parish/School’s name) received on December 12, 2015. No goods or services were provided in exchange for your contribution.”

“Thank you for your cash contribution of \$350 that (Parish/School’s name) received on May 6, 2015. In exchange for your contribution, we gave you a cookbook with an estimated fair market value of \$60.”

“Thank you for your contribution of a used oak baby crib and matching dresser that (Parish/School’s name) received on March 15, 2015. No goods or services were provided in exchange for your contribution.”

The following is an example of a written acknowledgment when a charity accepts contributions in the name of one of its activities:

“Thank you for your contribution of \$450 to (Parish/School’s name) made in the name of its Special Relief Fund program. No goods or services were provided in exchange for your contribution.”

**The dollar amounts are for 2016. Guideline amounts are adjusted for inflation. See IRS.gov for annual inflation adjustment information.*

VIII. Mass Stipends (Offerings)

The following observations are not intended to be a full explanation or commentary on the Church's teaching and law in regard to Mass stipends, but rather intended to provide some guidelines.

1. The custom of making an offering for the celebration of a Mass is a longstanding one in the Church and is sanctioned by Church law. It is not permitted, therefore, for a parish priest to decide that no Mass stipends will ever be accepted in the parish for which he is responsible.
2. The intentions of the donor must always be respected. Thus, if a priest accepts one or more stipends with the understanding that the Masses will be offered in the parish church, the priest is not free to send them elsewhere without the consent of the donor.
3. Separate Masses are to be offered for each stipend that is given for a single Mass. It is not permitted to group separate stipends together and offer a single Mass for many intentions.
4. It is permissible for the faithful to contribute to collective Mass intentions ("Purgatorial Masses") provided it is clear to them that their individual offerings will be used in this way. However, the place and time of the offering of these Masses must be made public and they are not to be offered more than twice a week in any church.
5. No priest or parish may retain more Mass stipends than can be satisfied within one year.
Surplus stipends are to be sent to the Chancery or the Mission Office for distribution to other priests in the Archdiocese or in the missions. (*Document on Temporal Affairs #127*)
6. While a priest may offer more than one stipend Mass on a given day, the second stipend (**bination stipend**) is to be sent to the Chancery with the notation that the obligation has already been fulfilled. These funds are dispersed to Mount St. Mary's Seminary and to general Archdiocesan operations.
7. The Priest Personnel policies of the Archdiocese provide that priests may waive stipends owed them personally in favor of a specified regular monthly payment. However, the policies and Code of Canon Law, (canons 276.2.2 and 904) also call for regular, even daily celebration of the Eucharist by priests.
8. Pastors of parishes (and diocesan bishops) are required to offer Mass for their people on Sundays and other specified feast days. If a priest is pastor of more than one parish, one Mass per Sunday or feast day satisfies this obligation. However, on these days, the pastor may not receive a stipend for another Mass. If stipend Masses are scheduled, the stipend is to be sent to the Chancery in accord with number 6 above.
9. The Mass offering for all Masses in the Archdiocese of Cincinnati is \$5.00. No more than that may be requested for a Mass offering, though more may be accepted if it is freely offered. Less may be accepted and no reasonable request for Masses shall be refused. Since the amount given to the parish is an offering or donation, it is tax deductible to the donor.
10. These items are matters of justice and are therefore to be interpreted strictly. Any abuses or mismanagement of the Mass stipends require restitution.

11. Since the Code of Canon Law (canon 958.2) calls for the bishop to inspect the Mass stipend books of his parishes, the Mass stipend books should be presented for his inspection with the sacramental records when the Archbishop or his representative comes for Confirmation, parish visits, etc.

Priest Personal Policies (V)(E)(4)

There is no distinction between the offering given for a Mass celebrated by a priest who is principal celebrant or that accepted by a concelebrating priest.

Founded Masses are not to be accepted or agreed to unless permission is first obtained from the Archbishop. Founded Masses are strongly discouraged (not to be accepted without the permission of the chancellor), but if accepted will be limited to a life of twenty-five years. (*Document on Temporal Affairs* #65)

Priests are encouraged to ask the donor's permission for Mass requests to be fulfilled in other parishes or sent to the missions when these requests cannot be fulfilled within the limitations of time set by canonical legislation. In all cases, the intention of the donor is to be respected. (cf. Canon 953)

Excess Mass offerings intended for distribution within the Archdiocese are to be forwarded to the Chancery Office; those intended for use in the missions are to be forwarded to the Mission Office of the Archdiocese. Excess offerings should not be sent directly to individual priests, particularly if they are unknown to the sender.

Bination offerings are to be sent to the Chancery Office. These funds are disbursed to Mt. St. Mary Seminary and to general archdiocesan operations.

All other offerings are to be placed in the treasury of the parish or institution where the Mass is celebrated. At times, the institution where a priest is assigned may not have need of the priest's services for liturgy (e.g., the seminary); in such cases, when the priest has an additional canonical assignment to celebrate Mass elsewhere, the fee for extra clergy help for that celebration is given to the parish/institution where he is assigned. The fee for extra clergy help that is not part of a priest's canonical assignment and does not interfere with the duties of his canonical assignment may be retained by the priest. Those priests who have not waived their rights to Mass offerings may keep them in accord with the item considered below under Section V. E. "Income".

Internal control guidelines to maintain the stipend account

Ideally, different individuals should complete the receiving of cash, processing payments, recording transactions, and bank reconciliation functions. Segregation of these duties as much as possible is essential. This option is not always possible, especially if there are only one or two individuals available to perform these duties. When segregation of duties is not possible the pastor or a volunteer parishioner with the proper background can perform one of these functions.

A. Accepting and Recording a Mass Intention

All Mass stipends are voluntary offerings and may be less than, equal to, or greater than the customary offering (currently \$5 per Mass). Priests or parish staff must never ask for an offering in excess of the customary amount. No one asking for a Mass should be denied due to an inability to make an offering (Canon 945 §2) although a pastor may limit the number of Mass intentions accepted from any one individual to allow room for other parishioner intentions in the Mass calendar. Each priest is strongly encouraged to accept all reasonable Mass intentions but could refuse one if he cannot fulfill the specific wishes of the donor.

If someone requests a Mass intention and offers an amount greater than the customary amount, please determine the donor's intention by asking if they would like multiple Masses, if a portion of the payment should be considered an additional donation to the church, or if the entire amount is to be applied to the Mass. If the intent of the donor cannot be determined, then the total offering is to be divided by the customary offering amount and that number of Masses should be recorded (Canon 950).

A standard receipt should be issued for all cash and check payments received **in person**. Checks received should be promptly endorsed "for deposit only" into the parish bank account. The receipt should be issued from a receipt book containing pre-numbered receipt forms in triplicate. The top copy is for the giver, the second copy is attached to the check/cash, and the third copy is kept in the book. The receipt book should be periodically reviewed to make sure no receipts have been issued out of sequence. Individual receipts should be periodically traced to the deposit records to ensure all receipts are made timely and accurately. When not in use, the receipt book(s) should be kept in a location with limited access.

At a minimum, a deposit of other receipts should be made once a week with the monies locked in a secure location with limited access until the deposit is made. Any deposits that are left in the safe overnight should be documented in case of loss or theft.

The Mass intention(s) should be promptly and accurately recorded in the parish Mass Intention Book (Canon 955 §4 and Canon 958 §1). If there is a special restriction on the intention, such as the Mass must be offered at the parish, then a notation of this restriction must be listed in the record. This Mass Intention Book should be stored in a fire resistant cabinet or safe.

Number each intention consecutively, record the date that the intention was received, the exact intention, and the stipend amount received. When the Mass is offered or a date is scheduled in the Liturgical Desk Calendar, the offering date should be recorded in the Mass Intention Book. It is also helpful to record the celebrant of the Mass in this book. Most people have a particular date in mind for their intention so it should also be included in the Liturgical Desk Calendar when received. When transferring to the Liturgical Calendar, remember to write the Mass number from the Mass Intention Book in the desk calendar to assist in cross-referencing.

To make payment of stipends easier, record the stipend as paid (PD) for the customary \$5 offering and "PD\$XX" (for nonstandard amounts where XX is the amount offered) in the Liturgical Desk Calendar. Leave this column blank if a stipend has not yet been received or if no stipend is expected for this intention.

B. Offering an Intention
a. Prompt Offering

Mass intentions must be scheduled and offered within the one-year (365 day) deadline established by (Canon 956). Additionally, only as many Mass intentions as can be discharged within one year may be accepted by a priest (Canon 953). If a parishioner wants a Mass offered beyond one year, they should make that request on a date within one year of the proposed Mass date. If the pastor agrees, the parish secretary could “save-the-date” now but should not accept the intention or stipend at this time.

In certain situations, such as All Souls or a funeral, the parish may receive many Mass intentions. All of these intentions must be recorded in the Mass Intention Book and an earnest effort should be made to celebrate as many as practical without displacing Mass dates for other parishioners. If the pastor determines that a number of the All Souls or funeral Mass intentions cannot be accommodated within one year from receiving them, he must forward these Mass intentions (and stipends) to the Chancery with a letter outlining the intention(s) and the amounts of the offerings. Remember to always mark the Mass Intention Book with the transfer date and to whom the intention(s) were transferred.

b. Multiple Intentions at a Mass

Generally, only one intention is allowed per Mass (Canon 948). This requirement has been relaxed slightly and allows for a combination of two or more intentions only after:

1. All donors have been explicitly informed and freely consented to combining offerings;
2. The time and place of the multiple intention Mass has been made public; and
3. Since this practice is an exception to law, it may not occur at more than two Masses per week and special care should be exercised to avoid the perception of abuse.

Priests must not indiscriminately offer multiple intentions just because the parish has an excess of demand. In these cases, parishioners should be counseled that the intentions may be accepted if they can be offered on another date or at another location. The celebrant of a collective intention Mass may only take a single stipend up to the customary offering (\$5). Intentions that are part of a collective intention should be noted as such in the Mass Intention Book.

c. Pro Populo Mass for the people of the parish

Each pastor, parochial administrator (Canon 534 §1), and bishop (Canon 388 §1) must offer a Mass for the people of the parish every Sunday and holy day of obligation. This Mass is frequently called the “*Pro Populo*” Mass and carries NO stipend. A pastor who has care of more than one parish is only bound to apply one *Pro Populo* Mass for the entire people entrusted to him (Canon 534, §2). If he offers a *Pro Populo* Mass on Sunday, he can still offer another Mass on Sunday and keep the stipend for the second one since no stipend is offered for the *Pro Populo* Mass; but he may NOT add a second intention to the *Pro Populo* Mass to obtain a stipend payment.

d. Private Mass

A priest may offer a private Mass for an intention on his day-off or during vacation. The celebration of these Masses should be recorded in the Liturgical Desk Calendar and the priest should be paid for any intentions offered that carry a paid stipend (up to one per day.)

C. Balancing the Mass Stipend Liability Account to the Mass Intention Book

It is recommended that money received for Mass intentions be posted to a liability account 'Custodial Obligations-Mass Intentions.' Periodically or at least annually, the amount in the liability account should be balanced to the total of the unoffered Masses in the Mass Intention Book. This process is very important since the amount of money currently in the liability account 'Custodial Obligations-mass Intentions' must "cover" all of the unoffered Masses to be said. The liability account should never have a debit balance.

To help keep the account in balance, no expenses should be paid from this liability account. If the Mass Intention Book has 25 Masses not yet celebrated at fiscal year end June 30, any amount over $25 \times \$5$ or \$125 in the Custodial Obligations-Mass Intentions liability account should be transferred via journal entry to a Mass stipend revenue account.

a. Surplus

If the number of unoffered Masses is more than the parish can celebrate in one year, the excess mass intentions must be handled as prescribed by the Chancery. Surplus Mass intentions are to be periodically (approximately every six months) transferred to the Chancery as Mass stipends with new intentions of the pastor's choosing. These new Mass intentions will be forwarded to retired priests and other priests (such as mission priests or rural parishes) to be promptly offered. Please include a letter from the pastor indicating the amount sent and the new intention(s).

b. Deficit

A shortage in the Mass stipend liability account compared to the Mass intention book is a matter of much greater concern that should be promptly investigated and resolved. The method of resolving the shortage will depend on the circumstances causing the shortage and this situation should be promptly referred to the Moderator of the Curia or Diocesan Internal Auditor for assistance.

D. Method of payment

A priest who chooses to retain his rights to Mass stipends shall receive the base salary to which he is entitled less the total income received from Mass stipends during the current month. (*Priest Personal Policies (E)(1)(b)*). Mass stipends paid to a priest who chooses to retain his rights to Mass stipends should be paid by check.

E. Bank statements and reconciliations

A separate Mass Stipend checking account can be established, but a separate bank account is not recommended. If used, the pastor must be an authorized signer on this account and the account should be included in the accounting general ledger of the parish.

The pastor or his designee should receive the unopened bank statements and review deposit activity, withdraws and canceled checks for obvious inconsistencies prior to forwarding the statement to the individual responsible for the preparation of the bank reconciliation. It is recommended that the bank statement for the Mass stipends account be reconciled monthly to the general ledger and /or checkbook and that the pastor or his designee review the reconciliation and document his review by signing the reconciliation.

F. Reportable income to Priests

A “Mass stipend” refers to the amount offered by a parishioner for a Mass to be said for the repose of the soul of a departed loved one, or other intention of the donor. This sacerdotal practice is not dependent upon payment. A priest will say a Mass upon request without expectation of payment. But, nevertheless, when a payment is received by a priest for saying a Mass not at his assigned parish, it is the result of a performance of service. Therefore, a Mass stipend is earnings, subject to income tax.

A “Stole Fee” represents the amount given to a priest for the performance of a sacerdotal function or other services performed in his ministry. Typical examples include weddings, funerals, baptisms, and speaking engagements. The IRS does not classify these payments as tax free “gifts” because the payment was motivated, among other things, by the render of a service. It doesn’t matter that the Priest requires no payment for the service, nor does it matter that some people give nothing under similar circumstances.

All offerings for baptisms, weddings and funerals celebrated in the parish of assignment or residence are to be placed in the treasury of that parish. Gifts received by the priest for services outside his parish of assignment or residence may be retained by the priest unless the priest’s participation has taken him away from his primary duties.

“Mass Fee” refers to the amount paid to a priest by a parish for celebrating Mass, hearing confessions, or other weekend services rendered. A common example of this type of service occurs when a Priest who is not assigned to a parish, (Extra Clergy Help), celebrates weekend Masses at a nearby parish. Like Mass stipends, Mass fees and weekend assistance constitute earnings subject to income taxes. The IRS does not classify these payments as tax free “gifts” because the payment was motivated, among other things, by the render of a service. It doesn’t matter that the Priest requires no payment for the service, nor does it matter that some people give nothing under similar circumstances.

It is recommended that Extra Clergy Help be paid by check to facilitate the required tax reporting. Mass fees are considered taxable income by the IRS. If Extra Clergy Help is a retired priest, the check should be written directly to him and tracked in the parish’s accounting software to facilitate sending a 1099 if the priest is paid \$600 or more during one calendar year.

If Extra Clergy Help is an order priest, the check should be written directly to the order. If Extra Clergy Help is an active diocesan priest on the payroll at another Archdiocesan location, the Mass fee should be put on an Extra Salary Compensation form and the check, written to the primary employing location, and the Extra Salary Compensation form should both be sent to the priest’s primary employing location. The Mass fee is included on the priest’s W-2 when the primary employing location puts this amount into the priest’s paycheck via the payroll software.

IX. School Receipts

For consolidated schools the term pastor or his designee should be replaced with principal or their designee.

A. School tuition

Tuition due from each family needs to be calculated based on tuition rates and number of family children in the school, reviewed, approved in writing by the pastor/principal or their designee and entered into the tuition records. EdChoice, Jon Peterson or other scholarships need to be determined by family, reviewed, approved in writing by the pastor/principal or their designee and entered into the tuition records to determine remaining tuition amounts owed, if any, by the family. Tuition assistance awarded by the Archdiocese or the parish needs to be determined by family, reviewed, approved in writing by the pastor or his designee and entered into the tuition records. Tuition discounts for employees (if any) need to be determined by family, reviewed, approved in writing by the pastor or his designee and entered into the tuition records. After gross tuition and all deductions are entered, the net tuition due should be reconciled with the input documents to detect any input errors.

Note: Tuition discounts as a benefit of employment may have tax consequences. Individuals who are not school employees must pay tax on any tuition benefits. Please contact the Archdiocese Finance or Human Resources Offices for guidance.

Checks received for tuition and fees by the parish/school should be restrictively endorsed as soon as received. Pre-numbered receipts should be issued for cash payments of tuition and fees. Parents/Guardians should be discouraged from paying by cash. The tuition receipts should be recorded and reconciled to the student's accounts. Separate staff members should be responsible for the collection/custody and recording of tuition receipts.

B. Adequate physical safeguards

Tuition receipts should be deposited as soon as possible. At a minimum, a deposit should be made once a week with the monies locked in a secure location with limited access until the deposit is made. Any deposits that are left in the safe overnight should be documented in case of loss or theft with documentation kept in a secure location outside the safe.

C. Administration of student accounts

Document a standard policy for recording tuition and any school fees. Ensure that late fees are applied to the appropriate student account. Establish fees and guidelines for processing NSF checks. Monitor to enforce that all appropriate fees are applied and collected.

D. Use of third party for receipt of tuition

The use of a third party tuition management company to receive tuition and student fees is recommended. The tuition management company should be able to process major credit cards and bank account debits with minimal rates and/or fees. Parents should be able to make online payments for both tuition and incidentals (fees, books, lunches, uniforms, etc.). The company should be able to assist with the processing and evaluation of tuition assistance requests.

Tuition due from each family needs to be calculated based on tuition rates and number of children in the family, reviewed, approved in writing by the pastor/principal or their designee and entered into the

third party software. After gross tuition and all deductions are entered, the net tuition due should be reconciled with the input documents to detect any input errors.

Tuition funds received by the third party management company should be electronically deposited into the parish/school bank account. A staff member should reconcile amounts deposited in the bank with reports available from the management company. Once reconciled, the total page of the tuition deposit report should be kept as documentation for the deposit.

E. Tuition collection plan

On a monthly basis, outstanding tuition balances should be identified and reviewed to determine if these balances are collectable. Establishing a plan for the collection of tuition that includes payment plans and reminder notices is recommended. Uncollected tuition and fees should be written off on or before the end of the June 30 fiscal year after review and approval of the pastor or his designee with consent of the Finance Council in accordance with school tuition policies.

F. Receipt of Educational Choice Scholarships (EdChoice), Jon Peterson Special Needs Scholarships and Autism Scholarships

The Educational Choice Scholarship (EdChoice) Program provides students from underperforming public schools the opportunity to attend participating private schools. The program also provides low income students who are entering kindergarten through fifth grade (as of 2018/2019 school year) the same opportunity.

The Jon Peterson Special Needs (JPSN) Scholarship Program provides scholarships to students who are eligible to attend kindergarten through 12th grade and have an Individualized Education Program (IEP) from their district. The amount of each scholarship will be based on the primary disability condition identified on the student's Evaluation Team Report (ETR). Students must be enrolled in the scholarship program for the entire program year to receive the full scholarship amount.

The Autism Scholarship Program (ASP) gives the parents of children with autism who qualify for a scholarship the choice to send the child to a special education program other than the one operated by the school district of residence to receive their education and the services outlined in the child's individualized education program (IEP).

The school should document a procedure for tracking State tuition checks received, (including checks that need to be signed by a parent/guardian), depositing, and recording these checks in the tuition tracking system. A summary with the check stubs should be kept as documentation of the deposit.

G. Payments received are segregated by type

Payments received should be separately recorded in the financial records by type, such as, registration fees, technology fees, books, and tuition (current year and previous year, preschool, kindergarten, first through eighth grade, tuition assistance, parish/school scholarships, State funds for EdChoice, Jon Peterson or Autism). Separate income by type will aid in reconciling, budgeting, and reporting actual tuition received.

H. Monitoring tuition received, deposited, and reported

Regular comparison using records of tuition receipts to bank deposit information should be completed. Discrepancies should be documented, investigated, resolved, and discussed with the pastor or his

designee and/or the principal. Depending on the results of the comparison, recording procedures should be modified to reduce future discrepancies between funds received and deposited.

I. Parish/School Scholarships

Ideally, scholarships designed to allow every child the opportunity to attend a catholic school should be supported by the parish as a whole, so that every family can reasonably afford this opportunity for their children with some reasonable personal sacrifice on their part. Funds collected for specific scholarships may be restricted. It is recommended that parish/school scholarship donations be recorded separately in the financial records as revenue. It is recommended that parish/school scholarships awarded be recorded separately in the financial records as reductions to tuition revenue. Scholarships should not be recorded in liability accounts, nor be called 'endowments' unless they fit the guidelines below for endowments. If all restricted scholarship money is not spent in the year it is received, contact the assistant controller in the Archdiocesan Finance Office for guidance.

The parish/school should request and keep written documentation that includes any restrictions by the donor for all scholarships. If scholarship funds are from unrestricted parish/school monies, this should also be documented.

J. Endowments for Educational Purposes

Endowments for educational purposes, established by parishes after July 1, 1992, with the approval of the Archbishop are exempt from the Archdiocesan Assessment. Documentation for all endowments should be kept by the parish/school including restrictions by the donor(s) and guidance for use of the money should the school cease to exist.

Such endowments will be governed by the norms in Appendix 3 in the *Document on Temporal Affairs*:

"Endowments" as the term is used here, signify permanent reserve funds collected from donors for specific purposes. Only the interest from these funds may be used, and then only for the purposes for which these funds were given by the donors. These endowments or permanent reserve funds are different from general reserve funds. General reserve funds may have been earmarked for a specific purpose by a pastor in consultation with parish council and which **can** be directed toward a different purpose at some later date.

Before the approval of the Archbishop will be given for such educational endowments, the pastor must request *permission in writing*. Such a request must include:

1. A detailed account of the educational purposes for which the income from the endowment will be used;
2. A provision for the subsequent use of the endowment principal if the school, program, or parish which the endowment was to support ceases to exist;
3. An indication of how the funds for the proposed endowment will be raised.

The principle of such funds is to be deposited in the Archdiocesan Deposit and Loan Fund (green certificates), in accord with Paragraph 55 of the Temporal Affairs Document. Interest will be paid semi-annually at the same rate paid for other funds on deposit in the Archdiocesan Deposit and Loan Fund. It is recommended that the interest from endowments be posted to an interest income subaccount separate from other interest income.

When approval for an educational endowment is given by the Archbishop, directions for reporting such funds and their interest in the archdiocesan financial report will be provided.

This policy will be reviewed periodically by the Archbishop and appropriate advisory bodies.

K. Other School Collections – employee controlled

The school may have other sources of revenue that are not included in the tuition receipts. This section includes only revenue that is collected by parish/school employees. Cafeteria receipts should be handled in accordance with their specific requirements. Each school group and organization must adhere to all general financial policies and civil regulations put forth in this manual, as well as all specific requirements described in each individual section.

Written procedures and guidelines

Written procedures and guidelines should be developed and distributed to the employees and/or program volunteers. Emphasis should be on segregating duties to distribute responsibilities. Written procedures and guidelines will aid volunteers in carrying out their duties. In addition to the following rules specific to these associations, they must adhere to all financial policies and civil regulations put forth in the parish accounting manual.

General Requirements:

1. Fees received by the parish or school should be counted by the parish or school, following the same internal control procedure used for all other receipts.
2. A standard receipt should be used for all cash or check payments. The receipt should be issued from a receipt book containing pre-numbered receipt forms in triplicate. The top copy is for the giver, the second copy is attached to the check/cash, and the third copy is kept in the book. Periodically review the receipt book to make sure no receipts have been issued out of sequence. Individual receipts should be periodically traced to the deposit records to ensure all receipts are made timely and accurately. When not in use, the receipt book(s) should be kept in a location with limited access.
3. All checks received should be immediately endorsed “For deposit only” or equivalent.
4. A count sheet listing all monies received should be prepared. A multi-part deposit slip should be prepared with the original deposit slip placed in a tamper resistant plastic bag, and a copy attached to the count sheet. The count sheet should be signed by the individual responsible for the receipt of these funds and the parish/school business manager/bookkeeper or principal, depending on how the accounting is maintained.
5. All cash and checks received should be placed in a tamper resistant plastic bag, stored in a locked receptacle with limited access prior to depositing at the bank. At no time should cash or checks be left in an office/ classroom drawer or taken home at night. Any deposits that are left in the safe overnight should be documented in case of loss or theft with documentation kept in a secure location outside the safe.
6. Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received.
7. The amount of the deposit receipt should be compared to the count sheet by an independent individual.

8. The count sheet, deposit slip copy, and bank deposit receipt for other school receipts should be stapled together and filed together by date deposited.
9. The pastor/principal or their designee and school board/ finance council should review the Statement of Activities monthly to identify budget to actual variances in the school revenues.
10. Any discrepancies noted should be investigated and resolved as soon as possible.
11. Any material discrepancy that cannot be resolved should be reported to the pastor/principal or their designees, and parish/school business manager as soon as possible, depending on how the accounting is being maintained.
12. Revenue should be recorded in an appropriate revenue account separately from related expenditures.

School Organization reporting requirements

A school organization's financial statement should be prepared on at least a quarterly basis. The statement should include all revenues and expenses and reconcile all activities to beginning and ending cash balances. It should be sent to the pastor/principal or their designees for review within 30 days of each quarter-end. In addition, the financial statement, bank reconciliations and bank statement should be presented at the organization's meeting.

Specific requirements

L. School clubs, bands, field trips and teams

School clubs, bands 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 in accordance with the specific items discussed above and parish/school policies. Fundraising revenues are to be recorded in an appropriate fundraising revenue account separately from fundraising expenses and the spending of fundraising profits. Fundraising activities are to be reviewed by Parish Council and approved by the pastor per *Document on Temporal Affairs* par (80).

M. School cafeteria

Schools use various means of collecting receipts for milk or lunches. Some schools ask students to pay weekly or monthly in advance; some use third party online systems; some accept cash in the cafeteria. No matter what method or combination of methods is used, along with the general requirement addressed above, the following procedures and controls should be in place unless the cafeteria is run by an outside contractor:

1. The use of a separate checking account specifically for cafeteria operations must be approved by the Pastor and school board/finance council and included in the parish financial records. The Pastor must be a signer on the cafeteria bank account.
2. 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 discrepancies in the reconciliation should be investigated and resolved as soon as possible.
3. The duties of receiving lunch money and reconciling the dollar value of lunches served to the amount of revenue received must be performed by separate staff or volunteers.

4. The reconciliation for lunches served, count sheet, copy of deposit slip, and bank deposit receipt, should be stapled together and filed.
5. Refunds for prepayment of lunches must follow the same disbursement control procedures as discussed in the Cash Disbursements section.
6. An inventory comparing monthly beginning balance, monthly purchases and ending balances to total sales should be completed. The inventory system is used to track all purchases, specifically items that are readily convertible to personal use and items with high unit costs. Periodic physical counts should be made of these items in order to detect pilferage. A reconciliation between the general ledger and the inventory records should be performed providing a test of the accuracy of sales and deposits. This reconciliation should include a description as to the final distribution of all items that were returned, given away or disposed of.
7. Bank statements should be mailed to the parish office to ensure all activity is recorded on the financials. The Pastor or his designee should open all bank statements or print them offline. The statements should be reviewed for accuracy before forwarding a copy of the statement to the individual responsible for completing the reconciliation.
8. 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. At least quarterly, the Pastor should designate an individual who is independent of cash and checking activities to review the bank statements and reconciliations. The individual reviewing the reconciliation should sign and date the bank reconciliation indicating a satisfactory review of the information. The review should include scanning deposits and charges for any inconsistencies, missing deposits, or checks outstanding over six months.

If the cafeteria is operated by a third party contractor, a contract with the third party contractor should be reviewed by the Archdiocesan Finance Office.

N. Before/After school programs

The director of the before/after school care program usually accepts payments from parents on a weekly basis. In addition to the general requirements addressed above, the following are program specific requirements.

1. The use of a checking account specifically for before/after school care programs is highly discouraged. All accounting activities should be processed through the parish/school general fund. If a checking account is required, it must be included in the financial records and approved by the Pastor and school board/ finance council. The Pastor must be a signer on the bank account.
2. The use of a third party tuition management company to collect before/after school care program fees is recommended.
3. A log kept by the director should include 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 parish or school office weekly.
4. The log of children in attendance should be used to calculate the applicable fee due from the family.
5. The duties of receiving before/after school care receipts, depositing the receipts, and reconciling the amount remitted per the log & receipt book to the bank deposit, ideally should be performed by the parish/school office.
6. If a separate receipts log is kept by the director, it should include all amounts remitted along with use of a pre-numbered receipt book. The daily receipts log should be totaled and turned in

to the parish or school office daily along with monies collected. Ideally, the cash and checks should be re-counted by the director in front of the employee receiving the money in the office and both sign off next to the total on the log.

7. The parish/school office deposits the monies collected, preferably daily or both parties seal the deposit in an appropriately marked tamper resistant bag for later deposit. Put the tamper resistant bag in the parish/school safe. The receipt log should be kept in a secure location outside the safe.
8. The attendance log containing the attendance/billing amounts, the receipt log, copy of the deposit slip and bank deposit receipt should be stapled together and filed by deposit date.
9. A statement should be sent to any family who is delinquent each month. The staff member responsible for preparing and mailing the delinquent notices must not be the person who receives and processes the payments. The principal and parish business manager/bookkeeper should be notified of all delinquent families monthly.
10. Uncollected fees should be written off after review and approval of the Pastor and the Finance Council. Waivers should be documented and approved by the Pastor and the principal.
11. Bank statements, if any, should be mailed to the parish office to ensure all activity is recorded in the financial records. The Pastor or his designee should open all bank statements or print them offline. The bank statements should be reviewed for accuracy before forwarding a copy of the statement to the individual responsible for completing the reconciliation.
12. Bank reconciliations, if any, 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. At least quarterly, the Pastor should designate an individual who is independent of cash and checking activities to review the bank statements and reconciliations. The individual reviewing the reconciliation should sign and date the bank reconciliation indicating a satisfactory review of the information.

O. Athletic events

Athletic departments are formed to support school athletic programs. Usually, the athletic department is responsible for receiving, counting, and depositing receipts from athletic events. No matter which group is responsible for this process, along with the general requirements addressed above, the program specific procedures and controls below should be in place. The following procedures and controls apply whether the athletic department is run by the parish or the school.

1. Pre-numbered tickets or annual passes should be required for admission to all events. Different colored tickets should be used for different ticket prices (red for children, yellow for adults, etc.).
2. The school office should be responsible for maintaining the ticket and pass inventory. A log should be maintained denoting the first and last ticket and pass numbers issued by category for each athletic event and the person(s) responsible for the tickets. All unused tickets or passes should be returned to the office.
3. The school office should perform a reconciliation of the number of tickets and passes sold by category to the amount of revenues received from each athletic event. Any discrepancies in the reconciliation should be investigated and resolved as soon as possible.
4. The duties of receiving athletic event fees and reconciling the dollar value of tickets sold to the amount of revenue received must be performed by different people.
5. The reconciliation for each event, count sheet, copy of deposit slip, and bank deposit receipt should be stapled together and filed.

X. Fundraising Activities and Events

Note: Although the term parish is used throughout this guideline, this guideline applies to schools and other institutions as well.

There are various fundraising activities/events that the parish and affiliated organizations may sponsor. Affiliated organizations qualify as tax exempt by virtue of the parish's tax-exempt statutes and/or the organization's use of the parish's taxpayer identification number for the purpose of establishing a bank account. Examples of these activities /events include auctions, bingo, dinners, festivals, and raffles.

No new fund-raising activities, including socials, shall be undertaken by a parish group without consultation with the Parish Council and the approval of the pastor per *Document on Temporal Affairs* par (80). The approval must include both the procedure and the purpose for the funds raised.

Volunteers vs. paid individuals

The IRS has determined that the proceeds of fund raising activities which use **paid workers**, or which are held solely for the purpose of raising funds, or which involve the sale of merchandise which for the most part has not been donated, are considered to be unrelated business income. Such income is taxable and must be reported to the IRS. Fundraising activities must be administered by a volunteer or the parish risks incurring an **Unrelated Business Income Tax (UBIT)**. In the U.S. Internal Revenue Code, UBIT is the tax on unrelated business income, which comes from an activity engaged in by a tax-exempt 26 USCA 501 organization that is not related to the tax-exempt purpose of that organization. In order to minimize or prevent concerns that the program generates UBIT, **fundraising as described above should not be conducted by employees of the parish or school. Rather, the near total majority of time spent and other services for the program should be accomplished or performed by volunteers.**

A. Written procedures and guidelines

Written procedures and guidelines should be developed and distributed to the fundraising event volunteers. Emphasis should be on segregating duties to distribute responsibilities. Written procedures and guidelines will aid volunteers in carrying out their duties. In addition to the following rules specific to these associations, fundraising event volunteers must adhere to all financial policies and civil regulations put forth in the parish/school accounting manual.

B. Segregation of duties

Ideally, different individuals should complete the receiving of cash, processing payments, recording transactions, and bank reconciliation functions. Segregation of these duties as much as possible is essential. This option is not always possible, especially if there are only one or two individuals available to perform these duties. When segregation of duties is not possible the pastor or a volunteer parishioner with the proper background can perform one of these functions.

General Requirements:

1. The use of a separate fundraising checking account must be approved by the pastor and school board/ finance council. All fundraising bank accounts are to be included in the financial records of the parish/school.
2. The pastor must be a signer on any fundraising bank accounts.
3. Start up cash should be obtained by requesting a check via a check request per established procedures. The startup cash check should be made payable to the individual who will be

cashing the check. It is recommended that two individuals go to the bank to obtain the start up cash and the two individuals deliver the cash to a secured event money area where it is recounted by a third person, and all sign a form to document the amount of cash received.

4. Start up cash should be locked in a secure location with limited access until used. Any monies left in the safe overnight should be documented in case of loss or theft with documentation kept in a secure location outside the safe.
5. All money from the fundraising event should be deposited intact. No cash payments should be made from money collected. Cash withdrawals must never be made from a bank account.
6. If a separate fundraising bank account is used, bank statements should be mailed to the parish/school office to ensure all activity is recorded in the general ledger. The pastor/principal or their designee should open all bank statements or print them offline. The individual should review deposit activity, electronic withdraws and canceled checks for obvious inconsistencies prior to forwarding copies of the statements to the individuals responsible for the preparation of the bank reconciliations.
7. 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 indicating a satisfactory review of the information. At least quarterly, the pastor/principal or their designee should review the reconciliation and document with initials. The review should include scanning deposits and charges for any inconsistencies, missing deposits, or checks outstanding over six months.
8. The parish/school must obtain the appropriate alcohol permits and abide by all State of Ohio regulations.

Specific Requirements:

C. Receipts for festival and other large events:

1. Use of security personnel is highly recommended at large events. If a police department or a security firm are not paid directly by the parish for the security personnel used, it is recommended that security personnel are put on the parish/school payroll as temporary workers so that workers are covered under the Archdiocese's workers compensation insurance. If these workers come with their own workers compensation insurance and they complete an independent contractor agreement as specified by the Archdiocese of Cincinnati, these workers can be paid as independent contractors and issued a 1099 if they are paid \$600 or more during a calendar year.
2. A secured count room is recommended with an officer stationed in the count room.
3. It is recommended that money from each booth/station is taken to the secured count room by two people periodically throughout the event via envelope marked with the name of the booth/station. It is recommended that one of the two people is a uniformed officer or uniformed security worker.
4. All checks should immediately be endorsed, ideally using an endorsement stamp noting the bank account number.
5. It is recommended that the money counters in the secure count room work in an unobstructed area and double count each other's work.
6. Use of coin and bill counting machines are recommended.
7. Deposits can be prepared throughout the day or at the end of the day. Cash and checks for deposit should be placed in a pre-numbered tamper resistant plastic bag by two members of the count team with 2-parts of a 3-part deposit ticket.

8. The third part of the deposit ticket should be reconciled daily to receipts by booth/station accounted for using software or on revenue spreadsheets. The third part of the deposit ticket should be attached to a copy of the revenue spreadsheet.
9. It is recommended that uniformed officers or security personnel accompany count room volunteers to the bank or bank night drop daily.

D. Raffle tickets or dinners paid for in advance of the event:

1. A standard receipt should be used for all cash receipts received **in person** for these types of items. The receipt should be issued from a receipt book containing pre-numbered receipt forms in triplicate. The top copy is for the purchaser, the second copy is attached to the cash, and the third copy is kept in the book. Periodically review the receipt book to make sure no receipts have been issued out of sequence. Individual receipts should be periodically traced to the deposit records to ensure all receipts are made timely and accurately. When not in use, the receipt book(s) should be kept in a location with limited access.
2. All checks received whether in person or in the mail should be immediately endorsed, ideally using an endorsement stamp noting the bank account number.
3. A dated count sheet or revenue spreadsheet listing all payments received should be prepared. The deposit slip should be prepared with 2-part of a 3-part deposit slip placed in a pre-numbered tamper resistant plastic bag, and the third part attached to the count sheet or revenue spreadsheet. The count sheet or revenue spreadsheet should be signed by the two individuals who prepared it.
4. If not taken to the bank immediately, the cash and checks sealed in a pre-numbered, tamper resistant plastic bag should be locked in a secure location (preferably in the parish/school office) with limited access until the deposit is made. At no time should cash or checks be left in an office/ classroom drawer or taken home at night. Bank deposits of significant amounts should be deposited on the day received. Any deposits that are left in the safe overnight should be documented in case of loss or theft with the documentation kept in a secure location outside the safe.
5. The amount on the bank deposit receipt should be compared to the count sheet or revenue spreadsheet by an individual not otherwise involved in the receipt process. The dated count sheet or revenue spreadsheet, the third copy of the deposit slip, and the bank deposit receipt should be stapled and filed together. Any discrepancies noted should be investigated and resolved as soon as possible. Any material discrepancy that cannot be resolved should be reported to the pastor/principal and parish/school business manager as soon as possible.
6. The above spreadsheet with bank deposit receipts is then used to record revenue in the parish/school's general ledger software.

E. Receipts the day of smaller fundraising events

1. A secured count room is recommended.
2. It is recommended that money from each booth/station is taken to the secured count room by two people periodically throughout the event via envelope marked with the name of the booth/station.
3. All checks should immediately be endorsed, ideally using an endorsement stamp noting the bank account number.
4. It is recommended that the money counters in the secure count room work in an unobstructed area and double count each other's work.

5. An event dated count sheet or revenue spreadsheet by booth/revenue source should be prepared. The deposit slip should be prepared with 2-parts of a 3-part deposit slip placed in a pre-numbered tamper resistant plastic bag, and the third part attached to the count sheet or revenue spreadsheet. The count sheet or revenue spreadsheet should be signed by the two individuals who prepared it.
6. If not taken to the bank immediately, the cash and checks sealed in a pre-numbered, tamper resistant plastic bag should be locked in a secure location (preferably in the parish/school office) with limited access until the deposit is made. At no time should cash or checks be left in an office/ classroom drawer or taken home at night. Bank deposits of significant amounts should be deposited on the day received. Any deposits that are left in the safe overnight should be documented in case of loss or theft with the documentation kept in a secure location outside the safe.
7. The amount on the bank deposit receipt should be compared to the event count sheet or revenue spreadsheet by an individual not otherwise involved in the receipt process. The count sheet or revenue spreadsheet, the third copy of the deposit slip, and the bank deposit receipt should be stapled and filed together. Any discrepancies noted should be investigated and resolved as soon as possible. Any material discrepancy that cannot be resolved should be reported to the pastor/principal and parish/school business manager as soon as possible.
8. The above spreadsheet with bank deposit receipts is then used to record revenue in the parish/school's general ledger software.

F. Fundraising expenses:

1. All expenses should be paid by check, not cash. Checks require dual signatures preferably with the pastor/principal or someone not otherwise handling or recording cash transactions as one of the two signers. At a minimum, two organizational officers must sign checks under a dual signatory arrangement.
2. Facsimile signatures and signature stamps are never to be used.
3. Blank checks or checks made out to "Cash" must not be written or signed.
4. No cash withdrawals are to be made from fundraising bank accounts for startup cash or otherwise.
5. Checks should be pre-numbered and used consecutively.
6. The stock of unused checks should be adequately and regularly inventoried.
7. If merchandise is being sold, an inventory comparing monthly beginning balance, monthly purchases and ending balances to total sales should be completed. The inventory system is used to track all purchases, specifically items that are readily convertible to personal use and items with high unit costs. Periodic physical counts should be made of these items in order to detect pilferage. A reconciliation between the general ledger and the inventory records be performed providing a test of the accuracy of sales and deposits. This reconciliation should include a description as to the final distribution of all items that were returned, given away or disposed of.

G. Reporting requirements

A statement of revenue and expenses for the fundraising event should be prepared on a timely basis but no longer than 45 days after the event. The statement should include all revenues and expenses including start up cash and the beginning and ending bank statement balances if a separate bank account is used. The fundraising event statement should be sent to the business manager/bookkeeper,

pastor/principal and Finance Committee for review. In addition, the fundraising event statement, bank reconciliations and bank statement should be presented at the organization's meeting. For ongoing raffles and bingos, it is recommended that an event statement of revenue and expenses as described above be prepared quarterly and given for review within 30 days of each quarter-end.

The fundraising costs should be reasonable over time. On average, over a five year period, a parish should realize profits from fundraising and other development activities that are at least two and a half times the amount of conducting them. Church events whose fundraising ratio less than 1.5:1 should demonstrate that they are making steady progress toward achieving this goal, or the fundraising group should be able to justify why a 2.5:1 ratio is not appropriate for the event.

H. Adequate physical safeguards

Proper controls exercised over the handling of cash and unsold tickets associated with parish festivals, dinners and raffles will maximize accurate counting and security of monies. For example, prior to events, workers can carefully control unsold dinner tickets by using a numbering system or inventory sheets for each seller of tickets. Regularly reconcile sold tickets with the amount of money that has been received. Limit the handling of cash at the event as much as possible. A good practice is to sell food, meal, drink, and game tickets from one cash booth, eliminating the need for multiple cash boxes, thus increasing the security of the cash on hand.

To future improve these measures; consider making deposits throughout the day/event in order to minimize the amount of cash on hand at the event.

The sale of raffle tickets by "roaming" though the crowd can be carefully controlled, by recording beginning and ending numbers on a roll of tickets for each seller and matching this to the monies returned. This also reconciles cash proceeds. Checks should be restrictively endorsed "for deposit only-parish name" as they are received. At the end of the event, the chairpersons(s) should provide the pastor/principal with a financial summary, as discussed under reporting requirements, of the event to ensure proper internal controls have been followed, and for purpose of evaluating the success of each area of the fund raising event.

I. Deductible contributions

In regard to parish fundraising events, the IRS has taken the position that the full price of a ticket to an event, at which the person receives a gift, food, entertainment, etc., is not tax deductible. For example, if a parishioner pays \$20 to attend a parish dinner that has a value of \$7.50, the tax deductible portion of the price of the ticket is limited to \$12.50. The IRS has suggested that this information be printed on the face of the ticket in order to provide parishioner with sufficient information upon which to base the tax deductibility of their payments or donation.

IRS gambling reporting and withholding requirements

J. Non- Cash prizes

If the prize is not cash (such as a car), the fair market value of the item won is considered the amount of the winnings. The fair market value is the value of goods or services if purchased, however, a nonprofit may acquire goods and services by outright gift or at a below-market cost but, when it offers those same goods or services to others; it must state their market value, not their acquired value. The tax

withholding and backup tax withholding rates, if required, are applied to the fair market value of the item won. The amount of tax to be withheld is collected from the prize winner.

Parish reporting requirements to IRS: Forms 5754 and W-2G Multiple winners

When paying a prize from a wagering activity, parishes need to determine whether the prize:

- Is being paid to an individual, or
- Is being paid to a member of a group of two or more winners on a single ticket, or
- Is being paid to a person who is not the actual winner

K. Form W-2G

File Form W-2G, Certain Gambling Winnings, is used to report gambling winnings and any federal income tax withheld on those winnings. The requirements for reporting gambling winnings and withholding depend on the type of gambling, the amount of the gambling winnings, and generally the ratio of the winnings to the wager.

Reportable Gambling Winnings

Report gambling winnings on Form W-2G if:

1. The winnings (not reduced by the wager) are \$1,200 or more from a **bingo** game,
2. The winnings (reduced by the wager) are \$1,500 or more from a **keno** game,
3. The winnings (reduced by the wager or buy-in) are more than \$5,000 from a **poker** tournament,
4. The **raffle** winnings reduced, at the option of the payer, by the wager are:
 - a. \$600 or more, and
 - b. At least 300 times the amount of the wager, or
5. The winnings are subject to federal income tax withholding (either regular gambling withholding or backup withholding).

Determination of W-2G

The determination of whether a Form W-2G is required is based on the amount to the prize paid on the winning ticket. If more than one person participates in the purchase of a winning ticket and they plan to share the winnings, the use of the W-2G is based on the total amount won, not the amount of each individual's share of the prize.

The reporting and tax withholding requirements on a W2-G for **raffle winnings** are as follows:

1. Winnings of less than \$600 or \$600-\$5,000 and are **not** 300 times the wager or prize of the ticket
 - a. Are not reportable
 - b. No tax withholding is required
2. Winnings of \$600-\$5,000 and are 300 time the wager or prize of the ticket
 - a. Are reportable
 - b. Reduce the winnings by the amount of the wager(price of the ticket) to determine the actual winnings
 - c. There is no tax withholdings on the winnings

- i. If the winner does not provide the parish with their tax identification number (TIN), then the parish must withhold on the winnings at the higher backup tax withholding rate.
- 3. Winnings greater than \$5,000
 - a. Are reportable
 - b. Reduce the winnings by the amount of the wager(price of the ticket) to determine the actual winnings
 - c. There is federal tax withholdings on the winnings
 - i. If the winner does not provide the parish with their TIN, then the parish must withhold on the winnings at the higher backup tax withholding rate.

The reporting and withholding requirements on a W2-G for winnings from **bingo** of \$1,200 or more

- a. Are reportable
- b. Reduce the winnings by the amount of the wager(price of the ticket) to determine the actual winnings
- c. There is no tax withholdings on the winnings
 - i. If the winner does not provide the parish with their TIN, then the parish must withhold on the winnings at the higher backup tax withholding rate.

Use Form W-9 Request for Taxpayers Identification Number and Certification to obtain a Taxpayer Identification Number. Read the Instructions for Form W-2G which provides detailed information about the reporting requirements for each type of winnings. Additional information can be found on the IRS website at www.irs.gov .

It is best to issue the W-2G as soon as possible, within a month, after the prize is paid. In most cases, when tax withholding is collected, the parish deposits the tax withheld within one month of withholding, but not later than the 15th of the following month, at an authorized financial institution using Form 8109 (Federal Tax Deposit Coupon). Form 945 is used to report **tax withholding on raffle prizes**.

Issue copy 'B' of form W-2G to the winner no later than January 31 of the year following receipt and copy 'A' of form W-2G to the IRS with transmittal form 1096 no later than January 31 of the year following receipt by the winner. The parish/school keeps copy C of each form W-2G issued and a copy of the transmittal form 1096.

Form 5754

Use Form 5754, Statement by Person(s) Receiving Gambling Winnings, to prepare Form W-2G only when the person receiving gambling winnings subject to reporting or withholding is not the actual winner or is a member of a group of two or more people sharing the winnings, such as by sharing the proceeds of the same winning ticket. The payer is required to file Forms W-2G based on Form 5754. The person receiving the winnings must furnish all the information required by Form 5754. Do not send Form 5754 to the IRS. Keep it for your records.

Part I of Form 5754 lists the identification of the person to whom the winnings are paid, and Part II lists the actual winners, their respective shares of the winnings, and any additional winnings from *identical wagers*.

In Part II, the person receiving the winnings must provide the name, address, TIN, respective share of the winnings, and additional winnings from identical wagers for each of the winners. In addition, if

regular gambling withholding is required, the form must be signed, under penalties of perjury, and dated by the person receiving the winnings.

The form must be returned to the payer for preparation of Form W-2G for each of the persons listed as winners. Forms W-2G may be issued immediately or by January 31 following the year of the payment.

L. Nonresident aliens

Payments of gambling winnings to a nonresident alien individual or a foreign entity aren't subject to reporting or withholding on Form W-2G. Generally, gambling winnings paid to a foreign person are subject to 30% tax withholding and are reportable on Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding.

Form W-8, Certificate of Foreign Status, or substitute form containing a substantially similar statement provides information as to whether an individual, foreign entity or exempt foreign person is not subject to certain U.S. information return reporting or backup withholding rules.

A summary of all IRS Gambling reporting and withholding requirements summary follows:

IRS Reporting and Withholding - Requirements Summary

Reporting Requirements

Regular Gambling Winnings (raffles, drawings): Under \$600	Do not report winnings
\$600 or more & 300 times the amount of the wager	Report winnings (if both conditions exist, if not, do not report)
Winnings from Bingo: Under \$1,200	Do not report winnings
\$1,200 or more	Report winnings
All Winnings paid to Foreign Persons	Report winnings

Regular Tax Withholding Requirements

Regular Gambling Winnings (raffles, drawings): \$5,000 or less	Do not withhold
More than \$5,000	Tax Withholding is required and a W-2G issued
Winnings from Bingo:	Do not withhold – regardless of the amount
All Winnings paid to Foreign Persons	Tax Withheld @ 30%

Backup Withholding Requirements

(If winner does not furnish a correct TIN)

Regular Gambling Winnings (raffles, drawings): Under \$600	Do not withhold
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\$600 to \$5,00 and 300 times the amount of the wager	Tax Withheld @ higher backup withholding rate (if both conditions exist, if not, do not withhold)
Over \$5,000	Tax Withholding is required and a W-2G issued
Winnings from Bingo: Under \$1,200	Do not withhold
\$1,200 or more	Tax Withholding is required and a W-2G issued
All Winnings paid to Foreign Persons	Tax Withheld @ 30%

Example

St. Parish's parish has an annual picnic where there is a raffle. The wager for the raffle is \$10 and the grand prize is \$1,500 and Mr. Johnson wins the prize. According to the IRS, the raffle winning only need to be reported if both of the following circumstances exists:

- The prize must be \$600 or more in value
- The prize must be 300 times the amount of the wager (\$3,000 in this situation)

For the picnic raffle, the wager is \$10 and the grand prize is \$1,500, so only one of the two requirements exists. However, if the winner does not provide the parish with their TIN, the parish must withhold on the winnings at the higher backup tax withholding rate.

Also, if the winnings are paid to a non-resident alien, all winnings are to be reported and 30% of the winnings must be withheld and sent to the IRS.

XI. SCRIP Programs

Volunteers vs. paid individuals

The IRS has determined that the proceeds of fund raising activities which use **paid workers**, or which are held solely for the purpose of raising funds, or which involve the sale of merchandise which for the most part has not been donated, are considered to be unrelated business income. Such income is taxable and must be reported to the IRS. Fundraising activities must be administered by a volunteer(s) or the parish risks incurring **Unrelated Business Income Tax (UBIT)**. In the U.S. Internal Revenue Code, UBIT is the tax on unrelated business income, which comes from an activity engaged in by a tax-exempt 26 USCA 501 organization that is not related to the tax-exempt purpose of that organization. In order to minimize or prevent concerns that the program generates UBIT, **fundraising as described above should not be conducted by employees of the parish or school. Rather, the near total majority of time spent and other services for the program should be accomplished or performed by volunteers.**

A. Written procedures and guidelines

Written procedures and guidelines should be developed and distributed to the program volunteers. Emphasis should be on segregating duties to distribute responsibilities. Written procedures and guidelines will aid volunteers in carrying out their duties. In addition to the following rules specific to these associations, they must adhere to all financial policies and civil regulations put forth in the parish accounting manual.

B. Adequate segregations of duties

Ideally one person should be responsible for the sales and safekeeping of the SCRIP certificates or gift cards and a second person should be responsible for the treasury duties. The SCRIP program must be handled by volunteers and not paid employees.

C. Adequate physical safeguards

These certificates or gift cards should be considered as cash and handled appropriately. The inventory of certificates on hand should be kept to a minimum based on sales activity. Under no circumstance should certificates ever be taken off parish property to a personal residence for safe keeping. When orders are not being filled, the certificates and money should be kept in a locked on-premises safe with limited access. Any deposits that are left in the safe overnight should be documented in case of loss or theft with documentation kept in a secure location outside the safe.

D. Keep an inventory and periodically reconcile

An inventory of the certificates or gift cards should be kept, and the dollar amount of the inventory recorded in the parish/school general ledger. Reconciliation reports should be completed at least monthly if not weekly. This will ensure that no certificates or gift cards are taken without being paid for.

The reconciliation report should include inventory of certificates, purchases of additional certificates by company, adjustments + or – for back orders, sales errors, etc., and sales deposited by date to determine the calculated inventory. This reconciliation should be compared to the physical inventory count. Any differences should be researched, documented, and resolved. This reconciliation should be distributed to the program monitor, the pastor and the parish business manager/ bookkeeper with the appropriate signatures.

E. Record Keeping

Financial records should be maintained by the parish business manager/ bookkeeper within the parish accounting system. If a separate accounting system is utilized it shall adhere to all parish requirements.

F. Do not combine with other funds

A separate checking account should be established and included in the parish/school general ledger. The pastor should recommend a bank of choice for the affiliated group's bank accounts. All parish bank accounts (church and school) maintained at one banking institution may result in better interest rates and more favorable fees. The Pastor must be a signatory and receiver of information on any bank accounts held by these organizations.

G. Bank statements should be sent to parish office

The Pastor or his designee should open all bank statements or print them offline. The individual should review deposit activity, electronic withdraws and canceled checks for obvious inconsistencies prior to forwarding copies of the statements to the individuals responsible for the preparation of the bank reconciliations. All activity should be recorded on the general ledger when received. The checking account for the SCRIP program should be reconciled monthly.

H. Review bank reconciliations

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 indicating a satisfactory review of the information. At least quarterly, the pastor/principal or their designee should review the reconciliation and document with initials. The review should include scanning deposits and charges for any inconsistencies, missing deposits or checks outstanding over six months.

I. Reporting requirements

A financial statement should be prepared on at least a quarterly basis. The statement should include all revenues and expenses and reconcile all activities to beginning and ending cash balances. It should be sent to the Pastor and Finance Committee for review within 30 days of each quarter-end. In addition, the financial statement, bank reconciliations and bank statement should be presented at the organization's meeting.

General Requirements:

1. The use of a separate checking account must be approved by the Pastor and school board/ finance council.
2. The Pastor must be a signer on the account.
3. A standard receipt should be used for all cash payments. 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. The receipt book should be kept in a locked location with limited access, when not in use.
4. All checks received should be immediately endorsed "For deposit only" or equivalent.
5. A dated count sheet listing all payments received should be prepared. A multi-part deposit slip should be prepared with the original placed in the tamper resistant plastic bag, and a copy attached to the count sheet. The count sheet should be signed by two individuals completing

the count and the individual responsible, the parish/school business manager/bookkeeper or principal, depending on how the accounting is maintained.

6. All cash and checks received should be placed in a tamper resistant plastic bag, stored in a locked receptacle with limited access prior to depositing at the bank. At no time should cash or checks be left in an office, classroom drawer, or taken home at night. Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received. Any deposits that are left in the safe overnight should be documented in case of loss or theft with documentation kept in a secure location outside the safe.
7. The amount of the bank deposit receipt should be compared to the count sheet by an independent individual. The count sheet, deposit slip copy, and bank deposit receipt should be stapled together and filed together. Any discrepancies noted should be investigated and resolved as soon as possible. Any material discrepancy that cannot be resolved should be reported to the Pastor and parish/school business manager as soon as possible.
8. All checks must be signed by the pastor or require dual signatures on the check by two individuals not otherwise handling or recording cash transactions as signors. At a minimum, two organizational officers must sign checks under a dual signatory arrangement.
9. Facsimile signatures and signature stamps are never to be used.
10. Blank checks or checks made out to "Cash" must not be written or signed.
11. Checks should be pre-numbered and used consecutively.
12. The stock of unused checks should be adequately and regularly inventoried.
13. Bank statements should be mailed to the parish office to ensure all activity is recorded on the general ledger. The Pastor or his designee should open all bank statements or print them offline. The individual should review deposit activity, electronic withdraws and canceled checks for obvious inconsistencies prior to forwarding copies of the statements to the individuals responsible for the preparation of the bank reconciliations.
14. 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 indicating a satisfactory review of the information. At least quarterly, the pastor/principal or their designee should review the reconciliation and document with initials. The review should include scanning deposits and charges for any inconsistencies, missing deposits or checks outstanding over six months.
15. An inventory comparing monthly beginning balance, monthly purchases and ending balances to total sales should be completed. The inventory system is used to track all purchases, specifically items that are readily convertible to personal use and items with high unit costs. Periodic physical counts should be made of these items in order to detect pilferage. A reconciliation between the general ledger and the inventory records is to be performed providing a test of the accuracy of sales and deposits.
16. Sales should be posted to an appropriate revenue account and purchases of certificates or gift cards to an appropriate inventory asset account. Upon monthly reconciliation of the certificate or gift card inventory to this asset account, the asset account should be lowered, and a cost of certificates/gift cards sold recorded to an expense account. Fundraising revenue and expenses should be separately recorded in the general ledger.

XII. Parish & School Disbursements

The pastor is responsible for all commitments made on behalf of the parish, although he may delegate authority for purchases as he deems appropriate. Therefore, he should exercise good judgement and caution concerning who can place orders and delegate in writing who can sign contracts for the parish. Only the pastor can sign contracts involving real estate and those over \$5,000.

All contracts, notes, leases, or other legal instruments must be signed by the Archbishop, as Trustee for the respective parish or other unit, as required by civil law in Ohio. (*Document on Temporal Affairs (73)*)

A. Conflict of interest statements

Responsible individuals are expected to avoid conflict of interest by not allowing relationships, outside obligations, financial interests or other activates interfere with their obligations and commitments to their work. Responsible individuals are those who hold decision making or policy setting positions or significantly influence decisions with respect to investments or purchase of goods. Such employees or volunteers have the responsibility to report any personal, family or business relationships that may conflict with their parish duties.

Each employee (exempt or non-exempt) must sign the statement assuring that he/she will adhere to the laws of the government and ethical principles of the Church, will demonstrate the highest level of integrity, honesty, and conduct and will not misuse his/her power and authority. Members of the Parish Finance Commission, Parish Council and Parish Affiliated Organizations (i.e., Boosters, PTO, Clubs, Scouts and Societies) involved in purchasing or contracting should sign a statement assuring that he/she will adhere to the laws of the government and ethical principles of the Church, will demonstrate the highest level of integrity, honesty and conduct and will not misuse his/her power and authority.

B. Purchasing Cycle

It is important that some type of system exists to ensure that all purchases are properly approved with evidence of receipt and an original detailed invoice to support all payments. Depending on the size of staff and other variables, purchase orders may or may not be a cost effective way to address disbursements, but some system is required to ensure that payments are properly made. For the best internal control, disbursement payments should flow the following way:

1. A pre-numbered purchase order is prepared and approved by someone with the proper authority.
2. The actual order is placed by telephone, fax, internet, or mail referencing the purchase order number.
3. A copy of the purchase order, indicating vendor and quantity and price of items ordered, is provided to the bookkeeper where it is placed in a “pending” file.
4. When the materials are received, the packing slip is compared to the purchase order to ensure receipt of all items and materials.
5. The materials packing slip is sent to the bookkeeper for safekeeping until the invoice is received.
6. When the invoice is received, the bookkeeper should compare the invoice to the purchase order and receipt document to verify the agreed prices and the quantity received.
7. The bookkeeper either puts the general ledger account code on the invoice or verifies the coding is proper.
8. The bookkeeper prepares a check supported by the purchase order, receipt, and invoice/check request.

9. The bookkeeper is prohibited from making vendor payments based on a month-end statement only. All payments must be supported with a properly approved invoice or check request.

C. Use of tax exempt form

Use of the tax exempt form should be reserved for purchases for the parish and the school. The forms should be secured so that access is limited to authorized individuals. Providing individuals with the form without vendor information completed is highly discouraged. If blank vendor forms are necessary, it is recommended that an expiration date of one year is noted on the form. Friends and relatives should not use the tax exempt form for personal purchases.

D. Disbursements are supported by documentation.

Verify all items were received prior to presenting for payment. Check items against documents for description, quantity, and prices. Checks should not be issued without a properly approved detailed invoice or check request form. If needed, create/use a payment request as documentation when there is no invoice, i.e., reimbursement for donation. See Exhibit A for a sample payment request form.

E. Disbursements are approved

Original supporting documentation should be reviewed and approved by the pastor or his designee. The supporting documentation should include invoices or receipts that provide evidence of the transaction and the expense occurred. Invoice approval should include the signature or initials of the pastor or his designee along with the date. Be watchful for bogus invoices sent by companies who have provided no goods or services. All bills should also be paid from original invoices, not statements.

F. Duplicate payment prevention

Invoices should be canceled upon payment to prevent duplicate payments. The number and date of the check should be recorded on the invoice, or a copy of the parish/school's check stub should be stapled to the front of the invoice/payment request paid. Entering the invoice number paid in the accounts payable portion of the accounting software is also highly recommended.

G. Handling of unpaid and paid invoices

The timely payment of vendor bills should be directed by the pastor based on the terms of payment and the availability of funds.

All invoices/payment requests should be promptly entered into the parish/school's accounting software. Unless paid in the next check run, unpaid invoices should be filed separately by due date.

Once an invoice is paid it should be filed in a paid invoice file. Paid Invoices/check requests should be filed in a secure area with limited access to others either alphabetically by vendor or filed in check number order by fiscal year. Filing paid bills by topic is highly discouraged. Once the fiscal year is complete, the paid bills should be kept in accordance with the record retention policy. Any disputed bills should be filed separately and resolved in a timely manner. It is recommended that a **copy** of capital expenditure invoices also be filed separately so that these invoices are readily available for other follow up with vendor/contractors or guarantees.

H. Approval of expenditures

The expenditure by a parish of over \$5,000.00 for repairs (except in case of emergency), for capital improvements, for equipment or for contributions for a charitable purpose, must be submitted to the Parish Pastoral Council for consultation. An expenditure of over \$25,000.00 for such purposes must be submitted to the Parish Pastoral Council and receive its recommendation (i.e., approval) before action may be taken by the pastor. Additionally, such expenditures require the written approval of the Director of Financial Services. (*Document on Temporal Affairs (53)*)

I. Terms of payment

When paying invoices, the payment terms should be understood. Most vendors allow 30 days for payment. If possible, items should be paid within the terms set by each vendor. Some vendors will also offer a discount if payment is made within a certain number of days. If possible, take advantage of this discount. If payments are not made within the terms listed, late fees, penalties, or interest may be charged.

All current debts for satisfactory work performed, or materials received, must be paid in accordance with the terms set forth on the invoice. No current bills should remain unpaid for more than thirty days. (*Document on Temporal Affairs (52)*)

J. Check Signing

The pastor will be a signatory on all accounts utilizing the parish tax identification number. If possible, the person preparing checks should not have signatory authority. The number of individuals with signatory authority for the checking account should be limited. When possible, the business manager/bookkeeper should not have signatory authority.

The parish checking account shall be in the name of the parish, with the pastor and his parochial vicar authorized to sign checks as sole signatories. When there is no parochial vicar or a neighboring pastor available, the pastor may designate two or three other management level parish employees to sign parish checks under a dual signatory arrangement. The Archdiocese provides a blanket bond covering all employees who have access to money or sign checks. A copy of the signature card on file at the bank shall be kept in the parish files. (*Document on Temporal Affairs (50)*)

K. Signature stamps and Facsimile signature safeguards.

The use of signature stamps and facsimile signatures to sign checks is prohibited.

If a signature stamp exists and is necessary to complete items such as sacramental certificates or letters for the parish, it must be strictly secured.

Even though electronic or facsimile signatures are commonly used today, it is still important that access to these signatures be controlled. Weak controls over signature authority increase the risk that an unauthorized individual may disburse funds for improper purposes.

If the signature is part of a software program that generates a signature on the certificates or letters, the process should be password protected. The password should only be known by an individual not responsible for preparing the checks. Once the certificates or letters have the signatures affixed to

them, the individual should log off the system. The individual should also log off if they leave their workstation during the process.

L. Checks payable to cash

Checks should be made payable to a person or organization. No checks should ever be made payable to "cash" or to the bank. Checks for petty cash or for startup cash purposes should be made payable to an individual. If a staff member cashes the start-up cash check, the individual should obtain a signed receipt when the cash is given to another individual.

Note: It is improper to pay referees, umpires, and law enforcement officers (etc.) in cash for their services. Checks to referees, umpires, and law enforcement officers (etc.) must be made payable to the league, referee, or officer, not to the coach or supervising individual. An IRS Form W-9 is required for all referees, umpires, and law enforcement officers (etc.) so that an IRS Form 1099-NEC can be issued if the yearly payments exceed \$600 to an individual.

M. Inventory of manual checks

An inventory listing manual checks available for use, checks utilized, and checks destroyed or voided should be maintained. Additionally, only the pastor, an individual designated by the pastor, or the business manager/bookkeeper should have the authority to destroy checks. This is only after the approval is given by one of the other individuals in writing.

N. Proper control over checks – voided checks

Access to unused check stock should be restricted. Voided checks should be marked with a stamp or written in pen. The checks should be defaced by removing the signature portion, and then be retained in a folder with all the other voided checks to maintain proper sequential integrity. If an account is closed, the remaining check stock should be shredded prior to disposal.

O. Bank Reconciliations

The bank statement should be opened by the pastor or his designee. The pastor or his designee should review the statement for reasonableness, initial the statement and then give it to the appropriate individual for reconciliation. For more details see Bank Accounts and Bank Reconciliation sections.

P. Employee Expense Reimbursements

Generally, all purchases of materials and services should be paid directly through the regular operating checking account. Reimbursements to individuals for business use of their private automobiles must be documented with a report showing date, miles driven, business purpose, origination and destination, and reimbursement rate. All employee expense reimbursements must be submitted with the use of a payment request (Exhibit A) or expense report and processed in the fiscal year incurred. No reimbursements should be made for prior fiscal year expenses. After fiscal year end, everyone has 15 days to submit expenses for that fiscal year.

1. Expense Reimbursements

- a. In the event that it is not possible or practical to pay for materials or services through the operating account, exceptions can be approved so that an individual can make the purchase and be reimbursed at a later date.

- b. Business purchases by individuals must be approved prior to purchase.
- c. The original detailed invoice or receipt for the purchase that shows evidence of payment, with proper approval, must be presented for reimbursement.
- d. If reimbursement for meals is requested, the business purpose and the names of those in attendance should be noted on the original detailed meal receipt.
- e. The reimbursement check must be written to the individual making the purchase and not, for example, to the individual's credit card company.
- f. The check and stub must show a notation that it is a reimbursement check.
- g. It is recommended that expense reimbursements be approved by the Pastor.

2. Mileage Reimbursement

- a. Employees may be authorized to receive reimbursement for miles driven in their personal car when on business.
- b. Reimbursement must be at a rate no higher than established by the IRS.
- c. In order to be reimbursed, the individual is required to submit support to include date, business purpose, origination and destination locations and mileage for each trip taken.

Note: Reimbursing employees for items that have a warranty may void the warranty. It is recommended that a parish/school always purchase these items with a check or with a parish/school credit card to ensure the warranty is valid.

Q. Loans or advances

Parishes should prohibit giving private loans to clergy, religious, lay employees or others. This includes advances of payroll or extra salary compensation from other Archdiocesan locations.

R. Sales tax

If an employee/volunteer purchases an item for the benefit of the parish or school using the parish/school credit card, the parish/school tax exempt number should be presented at the time of purchase, so no sales tax is charged. If the tax exempt number is not presented and sales tax is charged, it should be the policy to prohibit the individual from making purchases on the credit card. Items that are never tax exempt include motel/hotel charges. If a vendor's invoice includes sales tax, the parish or school should not pay the sales tax and include a tax exempt form with the parish/school check to pay the invoice.

S. Use of Credit or Debit Cards

While parishes may elect to use credit cards to facilitate purchases, it is imperative that there are adequate controls governing access, signoff, and monitoring. The use of debit cards is highly discouraged as the entire bank balance is at risk and bank remedies in case of loss are limited. Additional guidelines on credit cards can be found under the credit card section.

T. Transfers other than wire transfers

Transferring funds between bank accounts requires the same level of security as signing checks. Only individuals authorized to sign checks should be authorized to transfer funds between accounts. Original supporting documentation, such as a payment request form showing transfer amounts and reason for the transfer should be reviewed and approved by the pastor or his designee.

U. Wire Transfers

Wire transfers offer the parish the convenience of transferring money from one account to another without having to write a check, call the bank, or go to the bank to complete the process. Transfers can be completed through a bank's website, if offered.

If the parish chooses to use transfers, they need to be completed securely. Security starts with the parish's computers. Individuals should never share user IDs or passwords with anyone. Make sure that passwords are hard to guess by combining random letters and numbers instead of birth dates, pet's names, or other obvious clues. Also, never save passwords in a computer if the option is asked.

Original supporting documentation, such as a payment request form, showing transfer amounts and reason for the transfer should be reviewed and approved by the pastor or his designee. One individual should input the transfer in the bank's website, and another should approve the transfer. A transfer report should be printed, and the amount of the transfer should be compared to the supporting documentation. The report should be retained with the supporting documentation.

V. Online bill paying – Automated Clearing House (ACH) payments

Online bill paying offers the parish/school the convenience of paying bills when and how they want. With bill pay, individuals can make payments or set up recurring payments with the ability to edit or delete scheduled payments. Bill pay can be completed through a bank or vendor's website.

If the parish/school chooses to use bill pay, they need to be completed securely. Security starts with the parish/school's computers. Individuals should never share user IDs or passwords with anyone. Make sure that passwords are hard to guess by combining random letters and numbers instead of birth dates, pet's names, or other obvious clues. Also, never save passwords in a computer if the option is asked.

Original supporting documentation, such as a vendor invoice or a payment request form, should be reviewed and approved by the pastor or his designee. The supporting documentation should include invoices or receipts that provide evidence of the transaction and the expense occurred. Invoice approval should include the signature or initials of the pastor or his designee along with the date. Be watchful for bogus invoices sent by companies who have provided no goods or services. All bills should also be paid from original invoices not statements.

A bill pay report should be printed and the amounts of payment should be compared to the list of invoices paid. A copy of the report should be attached to each bill paid as evidence of payment.

W. W-9's and Issuing 1099's

Federal Form 1099 is required to be filed on a calendar year basis to independent contractors, law firms, businesses that are not incorporated and retired clergy not paid by another location. The \$600 or more limit is for all activities utilizing the parish/school's tax identification number (boosters, scouts, PTO, etc.) per calendar year.

The purpose of Federal Form W-9 is to provide the parish/school with the information needed to file tax information reports at the end of the year. Form W-9 also provides certification from the payee that the taxpayer identification number provided is correct and that the payee is not subject to, or is exempt from, backup withholding. Form W-9 must be obtained from each vendor and maintained in the vendor file. Obtaining W-9 forms shows a good faith effort to comply with IRS regulations.

Federal Form 1099s must be sent by January 31 of the year following payment to the recipients. In addition, a copy should be filed with the IRS by January 31. Failure to file correct 1099 information returns can result in penalties up to \$1,060 for each 1099 not sent (2018 regulations). The parish must file one set of 1099s with the IRS for all eligible vendors who are collectively paid \$600 or more per calendar year for services by all parish/school bank accounts.

XIII. Petty Cash Fund

To the extent possible, all parish expenditures should be paid with a check. A petty cash fund is discouraged but can be set-up with a minimum amount of cash to be used for expenditures that are \$25 or less. A petty cash fund should only be used for situations where an immediate payment is essential. Petty cash is an asset and must appear on the Statement of Financial Position (aka balance sheet).

A. Authorized custodian

Assign a primary person and secondary person responsible for processing transactions and serving as custodian. These individuals should not be allowed to disburse any petty cash to themself.

B. Use of petty cash

Petty cash funds should be designated for small recurring expenses of the parish. Petty cash funds are not to be used as an operating fund (never used to pay invoices, services or to pay salaries or wages). This fund is never to be used for major expenses or payments that are consistently a part of normal operations or to cash personal or business checks. Wages must never be paid with petty cash funds. It is improper to pay part-time referees and security guards for their services from petty cash.

C. Petty cash transactions

Record all petty cash transactions in a petty cash register to maintain a clear record of the payment of expenses with small amounts of cash. A record (log) of each payment should be maintained to identify the payee, the type of expense, the amount, and the date. If petty cash is advanced for an expenditure, the receipt and change should be returned to the petty cash fund. Keep petty cash receipts to document the types of expenses, the payee, and total transactions to determine that petty cash is appropriately used.

D. Replenishment of the petty cash fund

Never take cash directly from the Sunday collections or other income. A check should be written from the parish operating account to the petty cash administrator, never to "cash". A payment request form should be used with the backup receipts used as expense documents. Determine the total for the petty cash fund and periodically replenish to maintain this pre-determined total.

E. Fund limit

Keep the petty cash totals at a minimum to cover incidental expenses such as postage or gas for grass cutting. It is advised to maintain a \$100 or \$200 limit depending on the local needs. At any point in time, cash plus the amount on receipts should equal the total of the fund.

Petty cash should be reconciled on a surprise basis by someone other than the individuals that normally maintain the petty cash account. At a minimum the audit must be done semiannually with initials and dates in the petty cash log to indicate when it was completed.

F. Adequate physical safeguards

Funds should be stored in a secure and locked drawer, box, or office at all times. The petty cash log should not be kept in the petty cash box. In case of theft, the log will be used to determine the amount of cash stolen.

XIV. Credit Card

Debit Cards vs Credit Card

A debit card allows a purchase to be deducted/debited directly from the parish checking account. Protection against theft will vary depending on the card. With credit cards, you are liable for only up to \$50 of fraudulent use. But in the case of a lost or stolen debit card, financial loss is limited to \$50 only if you report the theft of your card or PIN code within two days upon learning of it. If a volunteer or employee holding a debit card perpetrates a fraud with it, the parish may not know until the bank statement arrives which could be well past the 2-day notification period.

Purchases or amounts in dispute are handled differently. With a debit card, the amount would already have been debited from the parish account and the parish would have to wait for a settlement. With a credit card, the bank or card issuer is charged for that purchase, not the parish

Each credit card has a credit limit thereby limiting access to parish funds. Debit cards have no such limits thereby putting the entire bank balance at risk. For this reason, it is strongly recommended to use credit cards with modest limits instead of debit cards. If debit cards are authorized and utilized, the use should follow the same restrictions as the parish credit card. **We strongly advise against the use of Debit Cards.**

A. General Guidelines for credit card use

The Pastor should designate an administrator who controls access and credit limits for each card. The credit card should be used only in those instances where it is not appropriate or convenient to issue a check for payment. The card should never be used for personal expenses (even if the parish is reimbursed), or for ATM transactions or cash advances. It is suggested that a modest credit limit is established with the credit card company. The account balance must be paid in full monthly on or before the due date as shown on the statement. Revolving credit is not allowed. Individuals or locations should also never provide credit card numbers to unknown individuals or organizations.

B. Purchasing

The pastor is responsible for all commitments made on behalf of the parish. He may delegate purchasing responsibilities as he deems appropriate. Therefore, he should exercise good judgment and caution concerning who will carry and use parish credit cards.

Each individual, including the pastor, must complete the credit card user agreement before receiving a credit card from the parish, school, or any other organization. The user agreement states that the individual acknowledges they have received a credit card and will observe the conditions concerning the use of the credit card. Once completed, this agreement should be kept in the employee's personnel file at the parish or school office. See exhibit 1 in this section for a sample credit card user agreement.

Original detailed receipts must be kept for all purchases and returned with the card holder's monthly report or immediately to the parish office with the credit card. Receipts should be kept on file until the monthly card statement is received.

If a location has only one card used by multiple individuals, a monthly activity log should be maintained to record all purchases made with the card, including the person using the card, the item charged, the

appropriate general ledger account name or number and the amount charged. The log should be reviewed by authorized card users to insure that impending purchases will not exceed the credit limit. A sample log form is included under exhibit 2 of this section.

C. Processing the card statement

Actual monthly purchases and payments should be reconciled to the monthly credit card statement as soon as it is received. Any discrepancy should be investigated and resolved immediately. All detailed credit card receipts should be attached to the statement. The total amount due on the statement must be paid in full monthly on or before the due date as shown on the statement. Upon payment of the credit card statement, the appropriate general ledger accounts (as shown on the log) should be charged.

D. Card security

Parish credit cards should be kept in a secure location. The card numbers should be kept on file in the parish office, with limited access. This is for informational purposes, in case cards are stolen or lost.

E. Internal control should be established

While parishes may elect to use credit cards to facilitate purchases, it is imperative that adequate controls governing access, signoff, and documentation of type and purpose of purchase be monitored. Parishes should not incur finance charges or late fees on credit cards. If a major purchase is necessary, obtain appropriate preauthorization, preferable written by the pastor or his designee, before purchasing the item. Statements should be mailed to the parish address. Credit card statements should be opened and reviewed by the pastor or his designee and initialed.

F. Retail store accounts - purchases on credit

A listing of all store accounts and authorized users should be maintained and kept at the parish office. A list of individuals authorized to make purchases, with any restrictions, should be given to each vendor. Photo identification should be required to be shown when these purchases are made. Receipts should also be turned in for proper reconciliation with invoices and statements.

G. Parish credit card used by the Pastor

In situations where the parish credit card is used by the Pastor, adequate internal controls must also be in place. Original detailed receipts must be kept for all purchases. They should be maintained at the parish office and compared to the monthly card statement to verify all card activity. The credit card statement should be periodically reviewed by the Finance Committee to see what purchases are being made. If a major purchase is necessary, obtain appropriate written preauthorization by the Finance Committee before purchasing the item.

H. Personal credit card purchase reimbursements

It is recommended that no purchases are made with an individual's credit card. If this is necessary, reimbursement must follow these guidelines:

- Proper authorization, from the pastor or his designee, should be obtained before purchasing
- All original receipts must be presented with the reimbursement request (payment request)
- No late fees should be paid by the parish on an individual's personal credit card

Exhibit 1

**PARISH NAME CREDIT CARD AGREEMENT
FOR (PARISH NAME) PARISH EMPLOYEES**

Congratulations! You have been granted the privilege of having a Parish credit card. Your participation in the credit card program is a convenience that carries responsibilities. Although this card is issued in your name, it is Parish property and must be used with good judgment. **By signing this agreement, you acknowledge that you understand and will comply with all of the Parish guidelines, as listed below.**

I, as an authorized and approved cardholder, have been trained and fully understand and agree to the following terms and conditions regarding the use and safekeeping of the credit card entrusted to me:

1. I accept full personal responsibility for the safekeeping of the credit card assigned to me, and that absolutely no one, other than me, is permitted to use the credit card assigned to me. All charges download as a ‘receivable’ and therefore are ONLY associated directly to the cardholder.
2. I will be making financial commitments on behalf of the Parish and will obtain fair and reasonable prices. **For Example: No First Class Tickets**
3. I will submit my Expense Report to the Parish at least monthly, showing expenses incurred with original receipts attached.
4. I understand that I am personally responsible for obtaining ALL original detailed receipts (purchase and credit documents) and submitting them in accordance with Parish credit card procedures, for those purchases where a receipt is required.
5. When I use my credit card, I understand that these purchases will result in a “receivable” against me and I am responsible for repayment of any of these charges deemed not allowable when Expense Reports are submitted to the Parish. I further understand that any unallowable amount must be repaid to the Parish within 30 days after the Expense Report has been filed.
6. In the event that I fail to repay any non-allowable amount, the Parish is authorized to withhold the full amount from any payment(s) due me from the Parish, including payroll checks, as repayment. I understand that failure to follow these provisions more than once within any 12 month period may result in suspension of my credit card.
7. I will not use the credit card for non-Parish related expenses, unauthorized purchases, or for personal purchases.
8. I will immediately report the theft or loss of my credit card to NAME, TITLE and PHONE NUMBER.
9. I understand that I cannot use the credit card as a financial reference to obtain personal credit cards or loans.

10. I understand that any purchases made by me will be recorded and reviewed in management reports, to insure compliance with credit card guidelines.

11. I understand that failure to follow any of the above listed terms and conditions or if found to have misused the credit card in any manner may result in:

- Revocation of the privilege to use the credit card
- Disciplinary action
- Termination of employment, and/or criminal charges being filed with the appropriate authority.

12. I agree to surrender the credit card immediately upon request or upon termination of employment for any reason.

I, _____ hereby accept the above terms and conditions and acknowledge receipt of the credit card.

Employee Signature _____

Date _____

PARISH NAME Monthly Credit Card Expense Report

Name _____
Department _____
Period _____

Date Submitted

**Total
Monthly
Charge to
Credit Card**

XV. Bank Accounts & Investments

A. Identification of parish accounts at financial institutions

Day to day operating funds belonging to a parish are to be deposited in an FDIC insured checking account (the Archdiocesan Pooled Investment Checking Account is such an account). The pastor must be a signer and receiver of information for all bank accounts that use the parish's tax identification number. The parish should periodically verify the existence of all parish accounts, including those for auxiliary (affiliated) organizations. (*Document on Temporal Affairs* #50)

B. Accounts at financial institutions are reported accurately and timely

All parish accounts should be reported in the general ledger, in the annual report to the Archdiocese of Cincinnati Finance office and in the annual report to the parishioners. Also, include those bank accounts with zero balances – such as sweep accounts. These sweep accounts still reference the parish tax identification number and transactions are processed through these accounts.

C. Monitoring all parish bank accounts

All original bank statements for the parish, school, and affiliated organizations are to be mailed to the parish office. Electronic bank statements should be printed monthly. The pastor or his designee should open the bank statement and review for reasonableness. The original bank statements should be maintained at the parish office and a copy should be distributed to the appropriate individual and/or organization for reconciliation. Original bank statements should never be mailed to an individual's personal address. This will ensure that the pastor is aware of all of the parish's bank accounts that utilize the parish tax identification number.

To prevent new bank accounts from being opened, a letter should be written to the parish's bank and all local banks indicating that new accounts can only be opened by the pastor using the parish address.

D. Bank statements

All bank statements should contain the images of the canceled checks. This will allow the pastor or his designee to review the checks after they have cleared the bank. If the images are not available, the pastor or his designee must have access to review the canceled checks online. If any checks have been altered, it should be observed at this time.

The pastor or his designee should also review the bank statement for service fees that are charged on a monthly basis. Fees should be recorded in the general ledger, but the business manager or finance committee should negotiate with the bank to see if any fees can be waived. The pastor or his designee should also review all electronic withdrawals for purpose and reasonableness. See the section on Parish & School Disbursements for control requirements for electronic withdrawals.

E. Bank account signature cards

The pastor must be an authorized signer on all accounts. There should be at least two signers on each account, besides the pastor, who can dually sign the checks when the pastor is not available. As personnel change in the parish, periodically verify the approved signers on each bank account – including the accounts where few transactions occur since these accounts are often overlooked. Signers that have left the parish or relinquished responsibilities for the account should be removed as signers.

F. Bank accounts are reconciled monthly

Bank accounts must be reconciled each month and then reviewed and initialed by an individual independent of the handling and recording of cash (preferably the pastor or a Finance member). All checks that remain outstanding for more than three months should be investigated and resolved. Contact the payee if necessary as checks may need to be voided and reissued.

G. Excess operating and other funds

Parishes should keep a balance in their local bank account that equals no more than three to four month's operating expenses. Any excess operating funds are to be invested in notes issued by the Archdiocese of Cincinnati. Funds collected for capital campaigns or building funds should also be invested in notes issued by the Archdiocese of Cincinnati. (*Document on Temporal Affairs* #56)

Some parish organizations believe that the funds in their bank accounts are not parish property. Clearly the Archdiocese does not want to discourage the spirit of volunteers that is so prominent in our parishes but is imperative that the parish place financial responsibility for proper cash control on the officers or volunteers of the organization. Some parishes have instituted centralized control of all parish organizations' funds, thus providing some degree of personal protection of their volunteers. The Archdiocese of Cincinnati strongly recommends that all checks and other disbursements from organizational accounts are generated by the parish bookkeeper or other designated employee.

H. Safeguarding the use of the parish tax identification number

The parish tax identification number should be used only after receiving the approval of the pastor. Identify the reason for the use of the parish tax identification number: establishing parish (church, school, and auxiliary groups) accounts, and state and city licensing. The pastor or his designee should receive copies of the resulting documents, such as bank statements and licenses. The parish should maintain a log identifying the receipt of the tax number and the purpose of the request.

National organizations (i.e., Knights of Columbus, St Vincent de Paul Society, Girl Scouts) should not ask for or be given the parish tax identification number to use for their bank accounts or for their activities. The exception to this is scouting units charted by the Boy Scouts of America, as scouting is a youth ministry. The parish tax identification number is issued to the Scout unit: Cub Scouts, Boy Scouts or American Heritage Girls, and should be referenced on the bank account. The parish then receives the banking documents to maintain on file.

I. Closing bank accounts

Access to unused check stock should be restricted. When a decision is made to close an account, inventory the remaining check stock. The remaining check stock should then be shredded to prevent fraudulent use of the checks. Blank checks from a closed account could be presented for payment resulting in a loss for local currency exchanges, banks, or merchants. Local merchants will often honor a parish check unaware of the consequences.

J. Automatic account debit

If a business relationship has ended, make sure the bank is instructed not to honor charges from the company. Determine what is required by the bank to cease the activity – complete bank forms, write a letter, and/or close the account. Make sure the requirements are satisfied. Maintain a file documenting any such arrangements.

K. Choice of banking institutions

Higher account balances maintained at one banking institution may result in better interest rates and more favorable fees. Therefore, parishes should consider having all their accounts at one banking institution. Parishes should also bank at a financial institution in which copies of cleared checks or images are returned in the monthly bank statement or are available online. The parish should periodically survey local banks to ensure no accounts have been opened using the parish tax identification number. The pastor should recommend a bank of choice for the parish's affiliated organization's bank accounts.

L. Investments

Surplus funds which might be accumulated against future needs are to be invested in notes issued by the Archdiocese. The interest rates will be adjusted periodically after consultation with the Archdiocesan Pastoral Council. (*Document on Temporal Affairs* #55)

Parishes may now also invest in the Catholic Values Fund by contacting the Archdiocese Controller. This fund includes investments in equities which may provide a higher rate of return over time, but returns are not guaranteed. If investments or appreciable assets are received as gifts or bequests, the Director of Financial Services shall be consulted for a recommendation as to whether such securities shall be held or liquidated. (*Document on Temporal Affairs* #57)

The use of a separately incorporated trust or foundation must be approved by the Archbishop prior to investing. Also, the investment choices in any such account must be in compliance with the Catholic Values for Investing articulated by the Archbishop.

XVI. Bank Reconciliations

Formal bank reconciliations MUST be completed monthly for ALL bank accounts to maintain the integrity of the cash balances in these accounts

A. Monitoring all parish bank accounts

All original bank statements for the parish, school, and affiliated organizations are to be mailed to the parish office. Electronic bank statements should be printed monthly. The pastor or his designee should open the bank statement and review for reasonableness. The original bank statements should be maintained at the parish office and a copy should be distributed to the appropriate individual and/or organization for reconciliation. Bank statements should never be mailed to an individual's personal address. This will ensure that the pastor is aware of all of the parish's bank accounts that use the parish tax identification number.

Unopened bank statements are to be given to the pastor or at his designee (may be a member of the finance committee) to open and review as soon as they arrive in the mail. This review includes:

- Thumbing through the checks looking for unauthorized or altered signatures
- A quick look at the payees to determine that all checks were issued to authorized payees
- A search for checks which are a different style (shape, color, size) than those used by the parish
- A review of the bank statement to determine that all cleared check numbers are within the number sequence of the checks currently used by the parish
- A review of electronic transfers to determine that they were to authorized payees
- A general review of the bank statement account balances, deposit transactions, cash transfers, etc. for reasonableness.

Following these procedures will help discover bank errors and the issuance of any unauthorized checks or withdrawals.

To prevent any new bank accounts being opened, a letter should be written to the parish banks and all local banks indicating that new accounts can only be set up by the pastor using the parish address.

B. All bank accounts should be reconciled on a monthly basis

Bank accounts must be reconciled each month and reviewed by an individual independent of the those handling and recording cash. All checks that remain outstanding for more than three months should be investigated and resolved. Contact the payee if necessary as checks may need to be voided and reissued.

Upon receipt of all the monthly bank statements, the activity per the statement must be reconciled to the activity on the general ledger or check book. This can be accomplished manually or through the computer accounting software (ParishSOFT). Differences between the book balance and the bank statement balance should be investigated, reconciled, and recorded. The bank reconciliation should be signed and dated by the person reconciling the account.

Book Balance- The balance of cash on the general ledger as of the date of the bank statement
Bank Statement Balance – The balance on the bank statement as of the statement date

C. All bank reconciliations should be reviewed and signed

On a regular basis, the pastor or his designee (may be a member of the finance committee) should review all bank reconciliations. At a minimum, the review should consist of the following:

- The book balance should be compared to the bank reconciliation and the bank balance
- The bank balance on the bank reconciliation should be compared to the bank statement
- All reconciliation items are to be reviewed for reasonableness and posting to the general ledger
- The addition and subtraction on the bank reconciliation should be checked
- All unusual or unidentified differences are to be investigated and resolved.

Ideally, the person reconciling the bank account should be independent of the check signing, distribution, and deposit process. Since this is difficult for many small parishes, it is important to have an independent bank reconciliation review by the pastor or his designee. The individual reviewing the reconciliation must sign the bank reconciliation indicating a satisfactory review of the information.

D. Format

The parish's monthly bank reconciliation begins with the ending balance on the bank statement and works to an adjusted bank balance. That is the balance the bank statement would show if all the transactions were recorded by the bank (i.e., outstanding checks, deposits in transit, etc.).

E. Preparation and reconciling items

Upon receipt of the monthly bank statement including cleared checks, deposit slips and any other transactional notifications, the business manager or bookkeeper will prepare the monthly bank reconciliation. The monthly reconciliation will start with the ending balance per the bank statement.

Any outstanding checks that have been issued by the parish but have not yet cleared the bank will be listed next on the reconciliation. This total will then be deducted from the ending balance on the bank statement.

Next, any deposits in transit (deposits that were made by the parish but were not yet recorded by the bank) will be listed and added to the bank balance.

From these steps, the "adjusted" bank balance will be derived. The adjusted ending bank balance should match the adjusted general ledger balance (book balance).

F. Adjustments and journal entries

Any "book" reconciling items such as interest, bank charges and recording errors will be summarized and drafted in journal entry form for posting to the general ledger.

G. Glossary

ACH (Automatic Clearing House) Charges - A fee charged by the bank for automatic clearing house services such as direct deposit for payroll or tax payments.

Adjusted Bank Balance - The balance of cash per the bank statement at the end of the month plus or minus any reconciling items not yet recorded at the bank. This would include items such as outstanding checks and deposits.

Adjusted Book Balance - The balance of cash on the general ledger at the end of the month plus or minus any reconciling items not yet recorded on the parish books. This would include items such as interest earned and service fees.

Bank Statement Balance - The balance of cash on the bank statement at the end of the statement period.

Book Balance – The balance of cash on the general ledger at the end of the bank statement period.

Deposit in Transit - Occurs when there is a time lag between when deposit items are received by the parish and taken to the bank as a deposit. It also occurs when the deposit is received by the bank and when it is recorded as a deposit by the bank; this normally occurs when the deposit date does not coincide with the end of the period covered by the bank statement.

Deposit Variations – When the deposit amount recorded in the general ledger does not agree to the deposit amount on the bank statement.

General Ledger - A book of transactions containing accounts to which debits and credits are posted for income or expenses that have been incurred (the parish accounting system).

Interest – A percentage paid on the balance of money in the bank account. Interest is usually paid on a monthly or quarterly basis.

NSF (Non-Sufficient Funds) - Checks returned through the banking system because the individual's account has insufficient funds. NSF checks are deducted from the parish's bank account so the parish must deduct these checks from the parish's general ledger.

Outstanding Check – Occurs because there is a time lag between when a check is written/mailed and when it is deposited by the payee because of mail delays or other factors. All checks should clear the bank within three months of being written.

Service Fee - A fee charged by the bank for a particular service provided.

XVII. Compensation of Archdiocesan Priests

IMPORTANT NOTES

While Archdiocesan priests are employees of a parish, school, agency, or institution (hereafter referred to as “location”) for income tax purposes, Archdiocesan priests are self-employed for FICA (Social Security tax and Medicare tax) purposes. Therefore, Archdiocesan priests are not subject to mandatory withholding for FICA and FICA MUST NOT be withheld through payroll or matched through payroll. Instead, the Internal Revenue Code states that Archdiocesan priests are subject to and responsible for paying self-employment tax which is similar to FICA.

The parish should maintain a copy and refer to the Archdiocese of Cincinnati PRIESTS’ PERSONNEL POLICIES for specific requirements.

An Archdiocesan Priest (hereafter referred to as “priest”) is advised to consult with his tax advisor for specific advice on individual tax related matters. The following is a guideline for the policies and procedures of a location.

Salary

All Archdiocesan priests have a base salary as promulgated by the Archbishop of Cincinnati.

Reimbursements of Expenses (with proper documentation)

If a location reimburses a priest “after-the-fact,” (the priest incurs the expense and requests reimbursement from the location), the location must deal with two rules. For the reimbursement to be tax-free:

- There must be a business/ministry connection (direct benefit to the location (described in more detail below)) and
- There must be proper substantiation (receipt).

Sometimes the reimbursement occurs “in advance” of the expense. For reimbursements made in advance, the payments must be made through an “accountable” reimbursement plan. An accountable plan is one that:

- Reimburses only expenses with a business/ministry location purpose
- Reimburses only those expenses that are substantiated, within 60 days of the expense being incurred, as to the amount, date, place, and business/ministry purpose of the expenses, and
- Requires any excess reimbursements (reimbursements exceeding substantiated expenses) to be returned to the location within 120 days.

Failure to comply with the returning of excess amounts will result in taxable earnings to the priest, subject to Federal, State, Local income taxes and Self-Employment tax.

Example – allowable business/ministry expenses

- Reasonable travel and related expenses for attending meetings (e.g., annual conferences, diocese meetings, etc.)
- Trips to visit parishioners at hospitals, nursing homes or parishioner’s homes
- Lunch meetings with officers of the church to discuss church business
- Supplies for the church office (e.g., paper, pens, forms, notebooks, etc.)

- Church-related continuing education
- Vestments worn for worship
- Laundry and dry cleaning for parish vestments and specific clerical clothing (clerical shirts only)
- Church-related books and periodicals
- Office furnishings and equipment (e.g., desk, chairs, telephone, etc.)

Example – non-business/ministry expenses

- Mileage to church from home for daily work (always considered personal, unless residence has been assigned by the Archbishop)
- Meals with friends at which church matters are discussed
- Vacations/trips primarily personal in nature with limited or incidental church benefit
- Continuing education primarily for personal improvement
- Everyday clothing
- Most in town or on parish lunches unless location business or meetings occur at lunch

Use of personal vehicle for work- related activities

Transportation Reimbursement is specifically discussed in the Priest Personnel Policies approved by the Archbishop [V, E, 2, c]. Work-related transportation can be either “assignment related” or “ministry-related”.

Assignment-related transportation is any transportation directly related to an official appointment or assignment. Such would include but not be limited to sick calls, hospital visitations, house calls, shopping for parish or institution, travel to and from any official assignment or duty. Reimbursement for these costs is made in accordance with the standard mileage rate published by the IRS. Ministry-related transportation is any transportation related to the priest’s ministry and would include, but not be limited to any of the above activities not related to his specific assignment, such as attending funerals, weddings, etc. out of friendship; cost of ministry-related transportation can be covered through the Reimbursable Account (cf. Section V,G,6 {Professional Reimbursement}).

Note: Transportation from a priest’s residence to his principal place of employment is a personal expense as opposed to a business expense and therefore no reimbursement of this type should be applied for by a priest or paid by a location (unless residence has been assigned by the Archbishop).

Taxable income (Federal, State, Local Income and Self-Employment)

The following are various types of income that may be found on a priest’s tax filing:

A. Allowances: (Car, Board, and Education, etc.)

If a priest is paid a monthly allowance for travel, continuing education, board, or the like, but is not required to account for his expenses as indicated above or the allowance is not used for business/ministry purposes, then the amounts paid to the priest must be added to his taxable income on IRS Form W-2, Box 1, and reported on IRS Form 1040, Line 7.

B. Mass Stipends and Extra Clergy Help Fees

When a Mass stipend payment is received by a priest, it is the result of a performance for service rendered. Therefore, Mass stipends are earnings, subject to Federal, State, Local income taxes and Self-Employment tax.

A priest who chooses to retain his rights to Mass stipends shall receive the base salary to which he is entitled less the total income received from Mass stipends during the current month. *[Priest Personnel Polices V, E, 1, b]*

Extra Clergy Help Fees are defined as an amount paid to a priest who helps a location in addition to his regular Mass and Sacrament of Reconciliation assignments. The fees also apply as well to a retired priest or a priest without a regular Mass or Sacrament of Reconciliation assignment. *[Priest Personnel Polices V, I, and the Extra Clergy Help Fee Schedule in Appendix VI]*. Like Mass stipends, Extra Clergy Help Fees earnings are subject to Federal, State, Local income taxes and Self-Employment tax. The Archdiocese of Cincinnati Human Resources Department has a policy that specifically addresses Extra Salary Compensation for all employees including priests.

Mass stipends and Extra Clergy Help Fees should be included with other earnings on IRS Form W-2, Box 1, and reported on IRS Form 1040, Line 7. If under unusual circumstances, Mass stipends and Extra Clergy Help Fees are not included on IRS Form W-2, then earnings should be reported on the priest's individual tax return on Schedule C.

C. Honoraria (Stole) Fees (for services performed in a priest's ministry: baptism, funeral, wedding, and speaking engagements)

All offerings given to the priest for baptisms, weddings and funerals celebrated in the parish of assignment or residence, are to be placed in the treasury of that parish. "Gifts" received for services outside the parish may be retained by the priest unless the priest's participation has taken him away from his primary duties. *[Priest Personnel Polices V, E, 5, c]*

When a priest receives fees for the above services, the fees represent earnings subject to Federal, State, Local income taxes and Self-Employment tax. If these fees are retained by the location, then there would be no reporting of income by the priest on his tax return, because the priest does not have constructive receipt.

If priests receive the Honoraria Fees directly, parishes have no amounts to report to the government. Priests report these earnings as self-employment income on Schedule C of their federal tax returns. If priests remit the Honoraria Fees to the location and receive a portion of the fees back, then parishes should report these earnings on IRS Form W-2, Box 1, and report on IRS Form 1040, Line 7.

D. Non-Ministry Related Earnings

Non-ministry related earnings are those earnings which are from non-ministry work. When a priest performs services for an organization other than the Church or one of its locations, those services may be subject to the same tax rules as wages earned by lay employees. Refer to the Archdiocese of Cincinnati PRIESTS' PERSONNEL POLICIES for specific requirements.

E. Value of Room and Board

The fact that a location can provide a priest with housing that is tax-free income in certain circumstances is a major benefit. Although the value of a priest's housing, including room and board, may be free in some cases from income tax(es), it is **not free** from Self-Employment taxes, unless the priest is exempt from the Social Security system. Further, room and board, or portions of it, can be subject to income taxes under certain circumstances. It is highly recommended that accurate tax records be kept by all priests. If a priest receives as part of his salary (for services as a minister as defined in the Internal Revenue Service Code) an amount officially designated (as described below) as a rental allowance for housing, a priest can exclude from gross income for federal income tax purposes the lesser of the following amounts:

- the amount officially designated by the location (in advance of payment) as a rental or housing allowance (see below)
- the amount actually incurred to provide or rent a home (referred to as a parsonage by the Internal Revenue Service), or
- the fair market rental value of the home (including furnishings, utilities, garage, etc.)

All payments must be used for housing for the priest in the year the payment is received by the priest from the location.

The following is a suggested statement that the location could use to approve the monthly rental allowance for housing of a priest on an annual basis in advance of the first payment for a given year (this example is for a parish and can be adapted to other locations):

The following resolution was duly adopted by the finance committee at a regularly scheduled meeting held on _____, a quorum being present:

WHEREAS priests who own their home do not pay federal income taxes on the amount of their compensation that the employing parish designates in advance as a housing allowance, to the extent that the allowance represents compensation for ministerial services, is used to pay housing expenses, and does not exceed the fair rental value of the home (furnished, plus utilities); and

WHEREAS Father _____ is compensated by _____ parish exclusively for services as a priest; and

WHEREAS _____ parish does not provide Father _____ with a parsonage; therefore, it is hereby

RESOLVED, that the total compensation paid to Father _____ for calendar year _____ shall be \$_____ of which \$_____ is hereby designated to be a housing allowance; and it is further

RESOLVED, that the designation of \$_____ as a housing allowance shall apply to calendar year 20XX, and all future years unless otherwise provided.

Valuation of Rectory (Parsonage)

The parish may own a separate structure that serves exclusively as a residence for parish priests. If two or more priests share the residence, determining the value of the living quarters to each priest involves an allocation.

If only one priest occupies the residence, and there is room for other priests or room for other uses, the value of the living quarters should also be allocated. The fact that the parish owns a large, detached rectory does not mean that the resident priest must pay Self-Employment tax on the fair value of the entire residence. The priest should pay tax on the fair value of the residence that he would occupy if the residence was efficiently used. In these circumstances, it may be helpful to clearly delineate which portions of a rectory are for priest use and which portions have multiple uses.

The location of the rectory impacts the rental value of the rectory and thus the amount the resident priest should include in Self-Employment income. The resident priest and/or parish should retain evidence supporting the rental value of the rectory. Examples of the types of evidence that can be used are advertisements of rentals of apartments or homes in a given part of town, a realtor's letter opining as to what the rectory might lease for on the open market or an appraisal. In the case of a rectory in a more expensive area, a realtor's letter or broker's opinion of value should be obtained. The realtor's letter or broker's opinion should specifically list reasons why the fair rental value might be lower than nearby apartment values. For instance, the age, condition, lay-outs, parking, and amenities of a rectory is likely inferior to some local rentals and the rental value of the rectory should receive a reduction for each of these factors.

Board

In addition to housing, some parishes provide a priest with board or a meal stipend. The "board" (meals) portion is subject to specific qualifications for the IRS to consider it a tax-free benefit. There are three main requirements for tax-free status of "board":

1) *The meals must be consumed on the premises of the parish*

A strict interpretation of the term "meals" would mean that if a parish provided groceries to a priest and he prepared his own meals, the IRS may not consider the groceries as meals. A reasonable interpretation, however, recognizes that whether the parish employs a cook to prepare the meals for a priest, or a priest prepares his own meals, he is consuming the same food on parish premises and that the value of those groceries may be tax-free.

And

2) *The meals are for the convenience of the parish*

This means there must be a bona-fide business reason for the priest to dine at the rectory. If the reason is that he is "on call", then he should establish he answers such calls and that he can reasonably expect to respond to future calls. The IRS has been strict on this requirement in the past and holds the taxpayer to a high standard when attempting to prove that he is "on call."

And

3) *The meals are required as part of the priest's working conditions*

This means that the priest has no choice in residence location. He must reside at the designated rectory as part of his assignment.

If the priest fails any of the three tests above, the "board" represents taxable earnings to the priest – both for Federal, State, Local income taxes and Self-Employment tax purposes. As mentioned previously, the IRS views board or meal stipends with a critical eye and has found some arrangements as taxable to the recipient. **Please contact the Archdiocese of Cincinnati Department of Financial Services, Attn: CFO, if a parish or priest is attempting to qualify under these provisions.**

Documentation

The IRS requires cash housing allowances, including allowances for housing-related expenses, to be designated in advance of payment – or the IRS will tax it. The IRS does not provide sample wording, nor does the IRS appear to be particular about the designation – as long as it is "in advance" of the payment. The IRS has not made it clear what it expects to see when a priest resides in a parish-owned rectory. The following is a non-tested suggestion which attempts to establish the points germane to the tax housing allowance by the specific parish or Archdiocese entity that employs the priest.

"The salary for Father _____, Pastor (Associate) of _____ Parish, is in accord with the directives of the diocesan bishop pursuant to the policy approved _____, plus reimbursements for business expenses incurred in the exercise of his ministry. The parish provides rectory room with an estimated fair market value of \$_____, and board with a value of \$_____ per day. Father is required to reside at the rectory and be on call for parish emergencies 24 hours a day."

F. Personal use of location-owned vehicles

If the parish owns a vehicle and a priest uses the vehicle for location business only, there is no taxable fringe benefit. But, if the location owns a vehicle and *allows a priest to use that vehicle for personal purposes*, that priest has incurred a taxable fringe benefit.

A priest could reimburse his location for use of the location-owned vehicle, and it would no longer be a fringe benefit, but usually that is not the case. Usually, the location does not require a priest to pay for the use of a location-owned vehicle. Instead, the priest must pay Federal, State, Local income taxes and Self-Employment tax on the value of the personal use of a location-owned vehicle.

There are four ways to value the use of a location-owned vehicle: the "general rule" or one of three optional methods.

1) The General Rule

If none of the three optional methods apply, or the location elects none of the three optional methods, the method defaults to the general rule. The general rule values the use of a location-owned vehicle at the fair market lease value of that vehicle's year, make and model, plus gasoline. This method requires the location to check with local leasing companies to determine the lease value.

Once the location determines the fair market value, the taxable income to the priest is determined by the ratio of his personal mileage to the total mileage for the year, times the local annual lease value.

2) The \$3 per day method

Few priests will qualify for this method, but it is nice for those who do. A location that provides a car to a priest for non-compensatory purposes (such as there is no overnight parking available at the parish), to a priest that lives a distance from the location, and priests who own their personal car for non-business driving purposes, may value the commuting value of the vehicle owned by the location at \$3 per round trip.

3) The cents per mile method

There are two main restrictions apply to using this method of valuation:

- a.** It is reasonably expected that the car will be used in the work of the location throughout the year, or
 - employees of the location (including the priest) drive the car at least 10,000 miles during the year;

AND

- b.** The value of the car does not exceed \$16,000 for a passenger automobile and \$17,000 for a truck or van (amounts adjusted annually by the IRS)

If the location qualifies for this rule, the value of the use of the location-owned vehicle is simply the IRS standard mileage rate times the number of personal miles driven by the priest.

4) The automotive lease valuation rule

Method 4 is similar to Method 1, except that instead of using the actual local "going rate" for the lease value, the IRS provides a table to determine the lease value. The fair market value (manufacturer's retail price less 8% or dealer's invoice cost plus 4%) of the vehicle at the time the location puts it in service determines the lease value according to the chart. Add to the lease value the cost of gasoline or 5.5 cents per mile, to get the total actual value.

Like Method 1, the taxable income to the priest is determined by the ratio of his personal mileage to the total vehicle mileage for the year, times the total annual value.

An Important Assumption...

The valuation methods compute the taxable portion of the value of using a location-owned vehicle for personal driving. The priest must log his mileage so that the location knows the ratio of personal usage to total usage. Without the benefit of this log the location has no choice, under IRS rules, but to include the full value of the vehicle as earnings when reporting the priest's Form W-2 (IRS Form W-2, Box 1, and reported on IRS Form 1040, Line 7).

Tax-free income

1) Gifts

Gifts are tax free; however, there is much to debate on what is considered a gift. “Donative intent” is the key in determining whether a payment is classified as a tax-free gift or as taxable. Tax-free gifts are motivated by “love and affection,” without regard to or the expectation of past, present, or future services rendered.

Gifts, then, include birthday, anniversary, going-away, and get-well-soon presents. A gift is not tax-deductible by the giver. (IRS Form W-2, Box 1, and reported on IRS Form 1040, Line 7)

Taxable earnings are generated by the performance of a service. It doesn’t matter if a priest does not specify or request an amount and “leaves it up to the donor.” If the money received is a result of the service performed, it is classified by the IRS as taxable service rendered. Mass stipends are addressed in section C above.

XVIII. PAYROLL & BENEFITS

Proper payroll processing is extremely important, not only because it is a very significant portion of total expenses, but also because it can affect the employee's 401(k), health care and the parish's employment tax liability. The payroll cycle has four components: 1. timekeeping and payroll preparation, 2. payment of payroll, 3. withholding and reporting, and 4. personnel administration and employment file maintenance. Benefits should be properly established and maintained. The following are the minimum requirements for all parishes/schools operating within the Archdiocese of Cincinnati.

The Archdiocese has instituted a Central Insurance Program covering fire, windstorm, extended coverage, casualty, Workers' Compensation, Unemployment Compensation, and general liability risks, as well as medical coverage, a 401(k) Plan and a (frozen) Lay Employee Pension Plan. All parishes and Archdiocesan institutions shall be covered by the Archdiocesan program, unless expressly exempted by the Archbishop. Likewise, all parishes and Archdiocesan institutions shall participate in the Archdiocese's common payroll services plan unless expressly exempted by the Archbishop. The Director of Financial Services is charged with the responsibility for overseeing these plans. (*Decree on Temporal Affairs* #72)

All employees of the Archdiocese, including parishes and schools, regardless of position, ministry, part-time or full-time status, must have an approved background check, be fingerprinted, and be approved on Safe Parish training prior to their hire date.

A. Wages and compensation

Wages for employees as well as payment to vendors and service providers must be paid by check or ACH, never cash. All compensation paid to employees, including religious employees, should be paid through payroll on a bi-weekly basis. No check is ever paid to an employee outside of payroll except to reimburse them for mileage or items purchased for the parish. Bonuses must be paid through payroll. Payments to employees, vendors and service providers should be recorded in the financial records of the parish. Employees should not be paid as independent contractors. Independent contractors are not considered employees of the parish and should not be paid through the parish payroll system.

B. Timesheets as documentation of hours worked

Individual timesheets (manual, electronic, time clocks, etc.) are required for all hourly and non-exempt salary employees. There are no exceptions. By law, all hourly and non-exempt employees are required to record their actual hours worked each day. Absences are to be recorded with an appropriate explanation. Hours actually worked in excess of 40 in the same workweek by hourly and non-exempt employees must be paid at the rate of time and a half. Supervisors must not complete the time records for their employees. Employees must complete and sign the timesheet before submitting it to the supervisor for payroll processing. In addition to documenting the pay the employee is to receive on payday, timesheets are the means by which the employer tracks paid time off benefits such as sick days, personal days, and vacation days.

C. Changes to employee status

All changes to employment status should be documented in writing and include the approval of the pastor for parish employees and the principal for consolidated school employees. Former employees are to be removed from active status on payroll after their final check is processed. Document the date

of the status change and the date of the last check. The Local Safe Environment Coordinator should update the former employee's role in the Safe Parish database.

D. Payroll is prepared properly and timely

All employees: parish, school, and agency, are paid on a bi-weekly basis through payroll. No employees are to be paid in cash. Besides being illegal, this practice often imposes unintended hardships on the employee. For example, an employee who had been paid in cash for many years and now chooses to retire will not likely be eligible for pension benefits or Social Security benefits because both are based on reported payroll earnings. Employee payroll deductions for vision or dental insurance are remitted monthly to the vendors by the parish. There is to be no payroll advances or loans of any kind.

E. Payment of Payroll

The Archdiocese has contracted with Paylocity for payroll services. All employees should be on direct deposit, thus eliminating fees for printing and sending manual checks.

Labor Relations and Tax Regulations:

1. In general, under both Federal and State labor laws, a regular time workweek consists of forty hours, after which overtime commences for non-exempt personnel. Overtime pay must be computed at a rate of 1 ½ times the employee's regular hourly rate of pay for those hours worked in excess of the forty hours.
2. Workers earning less than the Federal mandated minimum pay per week cannot be considered exempt from overtime provisions. All employees earning less than the Federal mandated minimum pay per week must be paid time and one half for overtime hours. The Federal mandated minimum pay rate in 2022 was \$684 per week or \$35,568 per year.

Regardless of when the employee is paid, all phases of the law are based on a workweek. The workweek may begin on any day and hour of the week as established by the employer. Pay periods for two or more weeks may not be averaged out for the sake of overtime or minimum wages.

Both Federal and State regulations require posting of a sign *Notice to Employees* where employees can readily see it.

When a fee is charged by the parish for use of the facilities (weddings, funerals, etc.) and a portion of that fee is paid to others for services, such as a musician or cantor, these payments are taxable income to the recipients. Please refer to the Musician section for further discussion concerning potential employment issues.

1. If these recipients are employees of the parish, those payments must be processed through the parish's payroll system so that the payments are subject to federal payroll tax withholdings.
2. If the recipients are not employees of the parish, but an employee within the archdiocese, the payment qualifies as extra salary compensation. Refer the Archdiocese website for current policy requirements.
3. If the recipients are not employees of the parish and the parish anticipates using the musicians less than four times during a calendar year, those payments can be processed through the parish's payables system. If the parish pays the infrequently used musician through accounts payable, the parish must issue an IRS Form 1099-NEC for total payments in the calendar year of

\$600 or more. The ParishSOFT vendor master file should be properly coded to track these payments as 1099 payments.

4. If a parish anticipates using a musician more than four times per calendar year, the individual should be put on the parish's payroll if they are not already employed elsewhere in the Archdiocese of Cincinnati (see number 2 above).

Religious order priests, brothers or sisters have taken a vow of poverty and are not to receive checks made in their names. Compensation checks to religious order priests and sisters are only to be made payable to the name of the order for the specific priest, brother, or sister.

F. Classification of workers

To be an independent contractor, the individual must be free to choose when, where, and how the job will be accomplished. For example, if you hire someone to do a particular job where the individual must work at your location during your work hours, using your equipment, he or she is not an independent contractor and must therefore be paid through the regular employee payroll, with all appropriate taxes withheld, and be treated the same as any other employees for purposes of benefits. Independent contractors do not receive any employee benefits. Cleaning staff and security guards are generally parish employees, unless contracted through an agency.

Parish musicians – includes Cantors and paid choir members

Parish musicians who are paid to perform at weekly services are generally considered employees of the church and not as independent contractors. The IRS noted several conditions that, when answered in the affirmative, influences their decision on the status of parish musicians as employees:

1. If the worker is required to comply with another person's instructions about when, where, and how he or she is to do the work.
2. If the worker's services are integrated into the business operations.
3. If there is a continuing relationship between the worker and the person for whom the services are performed.
4. If set hours are established, or, if the nature of the work makes fixed hours impractical, workers are required to be at the job at certain times.
5. If the work is performed on the premises of the person for whom the services are performed.
6. If payment is made by the hour, week, or month. A guaranteed minimum salary also indicates an employee.
7. If the person for whom services are performed furnishes significant tools, materials, and other equipment.

Parish musicians may ask you to classify them as independent contractors. The parish must ensure the musician does not meet the above conditions before making the independent contractor classification. If the pastor and the musician determine that the individual is to be treated as an independent contractor, the musician and pastor must complete the "Independent Contractor Agreement" available on the Archdiocese of Cincinnati website. The musician must have the following documents available prior to performing work at the parish:

1. Independent Contractor shall maintain general liability insurance with coverage at least equal to one million dollars (\$1,000,000) per occurrence and two million dollars (\$2,000,000) in the aggregate. Independent Contractor shall provide proof of such coverage upon request of Contracting Party.

2. Upon execution of the “Independent Contractor Agreement”, Independent Contractor shall provide to the Contracting Party a copy of Independent Contractor’s Certificate of Premium Payment (“Certificate”) issued by the Ohio Bureau of Workers’ Compensation and shall provide an updated Certificate no later than the expiration date of the previous Certificate. Independent Contractor shall immediately notify Contracting Party if Independent Contractor’s Workers’ Compensation coverage is suspended, terminated, or modified in any way.

We recommended that parishes classify parish musicians as employees. It is the parish that carries most of the risk if an employee is misclassified as an independent contractor. If a parish musician is misclassified, the IRS can assess severe penalties on a parish for failure to pay and failure to file and withhold mandated federal and state taxes. Parishes should be aware that the risk for wrongly classifying an employee as an independent contractor belongs to the parish. We recommend the Parish work with the Archdiocesan Human Resources Director or his representative to ensure that all musicians are properly classified.

G. Issuance of Form 1099-MISC

Federal Form 1099 is required to be filed on a calendar year basis to independent contractors, law firms, businesses that are not incorporated and retired clergy not paid by another location. The \$600 or more limit is for all activities utilizing the parish’s tax identification number (boosters, scouts, PTO, etc.) per calendar year.

The purpose of Federal Form W-9 is to provide the parish with the information needed to file tax information reports at the end of the year. Form W-9 also provides certification from the payee that the taxpayer identification number provided is correct and that the payee is not subject to or is exempt from backup withholding. Form W-9 must be obtained from each vendor and maintained in the vendor file. Obtaining W-9 forms shows a good faith effort to comply with IRS regulations.

Federal Form 1099s must be sent by January 31 of the year following payment to the recipients. In addition, a copy should be filed with the IRS by January 31. Failure to file correct 1099 information returns can result in penalties up to \$1,060 for each 1099 not sent (2018 regulations). The parish must file one set of 1099s for all vendors who operate under a social security number and are collectively paid \$600 or more per calendar year for services paid from all parish checkbooks.

H. Withholding and Reporting

The archdiocese has contracted with Paylocity for payroll services. Paylocity also processes all tax payments and notifications.

1. Priest’s W-2 should include salary, stipends, and personal usage of a parish-owned vehicle.
2. The parish should be **excluding** FICA and Medicare tax deductions for the priests.
3. Religious order priests’ checks should be issued in the name of the order, so the individual is exempt from reporting.
4. 1099 forms should be issued for all contracted services, where applicable, including individuals, sole-proprietors, and partnerships.
5. W-9 forms should be obtained and kept on file for all contractor/vendors.

The following reports should be filed on time:

1. Form W-2 to employees by January 31st (Paycor to handle these)
2. Form W-2G to winners of prizes (see section Fundraising Activities & Events).

3. Form 8109 Federal Tax Deposit Coupon for taxes withheld on prizes \$5,000 and greater
4. Form 1099 to contractors paid \$600 or more sent by January 31st for the prior year.
5. Form 1096 and copy of 1099s sent by January 31st for the prior year.
6. Form 1096 and copy of W-2G's sent by January 31st for the prior year.

I. Benefits

Employee benefits are a critical component of the compensation package provided to eligible employees of the Archdiocese of Cincinnati. The Archdiocese is committed to upholding the philosophies of the Church by ensuring justice and the recognition of the personal rights of our employees. One way in which we recognize the contributions of our employees is through offering a competitive benefits package. The Benefits Office for the Archdiocese of Cincinnati oversees several benefit programs for parishes, schools and other entities including a 401(k) plan, health, prescription drug, dental, vision, and long-term disability insurance.

1. Parishes/schools should have a written "Personnel Policies & Procedures" manual.
2. All employees should sign to document that they have received their parish's local personnel policies and procedures.
3. All employees should be apprised of the benefits available to them.
4. All eligible employees (those who work 20 hours or more per week and meet eligibility requirements) must be covered by the Archdiocesan 401(k) plan.
5. All eligible employees (those who work 30 hours or more per week) must be covered by the Archdiocesan Health Plan. Eligible employees who refuse medical coverage must waive this right during the open coverage period or upon hire.
6. Employees should be required to take all earned vacation time.

J. Gifts and Bonuses

For further guidance see Gifts and Bonuses section of this guideline manual.

K. Personnel Administration and Employment File Maintenance

Contact the Archdiocesan Human Resources Department for further guidance.

XIX. Gifts and Bonuses

A. Reasonable decisions are to be made on the matter of gifts or bonuses

In the spirit of Christmas and in appreciation of the dedicated work done for the parish, school or cemetery, the Archbishop supports the practice of offering a reasonable gift or bonus from the parish to their clergy, religious and lay employees.

B. Proper reporting to required agencies

Per IRS regulations, a year-end bonus or gift is taxable. The value of a turkey, ham or other nominally valued item distributed to an employee on holidays need not be reported as income. However, a distribution of cash, a gift certificate, or a similar item of value readily convertible to cash must be included in the employee's income and reported on the employee's year-end W-2.

C. Distribution of gifts or bonuses

Gifts or bonuses are to be given as a check processed through payroll. Cash should not be given.

D. Proper documentation should be presented

A list of bonuses or gifts given to an employee should be available in that employee's personal file at the parish office, and the total amount distributed should be reported at the next regular meeting of the Parish Finance Committee.

E. Other gifts or bonuses

As a general guideline, gifts (farewell, appreciation, anniversary, etc.) from the parish budget should be limited to small "token" gifts. No one, including the pastor, may give a gift to themselves or pay personal expenses with parish funds. Approval by the parochial vicar or Parish Finance Committee is inadequate authorization as their votes are strictly advisory. Gifts from the parish may include small appreciation or anniversary gifts to employees. Parting gifts to the staff, including the pastor, should come from the parishioners.

F. Gifts to the parish for staff

A gift to the parish remains with the parish subsequent to the departure of an employee, including the pastor or other ordained staff members. If the gift is intended for the employee (including the pastor), the gift is not to be treated as a donation to the parish. The parish may not issue a tax-deductible donation letter for such pass through gifts. Pass through gifts to individuals should not be processed through the parish financial records. Thus monetary gifts to departing staff from parishioners would not warrant a tax-deductible donation letter.

G. Gifts to volunteers

The Archdiocese of Cincinnati Human Resources Department, after conferring with our outside counsel, disseminated guidance to the parishes in November 2015 with regard to volunteers receiving any form of payment (including the receipt of gift cards) beyond reimbursement for documented expenses. That guidance recommended that parishes forgo the giving of monetary gifts and/or gift cards to volunteers and to recognize them instead with non-monetary gifts or events (i.e. lunch or dinner event, book, plaque, gift basket, etc.).

The Department of Labor (DOL) does permit a “nominal fee” for volunteers using the math outlined in the DOL letters FLSA2006-28 and FLSA2005-51. If the parish chooses to follow this guidance, the risk for parishes to not comply with this guidance is high; it is the proverbial “slippery slope”.

Each situation needs to be looked at individually in terms of volunteer hours actually provided vs. the amount and timing of the money/gift card as well as whether other volunteers are also involved. A monetary gift and/or gift card that might pass muster with the DOL in one factual setting may not do so in another. In a slightly different factual setting, the gift card may be reasonably construed as a payment in exchange for work. Looking at each individual volunteer situation separately creates much work for the parish and the opportunity for non-compliance. Additionally, there is the risk that the salary used in the calculation to arrive at the “nominal fee” could be determined to be incorrect. Finally, and in addition to the DOL risks outlined here, there is also the IRS determination that gift cards are the same as cash. Cash unaccounted for (i.e. not run through payroll, no form 1099 issued, no Independent Contractor Agreement in place, etc.) is fraught with IRS risk for both the parish and the volunteer.

Accordingly, it is our continued recommendation that giving non-monetary gifts to volunteers is both cleaner and safer for the parish.

XX. Gift Shops and Bookstores

All sales and expenses of a religious article store, or other stores run by a parish/school, must be recorded in the parish/school general ledger. No separate checking account is allowed for a gift shop or bookstore.

Parishioners are to be made aware that purchases of these items are not considered charitable contributions for purposes of reporting income tax deductions and so will not be included on their annual contribution statements.

Please keep in mind that festivals by definition are celebrations. There is no limit to how many days a festival can occur. Under the umbrella of a festival can be a whole myriad of events. These specific events occurring during a festival may have Archdiocesan policies, IRS regulations, and state laws that apply. When conducting sales of any kind, even during fundraising, keep in mind that sales tax (collection and remittance of) may be involved.

A. Sales Tax – Parish

The following applies to all sales made by a parish. Section B provides further details for sales made by school volunteer organizations.

In accordance with state regulations, gift shops, books stores, fish fry's and festivals are not required to collect sales tax providing the total days of sales do not exceed 6 days in any calendar year. In counting the number of days, all sales by groups within the parish shall be considered to be sales of that parish. The parish must maintain a list of all sales that occur during the year to monitor the six (6) day requirement.

The parish can make sales of otherwise taxable items exempt from sales tax so long as the organization does not make taxable sales on more than six days in any calendar year. If, in any year, the parish exceeds the six-day limitation, it must obtain a vendor's license and begin collecting tax. Once it has exceeded the six-day limit, the organization must collect tax on any taxable sales it makes thereafter. In other words, the statute does not provide a blanket six days of exempt sales every year. Once the six-day limit is exceeded in any year, tax must be collected on **all** future taxable sales.

It is necessary for you to collect sales tax on the sale of food, beverages, books, CD's, and related items at your bingo game. Food for human consumption off the premises where sold are exempt from sales tax (food does not include alcoholic beverages, dietary supplements, soft drinks, or tobacco).

Each parish must apply for a sales tax permit if it makes sales that are subject to the state sales tax laws, which includes a gift/religious articles shop scheduled to be open on a regular basis.

Example: If the parish purchases missals, Bibles, hymnals, from a for-profit organization and re-sells them to the public or parishioners, the items are subject to sales tax laws and the parish must collect and remit sales tax on those sales to the State.

In order to collect and pay the tax you need to obtain a vendor's license.

ORC 5739.02 (B) (9) (a)

Sales of services or tangible personal property, other than motor vehicles, mobile homes, and manufactured homes, by churches, organizations exempt from taxation under section 501(c)(3) of the

Internal Revenue Code of 1986, or nonprofit organizations operated exclusively for charitable purposes as defined in division (B)(12) of this section, provided that the number of days on which such tangible personal property or services, other than items never subject to the tax, are sold does not exceed six in any calendar year, except as otherwise provided in division (B)(9)(b) of this section. If the number of days on which such sales are made exceeds six in any calendar year, the church or organization shall be considered to be engaged in business and all subsequent sales by it shall be subject to the tax. In counting the number of days, all sales by groups within a church or within an organization shall be considered to be sales of that church or organization.

B. Sales Tax - Schools

Gift shops and bookstores operated by volunteers are not required to collect sales tax providing that the money raised is to support or fund curricular or extracurricular activities of a primary or secondary school. These provisions do not apply to sales by a school itself. The school would be entitled to make sales under the provisions of R.C. 5739.02(B)(9)(a), discussed above, so long as it does not exceed the six-day limit imposed by that section. For example, a school that operated a store where school supplies and logo clothing are sold throughout the school year would be required to obtain a vendor's license and collect tax on those sales. [Sales of food to students in a cafeteria are exempt pursuant to R.C. 5739.02(B)(3).]

ORC 5739.02 (B) (9) (b)

The limitation on the number of days on which tax-exempt sales may be made by a church or organization under division (B) (9) (a) of this section does not apply to sales made by student clubs and other groups of students of a primary or secondary school, or a parent-teacher association, booster group, or similar organization that raises money to support or fund curricular or extracurricular activities of a primary or secondary school.

C. Sales tracking

The parish/school administrator must manage the sales tax function. The parish must maintain a list of all activities where sales are made. When the parish exceeds the six-day limit it is the responsibility of the parish/school to collect and pay the sales tax. If sales are for the exclusive benefit of the school, and conducted by volunteers, then these sales are not tracked.

When sponsoring an event where there are multiple vendors present, such as a craft show or bazaar, the sponsoring organization is responsible to ensure sales tax is collected and remitted by all vendors regardless if the sponsoring organization designates the event as their sales tax free event.

D. Inventory

An accurate record of items on-hand, purchases, and items sold must be kept at all times. Computer software can significantly help maintain proper inventory management. The need for tracking purchases, inventory on-hand, expenses, and sales will enable the parish/school to monitor the actual profit produced by the store.

1. Purchases

Verify count -- Make sure you are receiving as many cartons as are listed on the delivery receipt. Carefully examine each carton for visible damage -- if damage is visible, note it on the delivery

receipt and have the driver sign your copy. After delivery, immediately open all cartons, inspect for damage, and compare packing slip quantities with quantities received. Return any damaged items to the vendor for credit.

2. Sales

Utilizing all of the procedures contained throughout the Income and Cash section of this manual, controls must be established over all cash and checks received, and they should be deposited promptly in the parish/school bank account. At the time of the sale, the inventory listing must be reduced by the products sold. A receipt must be given to all customers. The use of a cash register is encouraged.

XXI. Affiliated (Auxiliary) Organizations

These policies apply to all parish and school auxiliary associations. Parish and school affiliated associations are those organizations sponsored by the parish or school that qualify as tax-exempt by virtue of the parish/school's tax-exempt statutes and/or use of the parish/school taxpayer identification number for the purpose of establishing a bank account.

- PTO
- Athletic Association
- Booster Club
- Alumni Association
- Women's and Men's Clubs
- Scouts

Each affiliated association should have a clearly defined purpose that is consistent with the mission of the parish and/or school. All fundraising activities must be consistent with the principal purpose of the association and approved by the Pastor and the Parish Pastoral Council.

In addition to the following rules specific to these associations, they must adhere to all financial policies and civil regulations put forth in the parish accounting manual.

No fund-raising activity, including socials, shall be undertaken by a parish society without consultation with the Parish Council and the approval of the Pastor. The approval must include both the procedure and the purpose for the funds. (*Document on Temporal Affairs (80)*)

All funds of parish societies are presumed to have been acquired in the name of the parish, even if deposited in a separate bank account in the name of the parish society. The use of these funds for parish purposes, for support of activities of other units of the Church, or for other charitable purposes shall be at the discretion of the membership or officers of the society as provided in its constitution or by-laws but shall be subject to the approval of the pastor in consultation with the Parish Council. It is recommended that the parish make all purchases with the society reimbursing the parish. Otherwise, complications regarding the application of sales tax may arise. All such accounts are to be deposited in checking accounts in FDIC protected institutions. Although the pastor of the parish is a "sole signatory" on each such account, normally all checks will be signed by no less than two officers of the organization. A report is to be issued to the pastor on an annual basis of all revenues, expenditures, and other activity in these accounts. (*Document on Temporal Affairs (81)*)

A. Accounting

All parish or school organization funds should flow through the parish or school general checking account with the exception of charitable gaming. This means that all deposits for parish or school organizations are made directly into the parish or school general checking account. The bookkeeper of the parish or school organization can make these deposits. These deposits are restricted for that organization using a separate department code for each organization. The pastor, pastoral administrator, school administrator, parish, or school cannot use these funds without consulting the parish or school organization.

B. Accountability

Affiliated organizations are accountable to the Pastor; therefore, monthly, or at least quarterly reports should be submitted to the Pastor or his designee. These reports to the Pastor should include both the activities as well as the financial results of the affiliated organization. The report should be presented to the Pastor within 30 days of each month end or quarter end. An annual report presented to the Finance Committee should include the activities of the organization, the financial results and the annual budget for the next fiscal year.

C. Signature of Pastor

The Pastor must be a signatory and receiver of information on any bank accounts held by these organizations.

D. Bank Accounts

All original bank statements are to be mailed to the parish. Electronic bank statements should be printed monthly. The pastor or his designee should open the bank statement and review for reasonableness. The original bank statements should be maintained at the parish office and a copy should be distributed to the appropriate individual and/or organization for reconciliation. Bank statements should never be mailed to an individual's personal address. This will ensure that the pastor is aware of all the parishes' bank accounts utilizing the parish tax identification number.

To prevent any new accounts being opened, a letter should be written to the parish banks and all local banks in the area indicating that new accounts can only be set up by the pastor using the parish address.

E. Recommended banking institution

The Pastor, with the assistance of the Finance Committee, should recommend a bank of choice for the affiliated group's bank accounts. Maintaining all parish, school, and affiliated organization's bank accounts at one banking institution may result in better interest rates and more favorable fees. The parish should periodically survey local banks to ensure no accounts have been opened using the parish tax identification number.

F. Use of the parish tax ID number

Groups, organizations and clubs that utilize the parish tax ID number must account for all cash receipts and expenditures through the corresponding bank accounts. Use of the letter should be reserved for purchases through the parish. Friends or relatives of members of the affiliated groups should not be allowed to use the tax exempt letter for personal purchases. The letter should be secured so that access is limited to the authorized individuals, such as the board members of the affiliated organization.

If an individual purchases an item for the benefit of a parish auxiliary group, the tax exempt number should be presented at the time of the purchase, so no sales tax is charged. It should be policy not to reimburse sales tax to an individual.

G. Charters to parishes using the scouting program

If the parish has one or more charters with one or more scouting programs, such as Cub Scouts, Boy Scouts, or American Heritage Girls, then all of the above applies since the organization becomes a parish organization and all of its assets are parish assets. When signing the annual charter, a copy of the parish

accounting manual should be distributed to the scouting unit's leaders. This will inform them of their responsibilities to the pastor and parish. A copy of the signed charter should be retained on file in the parish office.

H. General Requirements:

1. The use of a checking account must be approved by the Pastor and school board/finance council.
2. The Pastor must be a signer on the account.
3. Facsimile signatures and signature stamps are never to be used.
4. All checks require dual signatures on check disbursements with the Pastor and someone not otherwise handling or recording cash transactions as signors. At a minimum, two organizational officers must sign checks under a dual signatory arrangement.
5. Blank checks or checks made out to "Cash" should not be written or signed.
6. Checks should be pre-numbered and used consecutively.
7. The stock of unused checks should be adequately secured and regularly inventoried.
8. Bank statements should be mailed to the parish office to ensure all activity is recorded on the financials. The Pastor or his designee should open all bank statements or print them offline. The statements should be reviewed for accuracy before forwarding a copy of the statement to the individual responsible for completing the reconciliation.
9. 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. At least quarterly, the Pastor should designate an individual, who is independent of cash and checking activities, to review the bank statements and reconciliations. The individual reviewing the reconciliation should sign and date the bank reconciliation indicating a satisfactory review of the information.
10. Contributions received by the parish or school on behalf of the organization should be counted by the parish or school, following the same internal control procedure used for all other receipts.
11. A standard receipt should be used for all cash payments. 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. The receipt book should be kept in a locked location with limited access, when not in use.
12. All checks received should be immediately endorsed "For deposit only" or equivalent.
13. A count sheet listing all payments received should be prepared. The deposit slip should be prepared with the original placed in the tamper resistant plastic bag, and a copy attached to the count sheet. The count sheet should be signed by the individuals responsible and the parish/school business manager/bookkeeper or principal, depending on how the accounting is maintained.
14. All cash and checks received should be placed in a tamper resistant plastic bag, stored in a locked receptacle with limited access prior to depositing at the bank. At no time should cash or checks be left in an office/classroom drawer or taken home at night.
15. Bank deposits should be made on at least a weekly basis, with significant amounts deposited on the day received.
16. The amount of the deposit receipt should be compared to the count sheet by an independent individual.
17. The count sheet, deposit slip copy, and deposit receipt should be stapled together and filed together.

18. Any discrepancies noted should be investigated and resolved as soon as possible.
19. Any material discrepancy that cannot be resolved should be reported to the Pastor and business manager as soon as possible, depending on how the accounting is being maintained.
20. A log should be kept by the organization of the names of all individuals (youth and adults) participating. The president/leader and his/her assistant must both sign the log after all names are listed. A copy of the log should be turned in to the parish or school local Safe Environment Coordinator monthly.
21. The log of individuals in attendance should be used to indicate the applicable fees and the actual amount remitted. The total amount remitted per the log should agree to the bank deposit. The duties of receiving receipts and reconciling the amount remitted per the log to the bank deposit must be performed by different people.
22. The attendance log containing the billing and remittance amounts, copy of the deposit slip and deposit receipt should be stapled together and filed.
23. A statement should be sent to any individual /family who are delinquent each month. The person responsible for preparing and mailing the delinquent notices must not be the person who receives and processes the payments. The parish business manager/bookkeeper should be notified of all delinquent families annually.
24. Uncollected fees should be written off after review and approval of the Pastor and the Finance Council. Waivers should be documented and approved by the Pastor.
25. Pre-numbered tickets or annual passes should be required for admission to all events. Different colored tickets should be used for different ticket prices (red for children, yellow for adults, etc.).
26. A log should be maintained denoting the first and last ticket and pass numbers issued by category for each athletic event and the person(s) responsible for the tickets. All unused tickets or passes should be maintained in a locked file or safe.
27. A member of the organizations' committee should perform a reconciliation of the number of tickets and passes sold by category to the amount of revenues received from each athletic event. Any discrepancies in the reconciliation should be investigated and resolved as soon as possible.
28. The duties of receiving athletic event fees and reconciling the dollar value of tickets sold to the amount of revenue received must be performed by different people.
29. The reconciliation for each event, count sheet, copy of deposit slip, and deposit receipt should be stapled together and filed.
30. The dollar value of items served at a concession stand should be reconciled to the amount of receipts received on the same frequency as revenues are received. If items are sold at different prices, the total of each item sold should be recorded on a daily basis. Any discrepancies in the reconciliation should be investigated and resolved as soon as possible.
31. The duties of receiving money and reconciling the dollar value of items served to the amount of revenue received must be performed by different people.
32. The reconciliation for items served, count sheet, copy of deposit slip, and deposit receipt should be stapled together and filed.
33. An inventory comparing monthly beginning balance, monthly purchases and ending balances to total sales should be completed. The inventory system is used to track all purchases, specifically items that are readily convertible to personal use and items with high unit costs. Periodic physical counts should be made of these items in order to detect pilferage. A reconciliation between the general ledger and the inventory records should be performed providing a test of the accuracy of sales and deposits. This reconciliation should include a description as to the final distribution of all items that were excessed or disposed of.

I. Sales Tax

An organization may be required to charge and collect sales tax. Refer to Gift Shop for specific guidelines.

ORC 5739.02 (B) (9)

(a) Sales of services or tangible personal property, other than motor vehicles, mobile homes, and manufactured homes, by churches, organizations exempt from taxation under section 501(c)(3) of the Internal Revenue Code of 1986, or nonprofit organizations operated exclusively for charitable purposes as defined in division (B)(12) of this section, provided that the number of days on which such tangible personal property or services, other than items never subject to the tax, are sold does not exceed six in any calendar year, except as otherwise provided in division (B)(9)(b) of this section. If the number of days on which such sales are made exceeds six in any calendar year, the church or organization shall be considered to be engaged in business and all subsequent sales by it shall be subject to the tax. In counting the number of days, all sales by groups within a church or within an organization shall be considered to be sales of that church or organization.

(b) The limitation on the number of days on which tax-exempt sales may be made by a church or organization under division (B) (9) (a) of this section does not apply to sales made by student clubs and other groups of students of a primary or secondary school, or a parent-teacher association, booster group, or similar organization that raises money to support or fund curricular or extracurricular activities of a primary or secondary school.

CEMETERY REGULATIONS

for the

ARCHDIOCESE OF CINCINNATI

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APPENDIX 1 – Cremation Guidelines

CEMETERY REGULATIONS
ARCHDIOCESE OF CINCINNATI

In accordance with canon 1243 of the Code of Canon Law, the Archdiocese of Cincinnati hereby approves and publishes the Archdiocesan Cemetery Regulations (the "Regulations"). All people involved in the administration and operation of a Catholic cemetery in the archdiocese are to become acquainted with these Regulations and the attached appendixes. For purposes of these Regulations, the term "cemetery" shall include all property for earth burials, mausoleums for crypt entombment, and columbariums for the deposit of cremated remains. For purposes of these Regulations, the term "lot" shall include an area of ground intended for earth burial of the remains of one person (or the remains of two persons in certain limited circumstances as may be permitted by a particular cemetery), a mausoleum crypt intended for the entombment of the remains of one person, and a columbarium niche intended for the deposit of the cremated remains of one person. All Catholic cemeteries are to bring local regulations and operating practices into conformity with these Regulations within one calendar year after the date of promulgation. Any adaptations of these Regulations by cemeteries and parishes are permissible only with the express written consent of the Archbishop.

These Regulations are necessary for the mutual protection and benefit of lot holders and the cemetery and/or parish. All lot holders, visitors, anyone doing work of any kind within the cemetery boundaries, and all lots shall be subject to these Regulations, which may be amended from time to time. A copy of these Regulations is to be given to every lot holder at the time a lot is purchased.

I. PURPOSE OF CATHOLIC CEMETERIES

A. Catholic cemeteries are intended for the burial of Catholic Christians who are entitled to burial according to the rules and discipline of the Roman Catholic Church. However, the burial of individuals who do not profess the Roman Catholic faith and the conduct of their burial service by a non-Catholic minister or religious representative is permitted in a Catholic cemetery. This most frequently involves situations of interfaith marriage in which spouses choose to be buried next to each other. Other situations may arise which require the sensitivity and pastoral judgment of the local priest. Unusual cases, especially those that may cause some scandal to the faithful, should be referred to the Archbishop for advice.

II. ARCHDIOCESAN AND LOCAL ADMINISTRATIVE STRUCTURE OF CATHOLIC CEMETERIES

A. In the Archdiocese of Cincinnati, the organizational structure for Catholic cemeteries consist of:

1. Cemeteries organized under Catholic Church auspices, operated by legally distinct corporations formed in accordance with Ohio law, with or without sponsorship by a particular parish.
2. Cemeteries operated directly by particular parishes (i.e., not by a separate corporation).
3. Cemeteries operated directly by the Archdiocese (i.e., not by a separate corporation and not sponsored by a particular parish).
4. Cemeteries operated by particular religious orders. Notwithstanding anything in these Regulations to the contrary, Catholic cemeteries operated by particular religious orders shall not be subject to these Regulations.

B. All Catholic cemeteries in the Archdiocese of Cincinnati are under the supervision of the archdiocese. In all instances the Archbishop's authority is superior and his decision final.

C. Archdiocesan administration and supervision will be exercised through the Archdiocesan Director of Catholic Cemeteries.

D. Local administration of a Catholic cemetery shall be exercised: (i) by the directors of the cemetery corporation, in the case of a cemetery operated by a legally distinct corporation, (ii) by the Archdiocesan Director of Catholic Cemeteries or persons appointed by him where the cemetery is operated directly by the Archdiocese and there is not a separate cemetery corporation, or (iii) by the pastor of the sponsoring parish where the cemetery is sponsored

by a parish and there is not a separate cemetery corporation (the foregoing being defined herein as the “local management”). Any Catholic person who is a member of the parish sponsoring the cemetery (or any Catholic person who is a member of a parish within the Archdiocese of Cincinnati in the case of a cemetery which is not sponsored by a parish), is eligible for membership on the board of directors if elected according to the provisions of its governing documents, excluding, however, any person directly related by profession to the interment of the human dead; particularly funeral directors, employees of funeral directors; monument, casket, vault manufacturers, dealers, or salespersons.

- E. Each Catholic cemetery shall be covered by liability insurance, and workers' compensation in amounts required by Ohio law, either together with, or, if necessary, separate from, the parent parish (in the case of a cemetery sponsored by a parish) or the Archdiocese of Cincinnati (in the case of a cemetery operated by the Archdiocese of Cincinnati).
- F. All financial transactions, including the fees for opening and closing of lots, shall be conducted through the cemetery's treasury. Each Catholic cemetery shall maintain an accurate, modern system of accounting for the cemetery (and in the case of a parish which operates a cemetery directly, such records shall be kept separate and distinct from the other accounting records for the parish).
- G. Each Catholic cemetery shall establish and maintain a complete and accurate system of records: plat, location of interments, ownerships of rights to interments, permanent care agreements, and monies.
- H. Each Catholic cemetery shall submit an annual report to the Archdiocesan Director of Catholic Cemeteries in the form requested by the Director.

III. ESTABLISHMENT AND OWNERSHIP OF A NEW CATHOLIC CEMETERY

- A. The act of establishing a Catholic cemetery is to be done by the Archbishop, with the concurrence of the local pastor or pastors and the parish council (in the case of a cemetery sponsored by a parish). The parish finance council and the Director of Catholic Cemeteries are also to be consulted.
- B. Once approved for establishment and blessed by the Archbishop or his delegate, the cemetery shall then be owned and operated by the appropriate parish or corporation. The original deed and owner's policy of title insurance for the cemetery land shall be kept with records on file in the archdiocese archives, with copies in the parish's archives.

IV. CLOSURE OF A PARISH

- A. Upon the closure by the archdiocese of a parish which operates a cemetery, the parish must use its best efforts to ensure that the cemetery property shall remain and be reasonably cared for as cemetery grounds forever. The parish that is given responsibility for the territory of the closed parish shall also be given responsibility for the cemetery of the closed parish.
- B. If the cemetery does not already have a permanent care fund established, the parish must create one. If the cemetery already has a permanent care fund established, but the amount of money in such fund is less than \$50,000 (based upon Ohio Revised Code Section 1721.21(C), and subject to increase based upon future amendments to that statute), additional amounts must be deposited into the fund to bring it to that minimum amount. The permanent care fund is to be used solely for the purposes set forth in Article VI(A)(2) below.
- C. A minimum of \$50,000 (based upon Ohio Revised Code Section 1721.21(C), and subject to increase based upon future amendments to that statute) is to be held in a permanent care fund upon closure of the parish/facility. Investments beyond this minimum amount are encouraged in order to ensure perpetuity of the cemetery.
- D. If property is sold in connection with the closure, any proceeds from such sale(s) shall first be used to ensure that the permanent care fund has received the minimum required per acre amount, as set forth in Article IV(C) above, before such sales proceeds may be used for any other purpose.
- E. Income from the permanent care fund shall be deposited into a separate cemetery operating fund, to be used solely for the purposes set forth in Article VI(A)(1) below and to be administered by the parish that receives the territory of the closed parish.

V. ADMINISTRATION OF THE CEMETERY

- A. The administration of each cemetery, including all properties, real and personal, and all funds intended for the benefit of the cemetery, shall be exercised by the local management.
- B. All actions on behalf of the cemetery must be in conformity with these Regulations, and the laws, rules, and regulations of the corporation/parish (as applicable) which operates the cemetery, the Archdiocese of Cincinnati, the Roman Catholic Church, and the State of Ohio.
- C. All work in or upon the cemetery is to be done only by those authorized by the local management.

D. No person is authorized to incur liabilities or expend any funds on behalf of a Catholic cemetery without express approval of the board/parish (as applicable), except that a caretaker/supervisor appointed by the local management may contract for up to \$2,500 (per transaction) in liabilities without such approval.

VI. CEMETERY FUNDS

A. Two separate funds are to be established for each Catholic cemetery which is an Archdiocesan cemetery or a parish cemetery: (1) a cemetery operating fund; and (2) a permanent care fund.

1. Cemetery Operating Fund – This fund shall be comprised of (i) gifts to the cemetery that are not designated for permanent care, (ii) income from the permanent care fund, (iii) monies from the sale of lots in excess of that designated for permanent care, and (iv) monies for the opening and closing of lots. This fund is to be used to defray expenses for the general preservation, maintenance or improvement of the cemetery, including not limited to sodding, cutting of grass at reasonable intervals, snow removal; salaries, contract labor/services, insurance, purchase of equipment (e.g., tractor, lawn mower, truck, snow blower, landscaping tools/equipment), raking and cleaning of grounds, planting and pruning of trees, shrubs and flowers placed by the local management, care of lights and other electrical needs, flag poles, well and watering system, cemetery monument centerpieces or cemetery-owned devotional statuary, and for the purchase of more land. Cemetery operating funds shall be held only in the Archdiocese Deposit and Loan Fund, and in no other investments.

2. Permanent Care Fund – This fund shall be comprised of (i) gifts designated for permanent care of the cemetery, and (ii) at least 10% of the gross proceeds received from the sale of any lot (based upon Ohio Revised Code Section 1721.21(D), and subject to increase based upon future amendments to that statute). This fund is to be invested only in the Archdiocese Deposit and Loan Fund, and in no other investments. The principal of the permanent care fund shall never be expended for any purpose. The permanent care fund shall not be used to collateralize or guaranty any loan, nor shall it be subjected to any consensual lien.

B. All monies and assets belonging to the cemetery shall be used only for cemetery purposes and shall be kept separate from other funds of any sponsoring parish (as applicable). The cemetery operating funds and the permanent care funds shall not be commingled with each other, nor shall they be commingled with other funds of the corporation or parish (as applicable).

- C. A gift for cemetery purposes shall be construed to be a gift for the cemetery operating fund unless the donor specifically designated the permanent care fund as the recipient, or unless the local management elects to invest the gift or some portion of it in the permanent care fund.
- D. No lot or any portion thereof may be sold without a permanent care assessment. The permanent care assessment portion of any lot sales proceed shall be deposited into the permanent care fund within 30 days after the month in which the lot sales proceeds are received by the cemetery.
- E. Each cemetery acknowledges that Ohio Revised Code Section 1721.21(C) currently requires a minimum of \$50,000 per cemetery (subject to increase based upon future amendments to that statute) to be held in the cemetery's permanent care fund. Investments beyond this minimum amount should continue to be made by the cemetery in order to ensure that cemetery property shall remain and be reasonably cared for as cemetery grounds in perpetuity.
- F. Catholic cemeteries which are not Archdiocesan or parish cemeteries should also have operating funds and permanent care funds as outlined above in Article VI(A)(1) and (2), (B), (C), (D) and (E). Such funds should be invested only in low-risk investments such as insured savings, government bonds, certificates of deposit, etc.

VII. SALE OF LOTS AND LOT HOLDERS

- A. Subject to the limitations set forth below, the local management has the full and exclusive power to determine the price of lots, including the percentage amount required to be deposited into the permanent care fund (in excess of the minimum set forth above in Article VI(A)(2) above) and the charges for special services to lot holders, so far as such decisions are in accord with these Regulations and the laws, rules, and regulations of the corporation/parish (as applicable) which operates the cemetery, the Archdiocese of Cincinnati, the Roman Catholic Church, and the State of Ohio.
- B. The local management has the full and exclusive power to issue instruments of conveyance (certificates of right of interment) for cemetery lots; such instruments are to be signed by the person(s) officially designated by the local management. Names of heirs or assigns at the time of sale are also to be provided to facilitate contacting appropriate people if memorial repairs are required, or if there is a request for purchase of an unused lot, etc.
- C. If approved by the local management, lots for more than one burial may be purchased with deferred payments executed in contract form with the local management. When such a lot is purchased on deferred payments, one burial

may be made on said lot, provided the purchaser has paid an amount equal to the cost of the single burial site to be used as well as interment fees. Memorials may not be installed on lots purchased on the installment plan until the full purchase price has been paid.

- D. It remains the right and Christian duty of the cemetery to make special arrangements and adjust prices to accommodate the poor and destitute, unknown people, or multiple victims of a disaster to ensure the dignity and care of all human remains.

VIII. DESCENT OF INTERMENT PRIVILEGES AND TRANSFER OF LOTS

- A. The purchaser of a lot in a Catholic cemetery does not acquire title to the lot itself, but only the right to interment in that lot. The laws of the State of Ohio govern the descent of title to the right to interment in lots.
- B. In case of a dispute in regard to interment privileges, persons claiming right to said interment privilege must request the decision of the courts by means of a court order directing the cemetery to permit a particular person to be interred in the relevant lot. All costs associated with the court action are the sole responsibility of the person(s) seeking the court order.
- C. The transfer of interment privileges in and to a lot must be executed by an agreement to transfer in a notarized form acceptable to the cemetery and in compliance with Ohio law. Any attempted transfer in violation of this provision shall be null and void.
- D. Reclamation of abandoned lots by the cemetery is governed by the laws of the State of Ohio.

IX. MEMORIALS

- A. The express written permission of the local management is required before a memorial of any nature may be erected or set in the cemetery.
- B. The responsibility of keeping any memorials, monuments, markers, etc., in a safe and proper state of repair shall be that of the lot holder or his/her heirs or assigns, at such person(s) sole cost, subject to these Regulations and rules of the local cemetery. In the event it becomes necessary to reconstruct or repair any memorials, monuments, markers, etc., the cemetery shall give at least ten (10) days written notice of the necessity of such repair to the lot holder of record, at the lot holder's address stated on the books of the cemetery. In the event the lot holder fails to repair the damage within a reasonable time, the cemetery may (but shall not be obligated to) make the necessary repairs and charge the expense thereof to the lot holder of record and his/her heirs and

assigns and may further withhold permission to use such lot until such outstanding amounts have been paid in full.

- C. If the lot holder or his/her heirs or assigns cannot be located when a memorial is in need of repair, it becomes the responsibility of the local management to return the memorial to a safe and proper state, using cemetery operating funds.

X. INTERMENT AND DISINTERMENT

- A. A burial permit as required by Ohio law must be presented before interment can take place in the cemetery.
- B. The permission of the lot holder is required for interment to take place. Where there is a question as to whether that permission has been granted, such permission should be obtained in writing.
- C. The interment of cremated remains is permitted in Catholic cemeteries provided the Guidelines on Cremation (attached hereto as Exhibit 1) are followed.
- D. The regulations governing the disinterment of the remains of a deceased person and removal to another plot in the same cemetery, are governed by the laws of the State of Ohio, and by any regulations duly promulgated by the Archdiocese of Cincinnati.

The written consent of all the next of kin of the deceased person whose body is to be disinterred is required in every case. The next of kin are defined (at a minimum) as any surviving spouse and children of the deceased person.

The written request for disinterment must be unanimous by all of the next of kin. The cemetery cannot take any action if there is any controversy or opposition to the request. If the request is not unanimous, application should be made to a court having jurisdiction, and proper notice given to the next of kin. All costs associated with the court action are the sole responsibility of the person(s) seeking the court order.

In every case the written consent of the holder of the lot from which the remains are to be disinterred is also required. In the event the holder of the plot is deceased, then written consent must be secured from his/her heirs at law or devisees.

- E. The local management is to assist in any way they can in case of disinterment required by civil courts or authorities.

- F. The local management will in no way be liable for any delay in the interment of any remains when a protest to the interment has been made, or where the rules or these Regulations have not been complied with; further, the local management reserves the right under such circumstances to place the remains in a receiving vault until the full rights have been determined. The management shall be under no duty to recognize any protest of interment unless it be in writing and filed at the local management's office.
- G. The local management shall not be held responsible for any order given by telephone, or for any mistake occurring for the want of precise and proper instructions as to the particular space, size, and location in a lot where the interment is desired. Orders for interment must be given by the holder of the lot or legal representative. This is often handled by the funeral director. All funeral processions on reaching the cemetery shall be under the supervision of the local management. Once the burial service is completed, the casket and/or vault cannot be opened without the written consent of the legal representative of the deceased, except as noted in Article X. D. above. When the instructions from the lot holder regarding the location of an interment space in a lot cannot be obtained or are indefinite, or when for any reason the interment space cannot be opened when specified, the local management may in its discretion open it in such location in the lot as it deems best and proper, so as not to delay the burial, and the local management shall not be liable for any error so made.
- H. In order to maintain a right standard of care and to eliminate sunken graves caused by collapse of wooden boxes or other weak materials, all burials shall be in outside containers made of natural stone, metal, or of reinforced concrete (or as otherwise required by Ohio law).

XI. LOCAL CEMETERY REGULATIONS AND POLICIES

- A. It shall be the right and responsibility of the local management to formulate local cemetery regulations and policies pertaining to the sale of lots, placement of memorials, planting of trees, flowers or decorative shrubbery, and whatever else pertains to the functioning and orderly management of a Catholic cemetery in keeping with these Regulations and the laws, rules, and regulations of the corporation/parish (as applicable) which operates the cemetery, the Archdiocese of Cincinnati, the Roman Catholic Church, and the State of Ohio.
- B. A copy of each cemetery's regulations and policies are to be sent to and kept on file with the Archdiocesan Director of Catholic Cemeteries.
- C. In the event that any such regulations and policies conflict with these Regulations, these Regulations shall control.

XII. PROPER CONDUCT IN THE CEMETERY

A. There has been a long-standing tradition supporting respect for the dead and respect for those visiting the cemetery for prayer through the observance of certain courtesies and the avoidance of unbecoming behaviors while in a cemetery. Visitors and workers are expected to refrain from loud or boisterous conversations and un-Christian language. Idling, loitering, or playing on the grounds is not permitted. Except for designated work crews, no lunches or refreshments should be brought into or consumed on the cemetery grounds. Peddling or soliciting the sale of any commodity within the cemetery is prohibited as well as placing of signs, notices, or advertisements of any kind. Dogs and other pets are not allowed in the cemetery. Firearms are not to be brought onto cemetery property except by military escort accompanying a veteran's funeral or attending memorial services. Trimmings, dead flowers, or refuse from weeding should be placed in trash receptacles, if available, in an area of the cemetery if one has been so designated for this purpose or should be removed from the cemetery property to be properly disposed of elsewhere. The practicing of driving in connection with "drivers' education" shall be prohibited within the cemetery.

XIII. LOSS OR DAMAGE

A. Cemetery management disclaims all responsibility for loss or damage beyond its reasonable control, including but not limited to loss or damage caused by an act of God, the elements, earthquakes, war, acts of terrorism, riots, order of any civil or military authority, thieves, vandals, explosions, and unavoidable accidents. In the event it becomes necessary to reconstruct or repair any lot which has been damaged by such causes, the cemetery shall give at least ten (10) days written notice of the necessity of such repair to the lot holder of record, at the lot holder's address stated on the books of the cemetery. In the event the lot holder fails to repair the damage within a reasonable time, the cemetery may (but shall not be obligated to) make the necessary repairs and charge the expense thereof to the lot holder of record.

EXHIBIT 1

TO CEMETERY REGULATIONS OF THE ARCHDIOCESE OF CINCINNATI

GUIDELINES ON CREMATION

The Roman Catholic Church, through the centuries, has followed the practice of burial or entombment after the manner of Christ's own burial, out of respect for the human body as a member of Christ and because of faith in the resurrection. On March 21, 1997, the Congregation for Divine Worship and the Discipline of the Sacraments informed the Bishops of the United States that individual bishops will be allowed to decide whether or not permission is to be granted for the presence of the cremated remains of a body at a funeral liturgy. The Archdiocese of Cincinnati has granted such permission. The Congregation reminds us about the following:

1. In conformity with canon 1176, no.3, the custom of according burial to the bodies of the deceased is to be commended and encouraged.
2. The cremation must not be undertaken for motives in opposition to Christian doctrine (also canon 1176, no.3).
3. There is a clear preference that the funeral liturgy take place in the presence of the body of the deceased before its cremation.
4. The cremation must always be carried out with the proper respect that befits the dignity of the human person and of baptized Christians.

The following guidelines may assist with regard to the interment of cremated remains:

A. Cremated remains of a body should be treated with the same respect given to the corporeal remains of a human body. This includes the use of a worthy vessel to contain the ashes, the manner in which they are carried, the care and attention to the appropriate placement and transport, and the final disposition.

B. The cremated remains should be buried in a grave or entombed in a mausoleum or columbarium.

C. The practice of scattering cremated remains on the sea, from the air, or on the ground, or keeping cremated remains in the home of a relative or friend of the deceased are not the reverent disposition that the Church requires.

D. Whenever possible, appropriate means for memorializing the deceased should be utilized, such as a plaque or stone which records the name of the deceased.

E. The faithful who choose cremation are presumed to have the proper motives and good intentions.