

Catholic Diocese of Fort Worth

Abbreviated Administrative Procedures Handbook

Published: February 2021

Preface

This Administrative Procedures Handbook has been developed for public distribution through the Diocesan website. This is intended to foster transparency with parishioners, volunteers, and staff as to the overarching Administrative Procedures and Policies as set by the Bishop. It should be noted that Pastors have the authority to modify some of the requirements or implement additional requirements based upon their prudential judgement and the parish's reality. Parishes with large staff operate differently than parishes that run primarily with volunteers. This handbook should be looked upon as a minimum standard.

Please note: This is an abbreviated version of the Administrative Procedures Handbook. Many of the forms, sample accounting entries, and in some cases chapter numbers, have been removed or modified for brevity. While efforts will be made to keep this handbook as current as possible, the full handbook located on the Diocesan Extranet (CONNECT) is the official handbook. Should any difference between what is published in this handbook and what is published on CONNECT arise, then the text of the Administrative Procedures Handbook on CONNECT will prevail.

Chapter Table of Contents

1. [CHURCH STRUCTURE](#)
2. [ACCOUNTING CONCEPTS](#)
3. [BUDGETING](#)
4. [FUNDRAISING ACTIVITY](#)
5. [CASH MANAGEMENT: INTRODUCTION](#)
6. [CASH MANAGEMENT: RECEIPTS](#)
7. [CASH MANAGEMENT: DISBURSEMENTS](#)
8. [CASH MANAGEMENT: OTHER](#)
9. [FIXED ASSETS: BUILDING AND PROPERTY USE](#)
10. [OTHER MATTERS](#)

1. CHURCH STRUCTURE

Organizational Structure of the Catholic Church	1
Diocesan Department of Finance and Administrative Services	2
Diocesan Councils, Boards, and Commissions	3
Parish Finance Council	4
Local School Advisory Council	5
Statement on Parish/School Organizations	6
Tax-Exempt Status	7
Group Ruling Explanatory Letter	9
Diocesan Taxation	11
Compliance Audits	12

Organizational Structure of the Catholic Church

All Christians are called by their baptism to the ministry of spreading the Good News. The parishes, schools, central office, and administrative bodies in the diocese are the communities through which this ministry is carried out in a structured way. The Diocesan Bishop, as pastor of the local church, is responsible for overseeing the ministry that takes place within the Diocese. The Diocese of Fort Worth is legally seen as a Corporation Sole. Therefore, Texas State Law requires all church and school property must legally be titled in the name of the bishop “and/or his successors in office.”

The bishop names priests to be the pastors of local parishes to share in the authority and responsibility of his ministry. In some parishes, pastoral administrators (priests, deacons, religious, lay people) are responsible for day-to-day leadership under the direction of a pastor.

A local parish sometimes establishes a school to further the ministry of Christian education and formation. While the pastor has primary responsibility for the school affiliated with the parish, the school principal has specific authority and responsibility within the context of his/her ministry as principal. In addition, regional and/or interparochial schools exist in the diocese. All schools are responsible to the Bishop through the Superintendent of Schools.

Canon Law and diocesan regulations call for the establishment of parish finance councils and parish pastoral councils. Parish pastoral councils are to examine pastoral issues, study them and offer recommendations to the pastor. Parish finance councils advise the pastor on the administration of the parish. School advisory councils serve in an advisory capacity regarding general financial issues and other issues of the local school. More information about these councils is available in the *Consultative Bodies Handbook* and *Catholic School Policies*, which may be found on CONNECT.

Ministry departments and diocesan administrative offices, as a part of the bishop’s staff, provide resources and guidelines to the ministerial and administrative efforts of the parishes and schools. The Pastoral and Administrative Offices (“Central Office”) monitor administrative and financial activity in parishes and schools.

The purpose of the *Administrative Procedures Handbook* is to provide the policies, procedures, and recommendations for managing business operations. It includes, for example, illustrations of how bookkeeping, accounting, and financial reporting activities are performed in the parishes and schools. It is intended to assist all those involved in financial stewardship. The handbook also defines the financial relationship between various entities in the Diocese such as parishes to the Central Office, parishes to the schools that are connected to them, schools to the Central Office, councils and boards to the entities they advise, and organizations to the parishes or schools with which they are associated.

Diocesan Department of Finance and Administrative Services

The *Code of Canon Law* calls for the administration and care of all temporal goods that the church acquires and administers. The Bishop has the primary responsibility for this within the Diocese as a whole. The Canon that places this responsibility on the Bishop is as follows:

Can.1276 – § 1. It is the responsibility of the ordinary to supervise carefully the administration of all goods which belong to the public juridic persons subject to him with due regard to legitimate titles attributing even more significant rights to the same ordinary.

§ 2. Ordinaries are to see to the organization of the entire administration of ecclesiastical goods by issuing special instructions within the limits of universal and particular law with due regard to rights, legitimate customs and circumstances.

The Office of Finance & Administrative Services is charged with overseeing the policies, procedures and care governing the temporal goods of the Diocese. The Office of Finance & Administrative Services has received this charge from the Bishop with the responsibility to set up procedures and policies to carry out this function. In doing so, the development of this administrative handbook attempts to encompass most, if not all, of the areas under this charge.

The Office of Finance & Administrative Services is comprised of various responsibilities including:

- Budgeting
- Cash management
- Internal audits
- Accounting Risk management/insurance
- Cemetery management
- Catholic Center administration
- Information technologies and Internet policies
- Archives

To assist in carrying out these responsibilities, the Office has department heads and coordinators of various functions. In addition, accounting services are contracted with an outside firm, as are information technology services. These relationships are administered by the Office.

Diocesan Councils, Boards, and Commissions

There are various diocesan councils, boards, and commissions that assist and advise the Bishop on financial matters. Some are listed below. For more information on any of them, refer to the Directory of the Diocese of Fort Worth, or contact the Catholic Center.

Diocesan Finance Council: A group of persons appointed by the Bishop to assist him by providing counsel about the financial matters of the Diocese. In the Diocese of Fort Worth, the Diocesan Finance Council assists in developing and monitoring the diocesan budget, and in addressing certain issues the bishop brings to its attention. This council is established by Canon 492.

Diocesan Pastoral Finance Committee: A group of priests, deacons, or lay persons appointed by the Bishop to advise him on matters concerning the financial status of parishes and schools. These matters include awarding financial grants, approving construction budgets, and approving the borrowing of funds by parishes and schools.

Diocesan Building Commission: The commission approves all matters relating to construction in the Diocese. This includes the choosing of architects, review and approval of plans, the opening of bids, and choosing of contractors, and any other related activities. All of this takes place in conjunction with local parish and school committees. The aim of the Diocesan Building Commission is to ensure that all construction represents the best value for the money.

Liturgy Committee: This committee chaired by the Bishop, reviews any and all proposed construction projects that deal with liturgical functions.

Parish Finance Council

Parish Finance Council Policy

Each parish is required by Canon Law (Canon 537) to have a parish finance council that is appointed by the pastor.

Rationale:

The role of the parish finance council is fiscal stewardship. The parish finance council serves as an advisory body to the pastor in the administration and stewardship of finances, budget, facilities, fundraising, and long-range financial planning.

Specific Information	
<i>Tasks</i>	<ul style="list-style-type: none"> • The council is to assist the pastor in the following: <ul style="list-style-type: none"> ○ To advise the pastor on all matters of financial concern ○ To become familiar with and recommend steps to comply with the policies and procedures contained in this handbook ○ To discern, through prayer and study, the proper stewardship of parish funds and assets ○ To monitor and help interpret monthly financial statements and budget compliance ○ To ensure that reconciliation of bank statements occurs on a periodic basis ○ To recommend and monitor an annual budget process ○ To delegate to a Stewardship Committee or recommend ways to increase revenue to meet parish needs and coordinate fundraising ○ To account to the parish, at least annually, the financial condition of the parish ○ To record and submit minutes of any and all meetings • The parish finance council does not: <ul style="list-style-type: none"> ○ Establish the priorities of the parish ○ Determine the direction of programs of the parish ○ Hire, supervise or evaluate personnel ○ Determine what to cut or eliminate when trying to balance the budget
<i>Appointment</i>	<ul style="list-style-type: none"> • The parish finance council is to be appointed by the pastor and is to include people with expertise in banking, finance, accounting, and property management.
<i>Other Information</i>	<ul style="list-style-type: none"> • Refer to the <i>Consultative Bodies Handbook</i>, which has detailed information.

Local School Advisory Council

For information about the overall responsibilities of the local school advisory council, please consult the *Catholic School Policies*.

Statement on Parish/School Organizations

There are essentially two types of organizations associated with the life of a parish/school:

- **Outside Organizations:** Those that are primarily affiliated with outside not-for-profit organizations (e.g., , Knights of Columbus, etc.), but that operate within the context of the parish/school and are made up primarily of members of the parish/school community. They must have their own IRS tax exempt status designation (501(c)3).

These organizations are established independently of the parish/school. They have autonomous operational structures, although they often work closely with parish/school leadership and seek their approval regarding the programs and activities they sponsor. Often they support the parish/school financially, although they are in control of their own finances and have their own checking accounts. Their funds should not be deposited with, nor held by the parish/school. Because they are an outside organization, they are not permitted to use the employer identification number (EIN) of the parish/school or its tax-exempt status but should use that of their parent organization. These organizations are not covered by insurance policies of the Diocese. They must have their own insurance and provide evidence of such to the diocesan entity. On the Diocesan website, a list of many of these organizations can be found in the *Diocesan Directory of the Diocese of Fort Worth*, under the section entitled “Apostolates.”

- **Parish/School Organizations:** Those that are organized within a parish/school. The funds raised must be used at the discretion of the pastor/principal.

These organizations are established by the parish/school. They are involved in certain aspects of the life of the parish/school and have no life outside that context. They are established by parish/school leadership and operate under that leadership. They may use the parish/school tax-exempt status to avoid paying taxes on organization-related purchases. Legally, the funds of these organizations belong to the parish/school; the pastor/principal has the authority to use these funds as he/she sees fit. However, it is prudent for the pastor/principal to coordinate the use of such funds with the purpose of the organization in mind. These funds must be recorded in the parish/school general ledger.

Tax-Exempt Status

Federal Tax Exemption

The Internal Revenue Service (IRS) has determined that parishes, schools and organizations listed in the Official Catholic Directory (OCD) are exempt from federal income tax. This determination dates back to 1946. The group ruling issued by the IRS is available from the Diocesan Finance Office. An explanatory letter summarizing the important points of the group ruling is provided in this handbook, following this discussion. This group ruling explanatory letter comes from the Office of General Counsel (OGC) of the United States Conference of Catholic Bishops (USCCB).

Normally, organizations that have received tax-exempt status under the federal tax code as a 501(c) entity are required to file Internal Revenue Service (IRS) Form 990, "Return of Organization Exempt from Income Tax." This informational form provides financial reports to the IRS about the tax-exempt organization. **Churches and religious schools are exempt from filing Form 990.** However, they may be required to file Form 990T if they have received revenue through any activity that is unrelated to their exempt purpose.

State Tax Exemption

The Diocese of Fort Worth meets the requirements for exemption from the Texas limited sales, excise and use tax as a 501(c)(3) organization. Parishes, schools, and organizations listed in the Official Catholic Directory are covered in this exemption. This exemption applies to items purchased, leased, or rented if the related items are necessary for the entity's function. The exemption also applies to the utilities used by parishes/schools such as electricity, natural gas, sanitation, and telephone. The residence of clergy also is entitled to the exemption. The parish, school or entity may issue an exemption certificate instead of paying tax when purchasing taxable items that relate to the purpose of the exempt organization and are not used for the benefit of a private member or individual. The certificate does not require a number to be valid, but it can be more challenging without the number. The certificate can be found at <http://www.window.state.tx.us/taxinfo/taxforms/00-forms.html>.

Additionally, parishes/schools are exempt from the state portion of the hotel occupancy tax (local hotel taxes imposed by a city or county must still be paid). Contact the Diocesan Finance Office to request hotel tax exemption from other states. The exemption from the other state must be obtained before staying at the hotel in the state in question. The Texas State Comptroller's office is accessible online at www.comptroller.texas.gov. The e-mail address for the comptroller's office is exempt.orgs@cpa.texas.gov. Employees traveling on official business for the organization may issue a hotel occupancy exemption certificate instead of paying the state portion of the hotel occupancy tax. The method of payment does not affect the exemption. A certificate may be obtained online at <http://www.window.state.tx.us/taxinfo/taxforms/00-forms.html>. Some hotels require a copy of the letter of qualification for the tax exemption issued by the Comptroller of Public Accounts. A copy of this letter is included in this handbook.

Individuals or groups, who are not employees of the exempt organization, traveling on official business for the exempt organization and claiming a hotel exemption must issue a hotel exemption certificate in the legal name of the exempt entity and pay the hotel with the organization's funds.

Paying with the organization's funds is defined as paying with the organization's check, the organization's credit card, or direct billing to the organization.

Tax-Exempt Number

There is no such thing as a "tax-exempt number." There is a federal "employer identification number" (EIN) that an entity may need to provide for various purposes. See "Federal Employee Identification Number" in the Other Matters section.

A parish/school may qualify for exemption from paying franchise, hotel, or sales tax on items purchased for their exempt purpose. For more information regarding such exemptions, refer to the document from the State Comptroller's Office, "Texas State Tax Exemptions for Nonprofit Organizations." This document contains the form, "Texas Sales and Use Tax Exemption Certification."

The document can be obtained from the Diocesan Finance Office, or by contacting the State Comptroller's Office at 1-800-252-5555 or tax.help@cpa.texas.gov.

Group Ruling Explanatory Letter

Note: The annual update of this is posted on CONNECT when it is received.

Internal Revenue Service
Department of the Treasury

District Director
P. O. Box 2508
Cincinnati, OH 45201

Date: June 4, 2002
Person to Contact: Myrna Huber

Telephone Number: FAX Number:

Ms. Deirdre Dessinque
Associate General Counsel
United States Conference of Catholic Bishops
3211 4th Street, N.E.
Washington, D.C. 20017-1194

Dear Ms Dessinque:

In a ruling dated March 25, 1946, we held that the agencies and instrumentalities and all educational, charitable and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in *The Official Catholic Directory* 1946, are entitled to exemption from federal income tax under the provisions of section 101(6) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(3) of the 1986 Code. This ruling has been updated annually to cover the activities added to or deleted from the Directory.

The Official Catholic Directory for 2002 shows the names and addresses of all agencies and instrumentalities and all educational, charitable, and religious institutions operated by the Roman Catholic Church in the United States, its territories and possessions in existence at the time the Directory was published. It is understood that each of these is a non-profit organization, that no part of the net earnings thereof inures to the benefit of any individual, that no substantial part of their activities is for promotion of legislation, and that none are private foundations under section 509(a) of the Code.

Based on all information submitted, we conclude that the agencies and instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in *The Official Catholic Directory* for 2002 are exempt from federal income tax under section 501(c)(3) of the Code.

Donors may deduct contributions to the agencies, instrumentalities and institutions referred to above, as provided by section 170 of the Code. Bequests, legacies, devises, transfers or gifts to them or for their use are deductible for federal estate and gift tax purposes under sections 1055, 2106, and 2522 of the Code.

Beginning January 1, 1984, unless specifically exempted, you and your subordinates must pay tax under the Federal Insurance Contributions Act (Social Security taxes) for each employee who is paid \$100 or more in a calendar year. You and your subordinates are not liable for the tax under the Federal Unemployment Tax Act (FUTA).

By May 31, 2003, please send thirteen (13) copies of *The Official Catholic Directory* for 2003 to the IRS TE/GE in Cincinnati; one copy to the Processing Campus in Ogden; twenty-two (22) copies to the Director, EO Examinations, Dallas; two copies each to the EO Area Managers in Newark, Brooklyn, Chicago, St. Paul, Atlanta, and Los Angeles; and four copies to the IRS National Headquarters.

The conditions concerning the retention of your group exemption as set forth in our previous determination letter of August 17, 1983, remain in full force and effect.

Sincerely,
John E. Ricketts,
Director, TE/GE Customer Account Services

Diocesan Taxation

Diocesan Taxation Policy

Pastors and parish leaders are to ensure that taxes are paid to the Diocese on all revenue and receipts subject to diocesan taxation in a timely manner.

Rationale:

The Second Vatican Council states that the primary unit of the church is the diocese. The diocesan bishop, as the chief pastor of the local church, must treat the temporal goods of the diocese as a common patrimony meant to serve the needs of the diocesan church as a whole as well as to address the particular needs of individual parishes and other diocesan entities. He is to see to a more equitable distribution of the ecclesiastical goods within the diocese, keeping in mind also the needs of the church outside his diocese.

Specific Information	
<i>What is Subject to Taxation</i>	<ul style="list-style-type: none"> • The Bishop, in consultation with the appropriate diocesan bodies, determines what types of revenue and receipts are subject to diocesan taxation.
<i>Rate</i>	<ul style="list-style-type: none"> • The Bishop, in consultation with the appropriate diocesan bodies, sets the rate of taxation. • Please note that the rate of tax will be set for each parish based on that parish’s taxable revenue for the preceding fiscal year. Thus, for example, the rate for fiscal year 2013 (beginning on July 1, 2012) is based on fiscal year 2011. To assist the parishes in the budget process, the rate of tax for the next fiscal year is usually set each January. As in the past, the amount of tax due will be calculated each month based on the taxable income for that month using the rate of tax already determined. This rate will not change during the fiscal year.
<i>Payment</i>	<ul style="list-style-type: none"> • The Diocesan Finance Office determines the amount of tax owed based on the accounting information received from the parish. • The Diocesan Finance Office will send the monthly Statement of Account that will indicate the amount owed by the parish for a particular month. • See “Diocesan Billing” in the Other Matters section of this handbook for more information about billings. •

Compliance Audits

Compliance Audits Policy

An **Audit of Administrative, Financial, and Personnel Policy Compliance** (“compliance audit” or “audit”) will be performed in each entity at least every five years. In addition, a compliance audit will be recommended each time there is a new pastor/pastoral administrator/principal or business manager.

Rationale:

An Audit of Administrative, Financial and Personnel Policy Compliance is concerned with the policies set forth in this handbook, with business procedures as well as accounting. It is not the same as a traditional financial audit and is broader in scope.

A compliance audit is also concerned with compliance with local requirements of personnel and human resource policies. It will cover areas set forth in the Human Resources Handbook. Such an audit assists the parish/school in its stewardship role and ensures that diocesan policies and civil laws are adequately followed. A compliance audit will also judgmentally review processes established for the Safe Environment program developed by the respective department at the Central Office.

Specific Information	
<i>Cycle</i>	<ul style="list-style-type: none"> • Each parish/school/entity will have a compliance audit every five years. • The Audit Sub-Committee may determine that emergency circumstances call for a compliance audit.
<i>Who Conducts These Audits</i>	<ul style="list-style-type: none"> • The audits will be performed by members of the Diocesan Internal Audit team with support from the Controller. • Periodically, especially in the case of questionable financial activities, the Diocesan Finance Council may call for a financial audit of a parish/school. In those cases, the Diocese engages an outside accounting firm.
<i>Outline of Process</i>	<ul style="list-style-type: none"> • The Audit Sub-Committee (at the recommendation of the Diocesan Finance Office) will select the entities to be audited. • The Internal Auditor will contact the entity, sending them a pre-audit checklist and scheduling the compliance audit. Information will be gathered from both the entity and the Central Office in preparation for the site visit. • The audit visit will be conducted. If needed, follow-up visits or information gathering will take place. • After the report is prepared, it will be presented to the pastor/principal by the Internal Auditor. If requested this presentation is available to the finance council/committee of the entity; a diocesan representative will be present. • Additionally, there will be a one-year follow-up.

2. ACCOUNTING CONCEPTS

Accounting for Financial Activity	2-1
Recording Financial Data	2-5
Closing procedures.....	2-6

Accounting for Financial Activity

Accounting for Financial Activity Policy

All financial activities of the parish/school and its organizations must be recorded in the accounting software.

Rationale:

All financial activities of parishes/schools/other diocesan entities and their organizations are the responsibility of the Diocese. Any financial activity for these entities must be accounted for through the accounting system and appear on the entities' books. Please reference Chapter 6 for specific policies and procedures on the handling of parish finances.

The true value of the services provided by a Christian ministry cannot be measured solely in terms of dollars and cents. The purpose of financial accounting and reporting, therefore, is to track and convey how resource inflows and outflows have been used to accomplish stated ministry objectives and to reflect the total resources available to carry out these objectives in future periods.

The financial objectives of a parish or school are to obtain and utilize resources in order to meet spiritual, educational, emotional, physical, and other needs in accordance with their stated purpose. The goal is not to increase net assets in order to reward owners, as is common in a business enterprise. On the contrary, the intent at times may be to deplete most, or even all, of the accumulated resources available in order to meet the parish's or the school's non-financial objectives. The intent may also be to increase net assets available in order to be able to carry out new or existing ministries in the future.

The accounting profession has adopted a common set of standards and procedures called generally accepted accounting principles (GAAP). The Diocese of Fort Worth has modified some of these principles in the preparation of the *Administrative Procedures Handbook*. These modifications are to be followed in the financial accounting and reporting that takes place in parishes and schools, and in the reports they present to diocesan offices. If the occasion arises where a parish/school will undergo a financial audit, the Diocesan Finance Office will assist that entity in adjusting its books to be in compliance with GAAP.

Financial Statements

Financial statements are designed to provide information that meets the needs of users, including: contributors, the pastor/principal and other management, the parish finance council, parish pastoral council and school advisory council, and the Diocese. Good stewardship is demonstrated by informative reporting to the regular users of the financial statements, as well as to parishioners/parents.

The financial statements most frequently used by parishes and schools in the Diocese are the Statement of Financial Position (also referred to as the Balance Sheet) and the Statement of Activities (also referred to as an Income Statement or a Profit and Loss statement).

These two financial statements offer different financial views of the parish/school's financial status. **They should always be presented together**, in order to present a complete financial picture of the parish/school.

The primary purpose of the **Balance Sheet** is to provide relevant information about the assets, liabilities, and net assets of the parish/school. It gives a “snapshot” of the financial situation of the parish/school at a given moment.

An asset is an accounting term used to indicate ownership of something. Some examples of assets are cash and investments, fixed assets, and accounts receivable. These will be discussed further below.

A liability is an accounting term used to indicate that something is owed to someone else. Some examples of liabilities are accounts payable and accrued expenses. These will be discussed further below.

Net assets, an accounting term unique to churches, schools, and other not-for-profit organizations, means the same thing as “equity” to a for-profit corporation or company. The term is best defined as the total assets less the total liabilities of a parish or school, as reflected in their financial statements. Simply put net assets are the difference in the monetary value of everything owned by a parish or school less the monetary value of everything owed to others by the parish or school. .

The purpose of the **Statement of Activities** is to provide information about the sources of revenue of the parish/school and how those resources are used. It covers a specific period of time, usually a month, a quarter, or a year, and shows the financial activity that took place during that period.

Revenue is an accounting term used to indicate the receipt of money or some other resource from a third party. It includes, but is not limited to, Sunday collection receipts, school tuition, registration fees, rental fees, interest income, fundraising receipts, and non-cash donations.

Expense is an accounting term used to indicate the expenditure of money (for example, writing a check in payment for something). It includes, but is not limited to, wages, utility costs, insurance payments, office supply purchases, and other similar purchases.

Additionally, it may be desirable to give parish/school leadership other financial reports:

- Comparative Balance Sheet, comparing present period balances with prior period balances.
- Budget Variances Report by Departments, showing current period activity and year-to-date activity for each department.
- Budget Variances Report – All Departments, showing current period activity and year-to-date activity for the entire entity.

The net total of all revenues and expenses during a given period is called the “change in net assets,” more commonly known as net income. At the end of the fiscal year (June 30, for entities in the Diocese of Fort Worth), all revenues and expenses are netted together. The activity in these accounts is zeroed out, and the net income or loss is transferred to net assets in the Balance Sheet.

Note: The informational needs of the leadership of a parish/school will determine which reports should be generated and used. Contact the Diocesan Finance Office for assistance in generating these reports and deciding which reports best meet the informational needs of the Parish/School.

Some Financial Statement Categories

Cash, as a term used in financial statements, includes the parish/school checking account, petty cash, and, if they exist, any checking accounts of parish/school organizations that are on the books. Parish/school savings accounts are considered cash equivalents.

An account receivable represents an amount that the parish or school has obtained ownership of, but at that point in time has not actually received the cash payment. There are several types of receivables. Some examples include:

- A fee that a school or parish charges for a program that has already been conducted but for which some people have not yet paid. Ownership has been earned, but the cash has not yet been received.
- A foundation gives a written promise to donate \$10,000 next year to a school. This is a receivable because the foundation has made a written commitment, considered to pass ownership over to the school even though the money has not yet been received.
- The amount of tuition that the school has not yet collected is considered tuition receivable.

In order to record the receivable, you will also record revenue or deferred revenue.

Fixed assets is an accounting term used to describe items owned by the parish/school that are used over an extended period of time. They are considered to have a useful life of over one year. Obvious examples include: land and buildings; parish/school vehicles; the cost of replacing a roof or boiler; and furniture and equipment. Less obvious fixed assets might include library books or school textbooks that are used for several years.

Accumulated depreciation is an accounting term used to describe the process of allocating the cost of a fixed asset over its useful life. For example, if a parish bought a copier that cost \$5,000 and was expected to last five years, the concept of depreciation would spread the cost of the copier over its useful life; thus, there would be a \$1,000 expense each of the five years of the life of the copier, instead of showing the total cost at the time of purchase. The Diocesan Finance Office will be responsible for making an adjusting entry on a periodic basis in the event a determination is made to record depreciation expense in the future.

A prepaid asset is an accounting term used to describe the funds paid in advance for the use of something. For example, a parish youth group has to make a deposit of \$1,000 in

the spring for the use of a retreat center in the fall; those funds would be considered a deposit or a prepaid asset until the time of the retreat or until that deposit was not refundable.

An account payable is an amount that the parish or school owes to a third party for the purchase of a product or services; the parish or school has already received the product or service but has not yet paid for it. This is an accounting procedure that allows the parish or school to record the expense before a check is written for that expense. Using this account allows you to know at the end of the month what bills you have recorded to your financial statements but have not yet paid.

Accrued expenses are a type of account payable. They are often associated with payroll related costs that have been incurred but have not yet been paid.

Deferred revenue represents revenue for a later period. For example, if a school receives tuition for the upcoming school year, those funds should be recorded as deferred revenue; they will be recognized in the following year.

Recording Financial Data

Recording Financial Data Note

In the Diocese of Fort Worth all entities use the same accounting software, thus enabling easy computations of reports and statistics. The misuse or improper use of the accounting software may trigger more frequent compliance audits.

Accounting record keeping must be uniform. There should be proper control over the recording of transactions and the reporting of the financial data. It is important to use a consistent system in the recording and presentation of financial data. Management decisions are based on valid information. If the record keeping is not consistent from period to period within the parish or school or from the parish and school to the diocese, then management decisions can become difficult and erroneous.

Computer software. The mandatory accounting software in the Diocese is determined by the Diocesan Finance Office.

Employer Service companies. Parishes and schools in the Diocese use a centralized payroll processing, which is processed at the Central Office. This service provides employee paycheck processing, direct deposit, 401k, tax preparation, and filing services. All payroll transactions are recorded on the parish and school accounting software general ledger, via an import or journal entry.

Closing procedures.

Parish and school financial data. All data for a month must be entered before the close date. Please refer to the “Lock Period Schedule” calendar posted on CONNECT. Diocesan tax statements will be prepared after the month is closed.

Refer to CONNECT for additional checklists for month-end, quarter-end, and year-end tasks.

3. BUDGETING

Concept of Budgeting and Its Purpose	3-1
Parish Budget Preparation	3-3
Role of Parish Finance Council and Parish Pastoral Council in Budget Preparation.....	3-5
Suggested Parish Budget Preparation Schedule.....	3-6
School Budget – Interaction Between School and Parish	3-8
School Budget Preparation Process	3-9

Concept of Budgeting and Its Purpose

Budget preparation that is linked to the planning process of the parish/school is often a key component of the success of the entity's mission. The budget is a tool that quantifies the entity's goals and serves as a tool for measuring its success in achieving its objectives. The budget may be prepared by reviewing the income and expenses for the last year or doing an average of two years. Another type of budget is a zero-based budget in which you must analyze and justify each expense that will be put into the budget.

Budgeting Revenue

Schools should first determine what expenses will be incurred and then should set tuition (revenue). Parishes, however, should establish a revenue budget first before trying to determine what will be spent on specific programs and activities. By budgeting revenue before budgeting expenses, a parish is better able to:

- (a) forecast the amount of resources available before becoming committed to various programs; and
- (b) direct its resources toward its priorities.

Services cannot be offered without funding; therefore the contribution side of budgeting is critical and should be given appropriate time and effort.

An effective budget for revenue generally has the following characteristics:

- It is realistic. A revenue budget should realistically reflect the amount of revenue an entity expects to receive during the next fiscal year.
 - It is flexible. All budgets are based on assumptions about future conditions. The budget must be monitored and amended if conditions are not as expected.
- * **Note:** For parishes, the initial approach to budgeting revenue is to base it on the prior fiscal year's actual revenue. This should ensure available funds for unexpected expenses and for growth over time. It is important and recommended to look at their overall trend of increase or decrease of revenue over the past 3 years and adjust accordingly. The Diocesan Finance Office is available to assist parishes and schools.

Budgeting Expenses

Expenses traditionally receive much attention during the budget preparation process because they represent the activities of the parish/school. For continuing programs, the future year's expenses can be reasonably estimated based on current and historical information. The parish/school should consider the following when budgeting expenses:

- Last year's actual results
- The current year's revenue budget
- The current year's estimated results based on year-to-date actual results
- Any anticipated changes in the programs

Costs to consider when estimating new programs include staffing, training, need for additional space, and supplies. It is important that parish/school leadership has ownership of, and accountability for, the budget preparation process and the final budget.

Parish Budget Preparation

Parish Budget Policy

Every parish must prepare and submit to the Diocesan Finance Office an annual budget. The pastor, with the assistance of the parish pastoral council, the parish finance council, and appropriate staff members, is responsible for the preparation of the parish's annual budget. The new budget is to be prepared in a timely manner, and a copy of the budget is to be provided to the Diocesan Finance Office by June 1st, one month before the fiscal year begins.

Rationale:

Budget preparation is a tool of good stewardship, and a well-prepared budget is an effective financial monitoring and control instrument. The pastor or pastoral administrator is responsible for the financial condition of the parish; the expertise of the parish pastoral council, parish finance council, and pertinent parish staff should be utilized.

The Bishop is responsible for the life of the entire Diocese; thus, he is ultimately responsible for the financial health of each parish. Diocesan policy is that each parish's annual budget is to be delivered to and reviewed by the Diocesan Finance Office before the beginning of the fiscal year.

Additionally, the Diocesan Finance Office utilizes parish budget information for various calculations and in estimating fees to be assessed to parishes and schools in the coming fiscal year.

Specific Information	
<i>Parishes Without Resident Pastors</i>	<ul style="list-style-type: none">• Some parishes may not have a resident pastor, but rather a canonical pastor. While the canonical pastor is ultimately responsible for the budget preparation process, the pastoral administrator of the parish will coordinate the process.
<i>Diocesan Forms</i>	<ul style="list-style-type: none">• The Diocesan Finance Office will provide rate sheets on CONNECT used for budget preparation.• If a parish is submitting a Parish Operating Grant request, the completed budget must accompany the request, which is usually due by April 1st. (See the "Suggested Parish Budget Preparation Schedule" that follows.) Contact the Diocesan Finance Office for details.

Specific Information	
<i>Preparation Schedule</i>	<ul style="list-style-type: none"> • Each parish should have a documented budget preparation schedule. (See the “Suggested Parish Budget Preparation Schedule” on the next page.) • The process should include an opportunity for input from persons responsible for various parish programs or areas of expense. • The pastor/pastoral administrator, parish staff, parish finance council, and parish pastoral council should be involved. If the parish applies for a Parish Operating Grant from the Advancement Foundation, the budget must be prepared before deadline for submission with the grant. (See the “Suggested Parish Budget Preparation Schedule” that follows.)
<i>Renewal and Replacement Fund</i>	<ul style="list-style-type: none"> • Best practice is for every parish to have a Renewal and Replacement Fund. By budgeting an amount of money every year for equipment renewal or replacement and saving the unused portion of these funds each year, a large loss in one year may not negatively impact the year end financials. • It is strongly recommended that all parishes commit to the placement of 25% of any excess funds at the end of the fiscal year into this fund. • This Renewal and Replacement Fund is held in a savings account for this purpose.

Role of Parish Finance Council and Parish Pastoral Council in Budget Preparation

The parish finance council, mandated by Can.537 in the *Code of Canon Law*, is intended to aid the pastor in the administration of parish goods, without prejudice to Can. 532. The parish pastoral council, recommended by Can. 536 and required by Diocesan policy, is presided over by the pastor and assists him in fostering pastoral activity in the parish.

The parish pastoral council does not have a direct role in the preparation of the parish budget. Rather, the council assists the pastor in setting the priorities that will be addressed by the parish budget.

The parish finance council is consultative to the pastor in matters of financial concern. The members are appointed by the pastor to offer expertise in finance, administration, and/or law. The parish finance council has three major areas of responsibility regarding the parish budget.

1. **Development of Revenue Budget.** The parish finance council assists the pastor in determining the financial resources that will be available for the budget period. This may involve coordinating fundraising in the parish, emphasizing the biblical understanding of stewardship. (Every parish should conduct an annual stewardship of time, talent and treasure effort. This is the responsibility of the pastoral council, but the finance council uses the “treasure” results to forecast revenue.)
2. **Development of Expense Budget.** The parish finance council assists the pastor in the overall allocation of available financial resources to the established priorities of the parish. Normally, the council is not involved in the details of expense budget preparation. Rather, the council assists in the overall allocation and in ensuring that the expense budget is not greater than the revenue budget. The finance council may be helpful in forecasting increases to expenses such as utilities.
3. **Monitoring Both Budgets.** The parish finance council regularly reviews income and expenditures to monitor compliance with the budgets. Again, normally the council does not involve itself in details, but rather in broader trends.

Suggested Parish Budget Preparation Schedule

Note: This schedule refers to the pastor having various responsibilities during the budget preparation process. If there is no resident pastor, the pastoral administrator may be asked to assume these responsibilities. Additionally, the pastor may delegate some of these responsibilities to a business manager, other staff person, or parishioner. The pastor is ultimately responsible for the budget preparation process being adequately carried out by virtue of his office under Canon Law (cf. Can. 532, 537).

This suggested schedule contains certain steps that do not fully apply to all parishes. Still, parishes are urged to follow the spirit of this schedule. It should be noted that parishes applying for Parish Operating Grants will need to complete the entire budget process prior to submitting the grant request.

Soon after the beginning of each calendar year, the Diocesan Finance Office will notify parishes regarding preliminary insurance rates, priests' compensation, and other fees and rates.

January	Benefits Information Due	Final information regarding employee benefits and insurance due from the Diocesan Finance Office.
Feb. 1 - March 1	Pre-Budgetary Conferences	Pastor meets with parish finance council and parish pastoral council regarding external constraints (contribution levels, other financial support, etc.) under which the parish must operate. Pastor meets with staff of various ministry areas to review budget development process, discussing particular needs.
February	Forms Mailed From Diocese	Diocesan Finance Office mails annual budget preparation forms to all parishes.
March 1 - March 15	Preparation of Budget Requests	Each department chairperson prepares budget requests. Department chairpersons include maintenance director, department directors, business manager, etc.
March 15	Compilation of Budget Requests	The individual request sheets are compiled according to expenditure categories as provided on the budget forms.
April 1	Diocesan Operating Assistance	Requests for Operating Grants must be submitted to the diocese.
April 1	Diocesan Capital Grants	Requests for Capital Grants are submitted to the diocese.
April 1 - April 30	Preparation of Budget Document	Pastor works with the parish finance council to prepare the final budget document.

May	Adoption of Budget Document	Completed budget document is approved by the pastor, parish pastoral council and the parish finance council. The budget must be signed by the pastor and representatives from the parish pastoral council and the parish finance council.
June 1	Presentation of Budget Document	Pastor forwards one copy of the <u>signed</u> Budget Document to the Diocesan Finance Office.
June 1 - June 15	Review Budget	If the Diocesan Finance Office has questions about a submitted budget, it will contact the parish for clarification or revision.

School Budget – Interaction Between School and Parish

Most Catholic schools in the diocese are connected with one or more parish. They work together to further the ministry of Christian education and formation. As these parishes and schools work together in this area of ministry, so they must work together in the preparation and monitoring of school budgets.

School budget preparation begins in November-December for the school year that starts the following July. Part of what determines the tuition charge for the following year is the amount of investment (subsidy) to be received from the parish/parishes with which it is affiliated. However, the schools' budget preparation process is normally many months before parishes begin preparing their own budget.

Parishes that have schools, or are affiliated with schools, should make every effort to cooperate with the school budget preparation process. Pastors and parish finance councils should be aware of the budget preparation schedules under which schools must operate. They should try to give accurate and timely information regarding the investment (subsidy) they intend to give the following year, as well as the estimated costs that will be passed on to the schools (utility costs, etc.).

At the same time, schools should appreciate the difficulty parishes have in determining such data when they have not completed their own budget preparation process. It may be necessary for schools to work with estimated numbers initially and be given more accurate numbers as parishes are able to finalize their own budgets.

School Budget Preparation Process

Budget Policy (School)

Parochial schools are an important and integral ministry of the parish. Therefore, the pastor and the parish finance council need to work closely with the school's principal in regard to the school's budget.

All schools of the diocese must follow the budget policies outlined in the *Catholic School Policies*.

Rationale:

Fiscal responsibility is indicative of good financial stewardship of the Church's educational mission.

Note: The Catholic School Policy manual and this Administrative Procedures Handbook should always be considered together. In rare cases where information may be interpreted to be in conflict, the policies in this handbook will prevail. .

Schools eligible to apply for an Operating Grant must submit a completed budget along with the grant request.

The following information is taken from the *Catholic Schools Handbook*.

Budget Planning - The principal shall work with the school staff, the pastor, the school advisory council, the school finance council and the parish finance council, to plan the annual budget.

Individual line items in the school's budget are not the responsibility of the parish finance council; however, the parish finance council does approve the parish investment (subsidy) to the parish school.

Budget Preparation - The principal of each school in the Catholic School system of the Diocese of Fort Worth shall be responsible for submitting a complete budget for the coming school year to the superintendent no later than May 1.

Implementation

Nov. - Dec. Pre-Budgetary Conferences	Principal meets with pastor, the finance committee of school advisory council, and parish finance council to discuss external constraints (parish subsidy, tuition, etc.) under which the school must operate. Principal meets with individual teachers or department heads to discuss their particular needs. Information concerning employee benefits and insurance costs will be based on current year costs until such time that updated rates are posted on CONNECT.
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Nov. - Dec. Preparation of Budget Requests	In locations where this applies, each department chairperson or teacher prepares budget requests. Department chairpersons include maintenance director, activity directors, school office manager, etc. (usually high school campuses).
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Jan. 15	Compilation of Budget Requests	Principal takes items from individual request sheets and compiles them according to expenditure categories.
Feb. 1 - March 1	Diocesan Assistance	Operating Grant applications and Tuition Assistance requests are submitted to the diocese.
March 1 - March 31	Preparation of Budget Document	Principal presents budget to the pastor and school advisory council. Approval of parish investment (subsidy) is secured from parish finance council and/or pastoral council.
April 1 - April 30	Adoption of Budget Document	Approval of a balanced budget is secured from pastor and local school advisory council. The budget must be signed by the pastor, the local school advisory council chair and the principal. Budgets with net operating losses must include a footnote indicating how the loss will be funded.
May 1	Presentation of	Principal forwards one (1) copy of the <u>signed</u> budget Budget Document to the Superintendent's Office
May 15 - June 15	Signed Budgets	If the budget is not accepted and adjustments must be made, the unsigned budget will be returned to the principal. Accepted budgets are signed by the superintendent and then returned.

Budget Adjustment - After final enrollment is determined in September, adjustments to the budgets are made. All adjustments are presented to the pastor and school advisory council for approval and signatures. The adjusted budget is provided to the Superintendent's Office with the required signatures (principal, pastor, local school advisory chair) no later than October 1.

Budget Accountability - Once the budget is adopted, the principal is able to make expenditures in categories and items contained in the budget without specific approval of the pastor or council, since all items have been approved for purchase in the process of approval of the budget. If an expense does not equal the amount in the line item (more than or less than), the principal presents the reasons to the pastor and/or local school advisory council. The council requires monthly financial reports by the principal, which assure that the budget is being maintained.

Any monthly deficit in excess of 5% must be reported to the superintendent. A new principal to a school works with the budget determined by the previous principal, the pastor and local school advisory council. If adjustments are needed the superintendent is contacted.

Changes in excess of 5% of the original budget should be resubmitted to the Diocese of Fort Worth Schools Superintendent office.

4. Fundraising ACTIVITY

Special Event Fundraising Activity – A Brief Discussion	4-1
Fundraising	4-2
School Fundraising Note	4-4
Income Subject to State Sales Tax	4-6
Request for Fundraising Activity	4-8
Bingo.....	4-9
Raffles.....	4-10
Charitable Raffle Enabling Act.....	4-11
Withholding Tax on Raffle Winnings.....	4-13
Tax on Motor Vehicles Awarded as Prizes	4-15
Product Sales as Fundraisers.....	4-16
Recording Fundraising Activity	4-18

Special Event Fundraising Activity – A Brief Discussion

Generally speaking, a parish's stewardship program and a school's tuition should be sufficient to meet the regular needs of the entity's operating budget.

However, schools and many parish programs have increasingly relied on fundraising projects to generate additional funds for various needs. The goal should be for the funds generated from these efforts to be used for special, non-operating needs, or as a basis for the program or organization's budget for the following fiscal year. It should not be used to "balance the budget."

There is a difference between fundraising in the context of a capital campaign (direct fundraising), and indirect fundraising in the sense of selling or marketing a product, also known as **Special Event Fundraising**.

A capital fundraising campaign seeks pledges over and above the financial commitment (stewardship) that parishioners and parents of students have made. Capital campaigns are covered in Chapter 4.

The following section is intended to offer clarity and guidance regarding Special Event Fundraising:

Certain **fundraising projects** raise funds by community members selling a product or service to the general public. The parish/school receives a portion of the profit generated from the sales. Some examples are the sale of candy or Christmas wrapping paper. These projects require a significant amount of time and energy on the part of parish/school members who are involved. This time and energy commitment is often seen as a deterrent; it is also sometimes considered a community builder. Usually, there is no financial commitment to pay for unsold product. However, a popular type of fundraising is the sale of scrip, which requires the purchase of the product on the part of the parish/school without the certainty of the product's sale. For more detailed information on the sale of Scrip, see "The Use of 'Scrip'" discussion Chapter 9.

Other fundraising projects involve the parish/school inviting members of its community and others to use a certain product, for which the parish/school receives a fee or a percent of the sales. An example of this practice is allowing a vending machine on campus. Typically, there is the promise of little commitment of time or energy on the part of the entity or its members.

These types of fundraising projects are permitted in the diocese. However, their use must be closely monitored. The funds raised through these projects should be for special non-operating needs. If the need is ongoing and a central part of the parish/school mission, it should be incorporated into the regular operating budget and funded through stewardship/tuition.

Fundraising

Fundraising Policy

Diocesan policy regarding fundraising activities includes the following:

1. Parishes/schools and their organizations that conduct fundraising projects must carefully manage and control the flow of money and record all gross receipts and related expenses on the parish/school books.
2. All fundraising activity must be approved beforehand by the pastor/principal. This is particularly essential for fundraising that has not been approved through the general operating budgeting process.
3. Revenue and expenses must be accounted for correctly in the parish/school accounting system.
4. The following fundraising is not allowed:
 - a. No pyramid marketing or multi-level marketing programs are allowed.
 - b. Parish/school database may not be shared for use in the promotion or sale of products.
 - c. Pastors, principals, staff members and parishioners/parents may not personally benefit from any fundraising project.
 - d. There cannot be any financial commitment up front on the part of the diocesan entity. Scrip is an exception to this rule.
 - e. Parish/school names may not be used in promotional/marketing schemes (e.g. Official soda of the Diocese of Fort Worth)

Rationale:

Large amounts of cash may be generated by fundraising events; thus, special procedures need to be in place for the security of the money as well as the parish/school members involved. Please refer to Chapter 9 for procedures regarding the proper handling of cash for large events.

Furthermore, the diocese has put certain restrictions in place in order to protect the privacy of the members of diocesan entities. These measures also help protect diocesan entities from fraudulent, ineffective and disreputable fundraising schemes. The prohibitions listed above seek to prevent individuals from using the fundraising efforts of diocesan entities for personal gain. Fundraising programs that are prohibited conflict with the promotion of stewardship as the appropriate financial support methodology.

Finally, especially for parishes, it should be the practice that parish membership and leadership would concentrate all parish program/ministry expense needs through the annual general operating budget.

Specific Information	
<i>Related Information</i>	<ul style="list-style-type: none">• Refer to the discussions on “Product Sales” and “Recording Fundraising Activity” in this section.

Specific Information	
<i>Approval Needed</i>	<ul style="list-style-type: none"> • All other ministry, department or group fundraising programs (selling of goods, coupons, etc.) must have prior approval of the pastor/principal and business manager. • Those planning the project or activity are responsible to consult with the business manager (or the appointed person) to prevent possible conflicts or repetition of programs.
<i>No Personal Benefit</i>	<ul style="list-style-type: none"> • The pastor/principal or staff member should not receive royalties for any products that are used/given for fundraising or promotional purposes. • Furthermore, no portion of any fundraising proceeds may inure to the private benefit of a member, leader or employee of the parish or school.

School Fundraising Note

School Fundraising Note

The following information is taken from the *Catholic School Policies*.

Fundraising projects ordinarily conducted by the Home and School Associations, the Booster Clubs, and other parent organizations, etc., are normally intended to enhance the school's regular operating budget. The Home and School Association's, the Booster Club's, etc., funds belong to the school and are held in trust by the school. These fundraising projects require the approval of the principal, pastor and consultation with local school advisory council. See Appendix for "Request for Fundraising Activity Form". All money collected must be deposited in the school's operating account, including Scrip. All expenses must be paid in accordance with the policies outlined in Chapter 8.

The schools, the Home and School Associations, the Booster Clubs, etc., are all a part of the Diocese. They shall not attempt to form separate legal organizations to raise funds for the school without the Bishop's and the superintendent's prior approval.

Funds solicited for the future of the school are to be held in trust for the school and must adhere strictly to diocesan policy. It is strongly recommended that all schools participate in the Catholic Schools' Trust. No steps are to be taken toward the establishment of a trust without the explicit approval of the Bishop.

Schools writing grant proposals to outside funding sources (i.e. Foundations, Corporations, etc.) must coordinate the effort with the Advancement Foundation. On a diocesan level all requests are facilitated by the Advancement Foundation for coordination purposes and approval.

School administrators must be in communication with the superintendent prior to the initiation of local discussion of major solicitation programs over \$5,000.

Solicitation of major funding over \$5,000 for designated projects must have prior approval of the Bishop. School administrators or others designated to solicit such funding for any Catholic school in the Diocese of Fort Worth shall be required to observe the following:

Specific Information	
<i>Approval Needed</i>	<ul style="list-style-type: none">• The purpose for which the funds are intended shall be approved by the superintendent.
<i>Comply with the Law</i>	<ul style="list-style-type: none">• Fundraising must comply with all applicable laws.

Specific Information	
<i>Presentation to Finance Committee</i>	<ul style="list-style-type: none"> In cases where fundraising is being conducted related to a specific project, the school may be required to make a presentation to the Diocesan Pastoral Finance Committee. Refer to Chapter 8: Expenditures Over \$10,000.
<i>Diocesan Approval</i>	<ul style="list-style-type: none"> Following the presentation to the Diocesan Pastoral Finance Committee (DPFC), the school will receive a letter with further instructions. The letter will outline which of the Diocesan entities need to be contacted for coordination, if appropriate.
<i>Approval Notification</i>	<ul style="list-style-type: none"> The proposing entity and the superintendent will receive a copy of the letter.

Income Subject to State Sales Tax

State Sales Tax Policy

The net proceeds of certain fundraising activities are subject to state sales tax. In accordance with state law, parishes and schools and their organizations must pay sales tax on all applicable sales, in a timely manner.

Rationale:

This discussion refers to items sold in religious article stores, bookstores, and fundraising activities. Additionally, there is discussion of annual banquets and suppers, auctions, and other fundraising activities. Raffles are discussed later in this section.

Generally, state law requires all exempt organizations to obtain sales tax permits and remit sales tax on all items they sell. There are clear exceptions, as discussed below. For a more in-depth discussion and examples, please refer to the “Diocese-Sales Tax Document,” which can be found on CONNECT.

All parishes and schools and their organizations should follow all laws that apply to them.

Specific Information	
<i>Parish or School Responsible</i>	<ul style="list-style-type: none"> • It is the responsibility of the parish/school to pay the appropriate sales tax. This is true even in the case of sales being made by their organization or a parish/school program or department.
<i>Subject to Sales Tax</i>	<ul style="list-style-type: none"> • All items not discussed below are subject to state sales tax laws.
<i>Tax-Free Sales</i>	<ul style="list-style-type: none"> • Sales tax does not need to be collected on meals and food products (including candy and soft drinks) if: <ul style="list-style-type: none"> ○ Sold by a parish/school or at a parish/school function. ○ Sold or served by a school or school organization during the regular school day. ○ Sold by a person under 19 years of age who is a member of a parish/school group, as part of a fundraising drive sponsored by the parish/school, when all net proceeds from the sale go to the parish/school for its exclusive use.
<i>Annual Banquets and Suppers</i>	<ul style="list-style-type: none"> • A parish/school may hold a tax-free annual banquet or other food sale provided the affair is not professionally catered, not held at a restaurant, hotel, or similar place of business, not in competition with a retailer required to collect tax, and the food is prepared, served, and sold by members of the organization. • This exemption from the requirement to collect sales tax does not extend to the sale of alcoholic beverages. * Note: Sale of alcoholic beverages is prohibited. Additionally, diocesan entities and their auxiliary organizations are prohibited from selling alcoholic beverages at any location. Refer to Chapter 11: Section “Alcohol Policy”

Specific Information	
<i>Other Fund Raisers</i>	<ul style="list-style-type: none"> • Each parish and each school may each hold two one-day, tax-free sales or auctions each calendar year. (e.g. Parish can designate two days and the school can designate two different days for a total of four days) one day is 24 consecutive hours. Simultaneous or joint events for parishes and schools will use one of each of their allowed tax-free days. • For each one-day sale or auction only, sales tax need not be collected on the sale of taxable items. An example would be book sales on the opening day of school.
<i>Application</i>	<ul style="list-style-type: none"> • Each parish/school must apply for a sales tax permit if it makes sales that are subject to the state sales tax laws. • To obtain an application, contact: the office of the State Comptroller by telephone (800/252-5555); or the office of the State Comptroller by Internet (www.cpa.state.tx.us or you can email the State Comptroller at tax.help@cpa.state.tx.us). • The parish/school business manager or bookkeeper must manage any sales tax function. It is the responsibility of the parish/school to file applicable tax reports, maintain the records, and pay the applicable sales tax and related fines or fees.
<i>Further Information</i>	<ul style="list-style-type: none"> • This information is a summary of state law. Refer to the State Comptroller publication, “Texas State Tax Exemptions for Nonprofit Organizations,” for further information. A copy can be obtained through the State Comptroller’s office, which can be contacted online (www.cpa.state.tx.us). • See “Product Sales” later in this section. • See “Sales Tax” in Chapter 16 Other Matters for more information on reporting and paying state sales tax. • Also see the Diocese-Sales Tax Document on CONNECT.

Request for Fundraising Activity

Fundraising Activity Request Form

Below is a sample form suggested for proposed fundraising activity by parish/school organizations, groups, or programs.

<i>[Name and address of parish/school]</i>	
REQUESTS FOR FUNDRAISING ACTIVITY	
Name of Group or Program	_____
Contact Person(s)	_____
Email Address	_____
Phone Number(s)	_____
Purpose of Program or Group	_____ _____
Date or Timeframe for Fundraising/Program	_____
Means by Which Funds Will Be Raised	_____ _____
Intended Use of Funds Raised	_____ _____
<p><i>I have read and understand the policies and procedures of the Diocese of Fort Worth regarding fundraising activities. It is agreed by the group or program making the request that the policies and procedures will be followed, all funds collected will be deposited with the parish/school, and no expenses will be reimbursed without approval and proper receipts.</i></p> <p><i>Additionally, the group or program will be responsible for collecting the sales tax on taxable items. The parish/school business office is responsible for preparing and filing the sales tax report and remitting the tax.</i></p> <p><i>Monthly financial statement will be available to the group or program by the parish/school business office.</i></p>	
Request made by _____	Date: _____
Approved by _____	Date: _____

Copies of the following parts of this handbook should be distributed with this form:

- “Fundraising,” in the Fundraising Activity section
- “Income Subject to State Sales Tax,” in the Fundraising Activity section

Bingo

Bingo is regulated by the Texas Lottery Commission. For explicit manuals and documentation on the procedures as the rules and regulations refer to the Commission's website. A license may be required, and it takes at least 60 days to obtain. In the initial planning of ways to raise funds, the following bingo publications should be ordered from the Commission and thoroughly reviewed prior to requesting a license:

- *Conducting Bingo Manual*
- *Bingo Books and Records Manual*
- *Bingo Regulation and Tax Rules*
- *Texas Bingo Enabling Act*

Raffles

Raffles Policy

Parishes and schools in the Diocese, and their organizations must follow Texas state laws regarding raffles.

Rationale:

The Charitable Raffle Enabling Act was passed in 1990, and has been amended several times since. Every parish/school in the Diocese, and all of their organizations, should uphold this state statute. <https://www2.texasattorneygeneral.gov/cpd/charities-nonprofits-charitable-raffles>

Mr. John Crumley, an attorney, wrote the following on behalf of the Diocese regarding the Charitable Raffle Enabling Act and IRS information regarding withholding tax on raffle winnings.

Specific Information

*Raffles by
Outside
Organizations*

- Raffles held by outside organizations are not considered part of the operations of the parish/school.

Charitable Raffle Enabling Act

JOHN W. CRUMLEY, P.C.

ATTORNEY AT LAW
210 UNIVERSITY CENTRE I
1300 SOUTH UNIVERSITY DRIVE
FORT WORTH, TEXAS 76107-5734

JOHN W. CRUMLEY

FAX (817) 334-0775
TELEPHONE (817) 334-0291
E-MAIL: CRUMLEY1@AIRMAIL.NET

October 4, 1999

Re: Charitable Raffle Enabling Act

Effective January 1, 1990, nonprofit organizations such as churches may now legally operate raffles in the State of Texas. Prior to January 1, 1990, all forms of raffles in Texas were illegal. However, a parish raffle to be legal strictly must comply with the requirements of the Charitable Raffle Enabling Act (the "ACT"). If the ACT is not strictly complied with, then the raffle will be illegal and the parish organization conducting the raffle and individuals in charge of the parish organization could be charged with a third-degree felony for promoting gaming. Effective September 1, 1999, the ACT was amended. Thus, this letter includes a discussion of the most recent amendments.

The ACT defines a "raffle" as, "the awarding of one or more prizes by chance at a single occasion among a single pool or group of persons who have paid or promised a thing of value for a ticket that represents a chance to win a prize."

You must strictly comply with the terms of the ACT. The restrictions on conducting a charitable raffle by a nonprofit organization such as a parish are as follows:

- A. There may be only two raffles per calendar year. You cannot offer or sell tickets for more than two raffles in a calendar year. Accordingly, you cannot hold two raffles in a calendar year and sell tickets for a third raffle during the same calendar year even if the third raffle will not be conducted until the next calendar year.
- B. You may not offer raffle tickets for sale during the same period you are offering raffle tickets for another raffle.
- C. All proceeds from the sale of the tickets for a raffle must be spent for the charitable purposes of the parish.
- D. You may not use a paid advertisement, directly or indirectly, to promote the raffle through television, radio, newspaper, or other medium of mass communication.
- E. The raffle may not be promoted or advertised statewide and tickets for the raffle may not be sold or offered for sale statewide.

F. The prize offered or awarded at the raffle may not be money. The value of a prize that is offered or awarded at the raffle and purchased by the parish or for which the parish provides any consideration may not exceed \$50,000.

G. The following information must be printed on each raffle ticket sold or offered for sale:

1. The name and address of the parish or the address where the raffle will be conducted and the address of a named officer of the parish organization holding the raffle,
2. The price of the ticket, and
3. A general description of each prize that has a value of more than \$10.00 and is to be awarded in the raffle.

H. The parish conducting the raffle may not compensate a person, directly or indirectly, for organizing or conducting a raffle or for selling or offering to sell, tickets to the raffle.

I. The parish may not permit a person who is not a member of the parish or who is not authorized by the parish to sell or offer to sell raffle tickets.

J. A raffle is not an authorized raffle under the ACT unless the parish conducting the raffle has in its possession or ownership, the prize that is to be offered in the raffle or posts bond with the County Clerk in the county the raffle is to be held for the full amount of the money value of such prize. Thus, a parish must have all the prizes when it begins selling the raffle tickets or it must file a bond with the County Clerk in its county when it begins selling the raffle tickets.

There are no guidelines on how strictly the various provisions of the ACT will be interpreted. There are no reported cases on the question of what is considered "money" and no guideline in the statute to assist in determining what is considered "money." Clearly, cash and checks are forms of money. It would appear that a certificate of deposit would be money. Savings bonds and gift certificates may not be considered money.

If the local law enforcement agencies and the State law enforcement agencies decide to strictly enforce the ACT, it could substantially affect the raffles that are now being conducted. In the past many local law enforcement agencies have ignored the fact that illegal raffles were being conducted by charitable and nonprofit organizations. The sporadic enforcement of the gambling statutes pertaining to charitable raffles in the past means that some raffles being conducted by organizations are not legal. However, the parish should conduct its raffles in compliance with the law. You never know when the local law enforcement agencies will begin strictly enforcing the law concerning charitable raffles.

Yours very truly,

John W. Crumley

Withholding Tax on Raffle Winnings

According to the Internal Revenue Service, Form W-2G must be filed for each person to whom is awarded a prize valued at \$600, or more, in gambling winnings if such winnings are at least 300 times the amount of the wager. Under no circumstances may cash or checks be awarded as a prize. You must file Form W-2G with the IRS and provide a statement to the winner (copies B and C of Form W-2G). This requirement applies to parish/school raffles, charity drawings, etc.

Refer to the Internal Revenue Service internet website for detailed instructions and the appropriate forms – www.irs.gov. Specifically, IRS Notice 1340.

Specific Information	
<i>Requirements</i>	<ul style="list-style-type: none"> • Generally, gambling winnings are reportable if the amount paid reduced (at the option of the payer) by the wager is: <ul style="list-style-type: none"> ○ \$600 or more (not cash or check), and, ○ At least 300 times the amount of the wager. ○ For Example: <ul style="list-style-type: none"> ○ St. Stanislaus Parish sells raffle tickets for \$17 each, and has a prize of a \$5,000 gift card, ○ $\\$17 \times 300 = \\$5,100$; the value of the prize is less than 300 times the wager, ○ Even though the prize is worth more than \$600, since it is less than 300 times the wager, no reporting is required.
<i>State Requirements</i>	<ul style="list-style-type: none"> • In the state of Texas, the prize offered or awarded at a raffle may not be money. Bingo is not considered a raffle. • Prize Examples that are allowed: <ul style="list-style-type: none"> ○ Physical prizes such as electronics, ○ Travel vouchers such as airline tickets, ○ Sporting event tickets, ○ Savings bonds, ○ Gift cards; prepaid Visa or MasterCard ○ Tuition credit ○ SCRIP
<i>Determining if Withholding is Required</i>	<ul style="list-style-type: none"> • The wager must be subtracted from the value of the total winnings to determine whether withholding is required and to determine whether reporting is required. <ul style="list-style-type: none"> ○ For Example: ○ St. Stanislaus sells raffle tickets for \$5 a piece and the prize is a \$3,000 tuition credit. ○ The total winnings reported on the W-2G will be $\\$3,000 \text{ minus } \\$5 = \\$2,995$.
<i>Withholding Rates According to IRS</i>	<ul style="list-style-type: none"> • The following IRS regulations are applicable to raffles that are held in the state of Texas. • The regular gambling withholding rate applies. The organization must collect federal income tax from the amount of winnings less the amount wagered <u>if such winnings less the wager exceed \$5,000.</u>

	<ul style="list-style-type: none">• Regular gambling collection applies to the total amount of gross proceeds (winnings minus the amount wagered) not merely to the amount in excess of \$5,000.• Multiple prizes of \$5,000 or less are subject to the regular gambling withholding rate if the aggregate proceeds from the wager will exceed \$5,000.• Refer to IRS Notice 1340 for further details and examples.
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Tax on Motor Vehicles Awarded as Prizes

Tax on Motor Vehicles Awarded as Prizes Note

According to the Texas State Comptroller’s Office, the following tax regulations apply when the title to a motor vehicle is transferred as a prize to the winner of a contest or drawing. These regulations apply whether or not tickets were sold. In the example below the “sponsor” is the Parish/School conducting the raffle. Reference [THIS](#) document.

Specific Information	
<i>Transferring Title from a Dealer to the Winner (Preferred Method)</i>	<ul style="list-style-type: none"> • Upon transfer of title to a motor vehicle directly from a dealer to the winner, motor vehicle sales or use tax is due from the winner on the total consideration paid for the vehicle to the dealer. • If no consideration was paid, motor vehicle sales or use tax is due from both the Sponsor and Winner, calculated at 80% of the “Standard Presumptive Value” (“SPV”).
<i>Transferring Title from a Dealer to the Contest Sponsor to the Winner</i>	<ul style="list-style-type: none"> • If a dealer transfers title to a motor vehicle to a contest sponsor, and the sponsor subsequently transfers title to the vehicle to the winner, the sponsor owes motor vehicle sales or use tax on the total consideration paid for the vehicle to the dealer and the winner owes a \$10 gift tax. • If no consideration was paid for the vehicle, the sponsor and the winner each owe a \$10 gift tax.

Product Sales as Fundraisers

Product Sales as Fundraisers Policy

The sale of goods or services by a parish/school or its organization must be recorded, including all receipts and all expenses, on the parish/school books.

When applicable, sales tax must be collected and forwarded to the State Comptroller’s Office.

Rationale:

Parishes and schools and their organizations often have sales to raise funds for various reasons. Such sales might take place after mass or after school. Items for sale can include anything from plants to tamales to cookies. Whenever it is feasible a receipt should be given for each sale.

Those working the event should be a minimum of two. It is a recommended best practice that business office staff not be involved in handling payments. Additionally, such activities should be conducted in proper decorum. There should be no attempt to compete with community or commercial enterprises.

The following steps are suggested. We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any parish or school should have in place.

Specific Information	
<i>Purpose</i>	<ul style="list-style-type: none"> • The purpose of such product sales should be to provide additional funds for a program or need outside of normal operations. • Every effort should be made to avoid relying on the revenue generated from product sales to fund regular operations of the parish/school. • For more information, see the discussion in this section on “Product Sales”. • Sales of non-food items should be tracked using an inventory schedule. See example schedule in the Appendix.
<i>No Monetary Benefit</i>	<ul style="list-style-type: none"> • <i>No one</i> who is part of parish/school leadership (e.g., pastor/principal, staff member/teacher, or immediate family member), or a member of the parish/school family, <i>should receive any monetary benefit from such a product sale. This includes the sale of sports uniforms and equipment.</i> • <i>Parishes/Schools are allowed to use businesses owned by parishioners, parents or volunteers. However, the decision maker cannot be related to or benefit from the business.</i> • <i>In selecting vendors, favoritism toward parishioners, school parents, or supporters should not be shown to the financial detriment of the Parish/School.</i>
<i>Not a Contribution</i>	<ul style="list-style-type: none"> • <i>The purchase of any such product is not considered a charitable contribution for income tax purposes by the IRS.</i> • See “Tax Rules Related to Charitable Giving,” in Chapter 4.

<i>Types of Product Sales</i>	<ul style="list-style-type: none"> • Many nationally recognized companies sponsor “product sales” programs for churches, schools, and other not-for-profit organizations. • It is recommended that, if a parish/school decides to conduct product sales, it should use such a company-sponsored program. • It is recommended that a parish/school avoid company-sponsored programs that do not handle sales tax on behalf of the parish/school.
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Procedure	Steps
<i>Sales Tax</i>	<ul style="list-style-type: none"> • Refer to “Income Subject to State Sales Tax” earlier in this section and “Sales Tax” in Chapter 16 of the Administrative Procedures Handbook.
<i>Donated Goods and Services</i>	<ul style="list-style-type: none"> • <i>Every attempt should be made to have all goods and services donated. The contributor should not receive any direct gain from the sale.</i>
<i>Ticket Usage</i>	<ul style="list-style-type: none"> • At large events, it is recommended that tickets be sold instead of accepting cash. Such a practice further controls the flow of money and decreases the possibility of theft both internally (by workers) and externally. • See “Carnivals” in Chapter 9 for procedures on conducting sales, handling cash, and the use of tickets.
<i>Security of Funds</i>	<ul style="list-style-type: none"> • <i>During the selling period, there should always be at least two sellers present; this will help prevent potential theft or the appearance of theft.</i> • <i>Funds should be kept in a metal cash box (or similar container) and out of reach of the public.</i> • <i>Immediately after each sales period, the sellers should count the funds in the cash box and record the amount on a voucher that is left in the cash box.</i> • <i>The cash box should be placed in a safe or in some other secure place.</i> • <i>When the next group of sellers retrieves the cash box, they should recount the funds in the box and agree and initial the amount recorded by the prior group before beginning sales.</i>

Procedure	Steps
<i>Discrepancies</i>	<ul style="list-style-type: none"> • <i>Discrepancies must be reconciled by the parties involved.</i>

Recording Fundraising Activity

Fundraising Activities Recording Note

When a parish/school or its organization(s) holds a fundraising event, it is to record the revenue produced and the expenses incurred in specified accounts within the chart of accounts.

There are advantages to keeping track of the revenues and expenses separately of a fundraising event. These advantages of separate tracking also apply to raffles, bingo, and product sales. By accounting for them separately, the parish/school can monitor the actual profit produced by the event. Additionally, parishes receive a Diocesan Tax Reduction (“DTR”) for all related fundraising expenses for the event; only the net profit produced by the event (all revenue less expenses incurred to produce that revenue) is subject to diocesan taxation. Net profit produced by such events may be exempt from diocesan taxation if prior permission is received from the Chancery.

Procedure	Steps
Recording Activity for an Event that Crosses Fiscal Years	
<i>Fundraising Event or Activity Revenue</i>	<ul style="list-style-type: none"> • Please note: Deferred revenue accounts may not be used for “carry over” funds. Any deferred revenue must be tied to a specific event with a specific end date. • Deferred revenue should be used in two (2) fiscal years. Chancery approval is required to hold funds for a further time period. • Revenue received prior to the fundraising event or activity in question is initially recorded in a 280x01 account and is considered deferred revenue. • After the event or activity is over, these funds are moved to a regular fundraising revenue account. This is done by debiting the 280x01 account and crediting the appropriate revenue 428941 through 428950.
<i>Related Expenses</i>	<ul style="list-style-type: none"> • In parishes, all related fundraising expenses for the fundraising event receive a Diocesan Tax Reduction. The fundraising revenues are taxed only on the net profit produced by the fundraising event. See Appendix for fundraising revenue and expense account numbers. • In schools, all related fundraising expenses for the fundraising event are coded to accounts 775946 through 775945.

5. CASH MANAGEMENT: INTRODUCTION

Overview	5-1
Location of Funds.....	5-2
Bank Accounts.....	5-4
Check Controls	5-6
Authorized Check Signers	5-8
Authorized Signer Update Letter – Example	5-10
Check Signatures – When and How	5-11
Bank Reconciliations	5-12
Savings Accounts.....	5-14
Parish Tax-Exempt Savings Accounts	5-16
Parish/School Credit Cards	5-19
Monetary transactions between the Central Office & Parishes/Schools.....	5-21

Overview

The concept of Christian stewardship applies to many aspects of church life. Among other things, stewardship refers to the custodial responsibilities the Parish/School has toward the contributions, fees, tuition, and other funds it receives. If the funds received by the Parish/School are inadequately secured, accounted for or managed, the overall success of the Parish/School can be jeopardized, no matter how faith-filled the community may be.

This section presents policies and procedures for the receipt, tracking and management of funds received to help ensure that this aspect of Christian stewardship is properly carried out. This section is an overview of these matters. Detailed information, diocesan policies and journal entries are provided in the following sections entitled “Cash Management: Receipts”, “Cash Management: Disbursements”, and “Cash Management: Other”.

Internal Controls

Internal control is a system of policies and procedures intended to provide reasonable assurance that the objectives of the entity will be achieved. Some of these policies and procedures relate to accounting and reporting, but not all. For example, if a parish is deciding whether to hire a full-time youth minister or whether to rely on lay volunteers, the policies and procedures in place to ensure a good management decision are important; however, they do not relate to finance, accounting, and reporting.

For finance, accounting, and financial reporting, the objectives of an internal control system for Parishes/Schools are generally the same as those for profit-oriented organizations. Some unique characteristics of not-for-profit organizations (such as Parishes/Schools) that may influence internal controls put into place include:

- A parish finance council, many of whose members may have limited financial backgrounds.
- A limited number of staff personnel, sometimes too few to provide the appropriate segregation of duties.
- A mixture of volunteers and employees participating in operations. Depending on the size and other features of the Parishes/School, day-to-day operations sometimes are conducted by volunteers instead of employees. Persons involved in ministry, especially volunteers, are more likely to become frustrated with what they view as onerous control procedures and attempt to ignore or circumvent the procedures.
- The manner in which responsibility and authority are delegated varies among Parishes/Schools. This may affect control over financial transactions, particularly with respect to authorization of expenditures.
- A budget, usually approved by the advisory body. The budget normally serves as authorization for the activities to be carried out by management in attaining program objectives.
- The existence, or absence, of expenditure limits on management through the use of spending authority limits, capital budgets, etc.

For the most part, internal control does not by itself *prevent* embezzlement but should ensure that, if committed (and collusion is not present), it will be discovered within a reasonable period of time and the person(s) responsible identified. This possibility of discovery helps persuade most people not to allow temptation to get the better of them. Therefore, in addition to prevention of potential misstatements of financial information and safeguarding the assets of the Parish/School, fraud prevention is a significant objective, although not an overriding one, of an internal control structure.

The Diocese's policy is to pursue the prosecution of any individuals that are found to have perpetrated a misappropriation or fraud against any diocesan entity.

Clear Policies and Procedures

Policies and procedures establish clear delineations regarding authority and responsibility in executing and recording financial transactions. This information should be clearly communicated (in written form) to all affected personnel, including volunteers, and should be updated regularly. The Diocese has attempted to keep procedures no more burdensome than is necessary to accomplish the desired objectives.

Budgets

A budget is one of the most effective controls of Parish/School funds, assuming that the budget is soundly conceived and compared to actual amounts on a monthly basis. (See the section in this handbook entitled, "Budgeting".) The business manager or Pastor/Principal, as well as the parish finance council, should look carefully into all deviations from the budget. Such investigation considerably reduces the likelihood of a large misstatement (intentional or unintentional) or misappropriation taking place without being detected quickly. This type of overall review of the financial statements is very important. Every member of the parish finance council or its delegated committee should ask questions about any item which appears to be significantly out of line, either with the budget or with what he/she would have expected to have been the actual figures. Many times, this type of probing for reasons for deviation from the expected has uncovered actual or potential problems.

The Diocese is composed of parishes and schools. Some parishes have large paid staff and a well-organized pool of volunteers, while other parishes rely heavily on the pastor to do everything. There is a similar variety among the diocesan schools.

The policies and procedures that follow in this section, "Cash Management: Receipts", are comprehensive. Larger parishes and schools clearly should implement them. We acknowledge, however, that very small entities cannot implement some of the procedures fully. Consequently, in certain policies we have italicized those portions of "Specific Information" and "Procedures and Steps" under each policy that we consider the minimum any parish or school should have in place. These are the minimum standards even for small Parishes/Schools.

Location of Funds

Funds Location Policy

All Parish/School funds must be deposited in the regular operating checking account. Additionally, it is diocesan policy that all parish and school savings must be kept in the Diocesan Deposit and Loan Fund.

Rationale:

It is good stewardship and good money management to invest funds that are not presently needed, in a savings account with a reasonable interest rate. The diocesan savings accounts normally pay a greater interest rate than other types of savings/money market accounts. It also provides a pool of funds that entities of the diocese may borrow against.

Specific Information	
<i>Allowed Accounts</i>	<ul style="list-style-type: none"> • Parish/School funds can only be placed in the regular operating checking account, or in a diocesan savings account. • Financial institutions offer many types of accounts in which to deposit funds. A Parish/School should choose an account that best meets its check writing needs. • Normally, a Parish/School has only one checking account. • In special circumstances, if there is more than one checking account, all accounts must be on the books. • See “Bank Accounts” and “Savings Accounts” later in this section.
<i>Not Allowed</i>	<ul style="list-style-type: none"> • The following are not allowed for parishes or schools: <ul style="list-style-type: none"> ○ Money market accounts ○ Certificates of deposit ○ Investments managed independently
<i>Other Groups</i>	<ul style="list-style-type: none"> • The funds of Parish/School programs, organizations, and groups should also be placed either in the operating checking account or a diocesan savings account.

Procedure	Steps
<i>Cashflow Needs Analysis</i>	<ul style="list-style-type: none"> • Determine the present cash flow needs of the Parish/School. Ideally, the annual budget preparation process should include a cashflow needs analysis. Excess cash must be deposited with the diocese in the Deposit and Loan Fund .
<i>Contact Diocesan Finance Office</i>	<ul style="list-style-type: none"> • Contact the Diocesan Finance Office regarding your desire to transfer funds. • See section on Savings Account later in this chapter. • Normally, funds are transferred within one (1) business day.

Bank Accounts

Parish/School Money Policy

Pastor/Principal must be the primary signer on all checking accounts.

Parishes/Schools are not allowed to have savings/investment accounts except with the diocese.

Bank statements must be mailed directly from the bank to the Parish/School office.

Rationale:

All monies, especially cash, require careful stewardship. Proper handling and care will mitigate associated risks.

For operational purposes, there should be only one checking account for a Parish/School and its organizations, with all activity running through it. However, due to reasons of history or tradition, sometimes individual organizations may be permitted to have their own checking account, as long as the Pastor/Principal is the only signer.

Specific Information	
<i>Where Funds Are Deposited</i>	<ul style="list-style-type: none"> • All parish funds shall be deposited in accounts that bear the Parish/School name and opened using the Parish/School EIN. • When a deposit is being made, no funds may be withdrawn from the account by reducing the amount of deposit on the deposit slip.
<i>Bank Accounts</i>	<ul style="list-style-type: none"> • Checking accounts in the name of the Parish/School may be opened or established only by authorization of the Pastor/ Principal, who shall be the primary signer on all of the accounts of the Parish/School and its organizations. • When opening a checking account, the Parish/School should use its Employer Identification Number (EIN). • Every check written must have the pastor’s/principal’s signature. (For exceptions to this rule, see the “Check Signatures – When and How” discussion in this section.) The Pastor may determine that more than one signature is required. • The name of the Parish/School should appear on the face of the check for checking accounts of organizations, e.g., Men’s Club of St. Blaise Church. • Any time a change of signature is needed, the Pastor/ Principal shall sign the authorization card. • The person who maintains the books and/or prepares the checks to be disbursed shall not be an authorized signatory on the bank accounts.

Specific Information	
<i>Endorsement</i>	<ul style="list-style-type: none"> • No checks made payable to the parish may be endorsed and converted into cash by priests or others, nor deposited in accounts other than authorized Parish/School accounts.
<i>Personal Accounts</i>	<ul style="list-style-type: none"> • No priest or other Parish/School employee shall maintain a personal account that contains Parish/School funds or to which Parish/School funds are deposited.
<i>Security of Check Stock</i>	<ul style="list-style-type: none"> • The unused check stock should be kept secure. • All check stock must be pre-printed with check numbers in sequential order and must be used in sequential order. • Additionally, if a Parish/School has computer-generated checks, care must be taken to have proper security regarding the ability to access such computer activity. For more information see the “Check Signatures – When and How” discussion in this section.
<i>No Automatic Withdrawals</i>	<ul style="list-style-type: none"> • A Parish/School or any auxiliary organization may <u>not</u> authorize any business or other entity to make automatic withdrawals from any Parish/School account. • Pastor/Principal may authorize automatic withdrawals for the following reasons: <ul style="list-style-type: none"> ○ Any bank account established for Scrip activity ○ Processing and transaction fees by the bank itself ○ Credit card fees, with the credit card company • Additionally, the Parish/School must set up arrangements so that the Central Office may make withdrawals from its checking account.

Check Controls

Check Controls Policy

The checks of all accounts of Parishes/Schools and their organizations must be kept secure and handled properly.

Rationale:

The use of checks is a primary way in which financial transactions take place. Adequate safeguards and procedures need to be in place and followed so that check stock is kept secure before being used, that checks are properly written, and that cancelled checks and bank statements are properly reviewed and stored.

Specific Information	
<i>Check Stock</i>	<ul style="list-style-type: none"> • Check stock, although not as easily negotiable as cash, can be utilized for the unauthorized withdrawal of funds from a Parish/School checking account. • Only those authorized to write checks should have access to check stock. • Check stock should be secured in a safe or in a locked cabinet on Parish/School property.
<i>Sequence of Check Numbers</i>	<ul style="list-style-type: none"> • When writing checks, they should always be used in numerical sequence, beginning with the lowest number. • Never write individual checks from the middle of the number sequence. • Any manual checks must be written from the check stock in sequence order. Parish/School may not have a separate checkbook for manual checks. • Parish/School must ensure that the check numbers assigned by the computer match the check stock. • Always document any exceptions.
<i>Writing Checks</i>	<ul style="list-style-type: none"> • It is preferable to write checks at regularly scheduled times (e.g., once a week, every two weeks, etc.); checks should not be written on demand. • Checks should be written only by persons authorized to write checks. It is preferable that only one person, the bookkeeper, be the normal check writer. A secondary person should be authorized to write checks when the primary person is on vacation or is sick. • The one who writes the check should not be the one who signs the check, if at all possible. • Never write a check and leave blank the name of the recipient or the amount. • Refer to the section on Cash Management: Disbursements for additional information about disbursements.

Specific Information	
<i>Authorized Signature</i>	<ul style="list-style-type: none"> • The Pastor/Principal is the primary signatory on all Parish/School accounts and the accounts of their organizations. • Only authorized persons should sign checks. • No one should ever sign a check on behalf of an authorized signatory, signing that person's name. This is forgery. • Refer to the section on Cash Management: Disbursements for additional information about disbursements. • A current copy of the account's signature card should be kept on file.
<i>Distribution of Checks</i>	<ul style="list-style-type: none"> • Checks must be made out to the person or entity that provided the goods or services. • Checks that have been written should be distributed or delivered directly to the person or entity to which the check was written. This helps deter the possibility of theft. •
<i>Voided Checks</i>	<ul style="list-style-type: none"> • If it is necessary to void a check, the following should occur: <ul style="list-style-type: none"> ○ Write "Void" boldly across the face of the check. ○ Tear out and destroy the portion of the check where the signature was written or was to have been written. ○ Make sure that the accounting system or the checkbook shows that the check was voided. ○ Save all voided checks, either with unused check stock or with checks that have been written and cashed, so that the numerical sequence of all checks can be accounted for.
<i>Bank Statements</i>	<ul style="list-style-type: none"> • Ensure that banks mail all bank statements and other related correspondence for the Parish/School and their organizations directly to the Parish/School office. • Any irregularities should be reported to the Pastor/Principal or the Diocesan Finance Office. • Bank statements should be reconciled each month, on a timely basis. Refer to "Bank Reconciliations" in the section on Cash Management: Introduction.

Authorized Check Signers

Check Signing Policy

Pastors, Parochial Vicars, and where they have been assigned, Parochial Administrators, are to be signers on all parish and their organizations' accounts.

Any other full-time minister assigned by the bishop, for instance a deacon, may be a signer unless he or she has the duty of keeping the books.

The Pastor, Principal and President of a parochial school are the ordinary signers for the school and their organizations' accounts. The assistant principal (if there is one) must also be able to sign in case the others are unavailable.

Rationale:

The administrative responsibilities that the bishop shares with those he assigns to a parish or school cannot be delegated without the bishop's permission.

Specific Information	
<i>Permission for Other Signers</i>	<ul style="list-style-type: none"> • The pastor or pastoral administrator may apply in writing to the Chancellor for permission to allow a full-time minister not appointed by the bishop to sign checks, so long as that person is not in charge of keeping the books or writing the checks. • When applying for additional signers, please use the Authorized Signer Update letter at the end of this policy. Please send a copy to the Chancellor and to the Diocesan Finance Department.
<i>Small Parishes or Parishes Without a Resident Priest</i>	<ul style="list-style-type: none"> • Where only one priest is assigned to a parish, both the dean and a neighboring pastor should be placed on the signature card. The Chancellor may also appoint a Finance Department employee from the Central Office to be an authorized signer. • Where there is a pastoral administrator, the canonical pastor and the dean should be placed on the signature card. <ul style="list-style-type: none"> ○ The primary person to sign checks in such parishes is the pastoral administrator (not the canonical pastor). ○ Alternate signers ensure business continuity when the pastoral administrator is on vacation or otherwise impeded.
<i>Vacancy</i>	<ul style="list-style-type: none"> • In the case of a vacancy or the prolonged absence of the pastor or pastoral administrator, the Chancellor or Moderator of the Curia should be contacted to determine who is to sign checks during the vacancy.
<i>Separation of Duties</i>	<ul style="list-style-type: none"> • The same person who signs checks is not to keep the books or prepare checks. • Although this may be permitted by way of exception in a small parish, the pastor or pastoral administrator should select a volunteer or hire an employee or firm to perform bookkeeping services for the parish.

Specific Information	
<i>Checks to Self</i>	<ul style="list-style-type: none">• Authorized Signers may not sign a check written to himself or herself.• If this is not possible, special care must be taken to ensure that adequate receipts and other documentation exist to properly explain the expenditure (for example, reimbursement for office or rectory supplies, or for clergy meals).

Authorized Signer Update Letter – Example

A draft letter may be downloaded from CONNECT. Search for “Authorized Signer” to find the Word document.

Salutation Name

Catholic Diocese of Fort Worth
Chancery
800 West Loop 820 S
Fort Worth, TX 76108

<Date>

Re: Updated list of Authorized Check Signers

Very Rev. <Name>

Below is a list of existing Authorized Signers:

Name	Role/Title	Bank	Account #	Account Type
Fr. John Smith	Pastor	Bank of America	123456789	Operating – Checking
Fr. John Smith	Pastor	Bank of America	987654321	Bookstore - Checking
Dcn. James Smith	Dir. Of Formation	Bank of America	987654321	Bookstore - Checking

I am requesting that the following individuals be added to the bank account(s) listed below as Authorized Signers.

Name	Role/Title	Bank	Account #	Account Type
Mary Doe	Principal	Bank of America	987654321	Bookstore - Checking

Additionally, I am informing you that the following person(s) have been removed as Authorized Signers.

Name	Role/Title	Bank	Account #	Account Type
James Brown	Finance Council	Bank of America	987654321	Bookstore – Checking
Fr. Peter Francis	Previous Pastor	Bank of America	123456789	Operating – Checking

cc: Diocesan Finance Department

<Pastor/ Principal>

<Parish/School Name>

<Address>

Check Signatures – When and How

Check Signature Policy

An authorized signatory may only sign checks that have been fully prepared, with the payee name and amount to be paid. Blank checks should never be pre-signed, with the recipient and/or amount to be filled in later.

Additionally, signature stamps and electronic signatures are never to be used.

Rationale:

The security of the parish's or school's funds is of great importance. Checks should only be written to an authorized person/vendor, and for an authorized amount. The recipient and amount should be confirmed by an invoice that has been reviewed and approved. If a check has an authorized signature without the name of the recipient or the amount properly filled in, the Parish/School leaves itself open to the wrong name or amount being entered on the check, either by mistake or through theft.

Specific Information	
<i>Computer Printed Checks</i>	<ul style="list-style-type: none"> • A Parish/School may generate its checks by computer. • Care must be taken to have proper security regarding the ability to access such computer activity. • There should be a segregation of duties regarding check writing. For example, the person responsible for preparing the checks should not have check signing authority.

Procedure	Steps
<i>Checks Written for Approved Invoice</i>	<ul style="list-style-type: none"> • Checks should only be written for an approved invoice, to the vendor, and for the amount shown.
<i>Purchase Reimbursement</i>	<ul style="list-style-type: none"> • If a Parish/School does not use a Diocesan credit card, the person making the purchase should use his/her own funds and be reimbursed by check.

Bank Reconciliations

Bank Reconciliation Policy

The bank statement of all bank accounts must be reconciled on a monthly basis.

Rationale:

Adequate steps should be taken to confirm the accuracy of the bank balances shown in the general ledger. Bank balances, as shown by the bank statements, should be reconciled with the general ledger balance on a monthly basis once all activity for the month is recorded in the accounting software. Ideally, this procedure should be performed by someone who does not have access to cash, and is not involved in processing or recording cash transactions.

A key way to ensure the accuracy of the month-end cash balance on the general ledger is to reconcile that balance to the balance shown on the monthly bank statements. Failure to perform proper bank reconciliations essentially renders the monthly financial statements unreliable to the user.

We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any parish or school should have in place.

Specific Information	
<i>Who Performs Reconciliation</i>	<ul style="list-style-type: none">• <i>The Parish/School should receive the bank statements directly and retain them until the reconciliations are completed.</i>• The reconciliation should be performed by the Business Administrator on a monthly basis and once all transactions are entered into the accounting software.<ul style="list-style-type: none">○ <i>In the absence of a Business Administrator, the Bookkeeper will perform the bank reconciliation. In such a case, a member of the parish finance council must review the reconciliation monthly.</i>• <i>The person performing the reconciliation should sign the reconciliation, attesting to its accuracy.</i>• After it has been performed, a finance council member should review the reconciliations, at least quarterly.

Procedure	Steps
<i>What Is Reconciled</i>	<ul style="list-style-type: none"> • <i>A key way to ensure the accuracy of the month-end cash balance on the general ledger is to reconcile that balance to the balance shown on the monthly bank statements.</i> • <i>Failure to reconcile to each of these ledgers results in an incomplete reconciliation.</i> • <i>As part of the reconciliation, checks should be examined to ensure that authorized signatures appear on the checks.</i>
<i>Reconcile Items</i>	<ul style="list-style-type: none"> • <i>Verify that all deposits and checks recorded on the parish or school books are the same amounts that were recorded by the bank.</i>
<i>Differences</i>	<ul style="list-style-type: none"> • <i>Discrepancies between the general ledger cash balances and closing balances reported on the bank statements usually result from transactions recorded in cash journals but not yet processed and recorded by banks (such as deposits in transit and outstanding checks).</i> • <i>Discrepancies between the Balance Sheet and bank reconciliation can result from completing the reconciliation before all monthly activity is recorded in the accounting software.</i>
<i>Items Not Recorded</i>	<ul style="list-style-type: none"> • <i>There may also be items on bank statements not yet processed and recorded by the parish or school (such as bank service charges). Such items must be recorded on the parish's/school's books before the monthly closing is performed.</i>
<i>What to Investigate</i>	<ul style="list-style-type: none"> • <i>The following should be investigated:</i> <ul style="list-style-type: none"> ○ <i>Uncleared cash receipts that are older than six (6) months,</i> ○ <i>Unmatched items on bank statements unanticipated or judged erroneous, and</i> ○ <i>Mismatched items in cash receipts journals and bank statement items.</i> • <i>The Pastor/Principal should be notified of any discrepancy.</i> • <i>The Pastor/Principal will determine if discrepancies should be investigated by the parish finance council or another person/group.</i>

Savings Accounts

Savings Account Policy

If a Parish/School establishes a savings account, it must be with the Diocesan Deposit and Loan Fund. To establish a savings account, the Parish/School business manager or bookkeeper contacts the Diocesan Finance Office.

Rationale:

The bishop has the responsibility of overseeing the fiscal welfare of all Catholic entities within the diocese. He requires that all Parish/School savings be deposited with the diocese, so that the excess funds of one parish may be loaned to assist other diocesan Parishes/Schools. Interest is paid to savings accounts and charged to loans at reasonable rates to benefit all entities involved.

Specific Information	
<i>Rates</i>	<ul style="list-style-type: none">• The Diocesan Finance Council sets savings and loan rates on an annual basis. This usually happens in January.• If interest rates increase, the effective date of the increase is the following July.• If interest rates decrease, the decrease is effective immediately.
<i>Statements</i>	<ul style="list-style-type: none">• Activity is updated daily for all Deposit and Loan accounts, online.• Diocesan statements indicating the balance of each account are available on DLSONline. The bookkeeper can reach the site by using the link on CONNECT or by going to https://dlsonline.us/fw.• The diocesan statement should be reconciled with the balance on the Parish/School general ledger.• Discrepancies should be reported to the Diocesan Finance Office immediately.

Procedure	Steps
<i>Establish Savings Account</i>	<ul style="list-style-type: none"> • To establish a savings account, the Parish/School business manager/bookkeeper contacts the Diocesan Finance Office. • Provide a name for the account that describes its purpose. An account number is assigned at the time based on the purpose of the account.
<i>Depositing Operating Funds to a Savings Account</i>	<ul style="list-style-type: none"> • Send an ACH Deposit PAY-DIOCESE form to the Diocesan Finance Office. See section "Monetary transactions between Parishes/Schools and the Central Office".
<i>Savings Account Withdrawals or Payments for Items from Savings or Added to a Loan</i>	<ul style="list-style-type: none"> • Complete the Parish/School Financial Transaction Authorization form later in this section. • The form is divided into three sections: <ul style="list-style-type: none"> ○ Section 1) Withdrawal from Savings – Withdrawals made directly to the parish or school with an ACH/Wire Transfer. ○ Section 2) Transfer between Savings Accounts or between Savings and Loan Accounts – These transactions are made directly at the Catholic Center and are shown on the Savings Account Statement. ○ Section 3) Payment from Savings/Loan – The Diocesan Accounting Office no longer makes payments direct to vendors from 117xxx savings accounts. See “Parish Tax-Exempt Savings Accounts” for additional details related to 118xxx savings accounts. • The completed form is emailed to the attention of the Asst. Director of Finance for Fiscal Management or faxed to (817) 945-9412 for items in Sections 1 and 2.

Parish Tax-Exempt Savings Accounts

Tax-exempt Savings Account Policy

A parish may request a tax-exempt account at any time. To establish a “tax-exempt” savings account, the pastor/pastoral administrator must submit a Summary Project Proposal to the Finance Department requesting the establishment of the account.

The purpose of the account must qualify for a tax exemption, e.g. building fund, major renovation. Parishes are required to present their project to the Diocesan Pastoral Finance Committee before a tax-exempt status is granted, unless otherwise specified in writing.

The money must begin to be used for the project within five years from the day the tax-exemption is granted unless a time frame is specified in writing. If the funds are not used for that purpose within the time frame, all funds in that account will be taxed.

Parishes must also share their donor databases, when requested, as a condition of tax-exemption.

Rationale:

Parishes must specify a particular purpose for a tax-exempt account. If a parish significantly changes the specified purpose of a tax-exempt account, the parish will lose the tax exemption on monies already deposited in it. It is recommended that parishes and schools follow the “Process Outline for Renovation or Construction” guidelines for such projects (in Construction section of this handbook).

Specific Information	
Parish Revenue	<ul style="list-style-type: none">• Parish revenue is subject to the diocesan tax; however, funds set aside for a future capital project may be exempt from the tax. Monies in a tax-exempt capital fund remain tax-exempt for five years or as specified in a letter from Chancery.• If a parish has cash that will not be needed for operations in the future, it can choose to transfer those funds to a tax-exempt savings account.• The transfer of cash must take place within the fiscal year that the cash was received by the parish. A parish cannot show an operating loss in order to receive full credit. Once the fiscal year books are closed, any fund balance from the previous year cannot be transferred, tax-exempt, into a savings account.

Specific Information	
Factors to Consider When Creating a Tax-Exempt Account	<ul style="list-style-type: none"> • Parish leadership needs to carefully examine their financial situation and future cash flow when making this decision. • Once funds have been transferred to the tax-exempt savings account, they may not be removed and used for other purposes, without being once again subject to the diocesan tax. • Any funds held in a taxable savings account are not eligible to be deposited into a tax-exempt savings account, unless they were deposited in the same fiscal year as the transfer. • Additionally, the tax-exempt savings accounts are subject to all other policies addressing tax-exempt building projects.
<i>Establish Tax-Exempt Savings Account</i>	<ul style="list-style-type: none"> • A tax-exempt savings account will be opened once the “Summary Project Proposal” is approved and the Deposit instructions for DTE savings in CENTER form is signed and returned. See the policies regarding Summary Project Proposal in the Chapter on Construction. • Parish “tax-exempt” savings accounts are exempt for five years unless otherwise specified in a letter. Funds not used for the stated purpose are subject to taxation.
<i>Capital Expenditure Qualifying for Tax-Exemption</i>	<ul style="list-style-type: none"> • The following are capital expenditures that qualify for tax exemption: <ul style="list-style-type: none"> ○ New construction – the construction of a new building, purchase of additional property, or the addition of new construction to an existing building (outside of the existing walls of that building). ○ Major improvement – when a significant infrastructure change to an existing building takes place such as gutting it and rebuilding it, or changing the use of the building requiring significant rearrangement of the floor plan. ○ Improvement due to structural problems – when a building has significant structural changes outside of the control of the parish and requires major improvements.
<i>Not Eligible</i>	<ul style="list-style-type: none"> • Not eligible for tax exemption are maintenance or replacement of machinery, equipment and furnishings that are worn out due to use or age. Major systems such as HVAC may be eligible for tax-exemption. • Capital expenditures made before tax-exemption was granted.

Procedure	Steps
<p><i>Donations Through Second Collections and Major Donors</i></p>	<p>Parishes have two options for delivering donations to the Central Office:</p> <ol style="list-style-type: none"> a. Parish Check: The Parish may write a check and mail it to the Central Office for deposit to the D&L Fund. b. Pay-Diocese ACH Form: The Parish may send in this form to accounting@fwdioc.org with a copy to the Asst. Director of Finance for Fiscal Management, via email. <p>The following information must accompany all deposits to tax-exempt savings accounts:</p> <ol style="list-style-type: none"> a. Provide copies of all donor checks included in the deposit. b. Provide a spreadsheet of donors that make up the cash in the deposit. c. The total amount of donations must match the deposit <p>Please note, if donor information is incomplete or missing and is not remedied within 30 days from deposit, all deposits to the account become subject to taxation.</p>
<p><i>Parish Operating Fund Contribution to Tax-Exempt Savings Account</i></p>	<ul style="list-style-type: none"> • Parishes may receive a credit for excess revenue deposited in the current Fiscal Year. • Total revenue transferred cannot cause an operating income loss. If there is an operating loss this will reduce or eliminate the credits received.
<p><i>Projects and Tax-Exempt Savings Accounts</i></p>	<ul style="list-style-type: none"> • Any expenses for any project that qualifies for use of tax-exempt money must be paid by the Diocesan Finance Office. If parishes pay any bills directly, they will not be reimbursed with tax-exempt funds. The only exception is for FF&E up to the amount listed in the approved construction budget. • If there are insufficient funds in the Savings Account to cover the submitted invoices a Diocesan Loan will be created (assuming the Parish was approved for a loan after their meeting with the Diocesan Pastoral Finance Committee). • The Parish should continue to deposit funds to the Savings Account. The Accounting Office will transfer funds to pay against the loan only if a Financial Transaction Authorization Form is received authorizing payment to the loan. • The funds are applied first to interest and then to the principal of the loan. An adjustment is made each month to reduce the amount of tax-exempt revenue equivalent to the interest paid. The Central Office will send a journal entry for this change. • If the project is complete and there is no outstanding loan balance, the remaining funds in the tax-exempt savings account will be held for up to one year. After one year, the remaining funds will be distributed to a parish general savings account and become taxable at this time. The tax-exempt account is then closed. The parish may request to transfer the funds to a new tax-exempt project. The approval of the project and transfer must occur within one year after the completion of the existing project.

Parish/School Credit Cards

Parish/School Credit Cards Policy

The Pastor/Principal must give authorization for:

1. The establishment of any credit card accounts;
2. The establishment of any store credit accounts.

Rationale:

The Pastor/Principal is responsible for the financial activity of the Parish/School and its organizations. He/she should be the one who makes the decision regarding whether the Parish/School should enter into an agreement with a credit card company or store credit account.

Specific Information	
<i>Obtaining a Credit Card</i>	<ul style="list-style-type: none"> • Only the Pastor/Principal should make the decision to obtain a credit card after consultation with the appropriate finance councils or boards. • The Diocesan Credit Card Program is the recommended option.
<i>Obtaining Store Credit Account</i>	<ul style="list-style-type: none"> • Only the Pastor/Principal should make the decision to obtain a credit account after consultation with the appropriate finance councils or boards. • It is recommended that Parishes and Schools limit or avoid the use of the Store Credit Accounts. Instead, Parishes and Schools should centralize their purchasing on the Diocesan Credit Card. • If the Pastor chooses to maintain existing store credit accounts: <ul style="list-style-type: none"> ○ The Parish/School should give the store a list of people authorized to make purchases at that store. When a purchase is made, the receipt should be brought to the Parish/School office immediately and kept on file until it can be compared with the monthly bill sent by the store. ○ Keep a list in the office of the people who are approved to sign for each account.
<i>Use</i>	<p><i>For Credit Cards:</i></p> <ul style="list-style-type: none"> • Only persons authorized by the Pastor/Principal can use a credit card. <ul style="list-style-type: none"> ○ Each authorized person should be issued an individual credit card with their name on the card. ○ Each authorized user should not allow another person to use their card. The cardholder is the custodian of the card. • Lost credit cards should be reported immediately to the card company. <p><i>For Store Credit Accounts:</i></p> <ul style="list-style-type: none"> • Only persons authorized by the Pastor/Principal may charge on the account. • The Parish/School is the Custodian of the store charge card (plastic card). • The Parish/School must maintain a written list of authorized users. <p><i>For all credit accounts</i></p> <ul style="list-style-type: none"> • Personal purchases are not authorized.

	<ul style="list-style-type: none"> • If an expense is outside the budget, contact the supervisor or the business manager to obtain the appropriate approval prior to making any expenditures. Expense reports must be documented and authorized by the respective supervisor on a monthly basis. • All receipts must be included with the monthly expense reports. • All expenses should be coded to the appropriate account. • If you have an expense that is outside the budget, contact the supervisor or business manager to obtain the appropriate account number. • Self-authorization of expense reports is not permitted. • Report stolen or lost cards immediately.
<i>Security</i>	<ul style="list-style-type: none"> • The agreement and all credit cards should be kept in a secure place. • The individual credit card holder is the custodian of the card. • The Parish/School is the custodian of all credit and store accounts.
<i>Payment</i>	<ul style="list-style-type: none"> • <u>Payment of the Diocesan credit card</u> will not require a form. This payment is automatically withdrawn from the Parish/School each month. • The Parish/School must not pay personal credit card bills. A reimbursement form, along with all appropriate documentation, must be submitted and the check written to the employee or priest.

Monetary transactions between the Central Office & Parishes/Schools

Parish/School Credit Cards Policy

Parishes/Schools will primarily receive and pay money to The Central Office Finance Department utilizing ACH (Automated Clearing House) transfers.

Rationale:

This procedure is designed to improve the internal controls through greater segregation of duties.

Specific Information	
<i>Definition of ACH transactions</i>	Automated Clearing House (ACH) is an electronic network for financial transactions in the United States. ACH credit transfers include direct deposit, payroll, and vendor payments.
<i>Sending Money to The Central Office</i>	<p>Parishes and Schools will send money to the Central Office Finance Department using the form named PAY-DIOCESE. The form is found on CONNECT.</p> <p>Examples of frequent transactions: national collections, savings deposits, and loan payments.</p> <p>For payment of construction or renovation loans using tax exempt money please see "Parish Tax Exempt Savings Account".</p> <p>Note: <u>Payment of the Diocesan invoice</u> will not require a form. This payment is automatically withdrawn from the Parish/School each month.</p>
<i>Receiving Money from the Central Office</i>	Parishes and Schools can request withdrawals from savings accounts by using the "Parish/School Financial Transaction Authorization" form. All deposits will be made via ACH.

6. CASH MANAGEMENT: RECEIPTS

Overview	6-1
Cash Receipts in General	6-2
Collection Counting and Security Procedures	6-3
Special/Mission Appeals.....	6-6
Stole Fees	6-8
Checks Received Through the Mail or in the Office	6-9
Cash Received in the Office	6-12
Religious Article Store Sales.....	6-14
Fees for Parish/School Activities.....	6-15
Cash Receipts in Schools.....	6-16
Recording Tuition and Registration Fees	6-17
Uncollectible Tuition	6-18

Overview

The basic objective of internal control over receipts is to ensure that all amounts to which the parish/school is entitled, or for which it has responsibility, are deposited in the proper bank account or are otherwise brought under proper control and accountability. Small parishes and schools must be particularly diligent because of the limited number of persons usually involved. This section provides policies, specific information, procedures and sample journal entries that serve as a guide for diocesan entities in the receipt of funds.

Explanatory Comment Regarding Implementing Policies

The Diocese is composed of parishes and schools. Some parishes have large paid staff and a well-organized pool of volunteers, while other parishes rely heavily on the pastor to do everything. There is a similar variety among the diocesan schools.

The policies and procedures that follow in this section, “Cash Management: Receipts”, are comprehensive. Larger parishes and schools clearly should implement them. We acknowledge, however, that very small entities cannot implement some of the procedures fully. Consequently, in certain policies we have italicized portions of “Specific Information” and “Procedures and Steps” under each policy that we consider the minimum any parish or school should have in place. These are the minimum standards even for small parishes/schools.

Cash Receipts in General

Cash Receipts Policy

Utilizing all of the procedures in this section, control must be established over all cash and checks received, and they should be deposited promptly in the appropriate bank account and recorded in the proper account as designated in the chart of accounts.

Rationale:

The parish/school has the responsibility to exercise proper stewardship over the funds entrusted to it. Cash receipts should be protected from misappropriation. Physical access to cash, cash receipts and cash receipt records should be limited to authorized personnel. Additionally, cash receipts should be recorded in the appropriate period.

Implementing adequate internal controls and following certain procedures consistently protects both the parish/school assets and the accounting personnel.

The above policy and rationale apply to the areas listed below. Each will be addressed in detail in the following pages.

- Collection Counting and Security Procedures
- Special/Mission Appeals
- Stole Fees
- Checks Received Through the Mail or in the Office
- Cash Received in the Office
- Religious Article Store Sales
- Fees Paid for Parish/School Activities
- Cash Receipts in Schools
- Recording Tuition and Registration Fees
- Uncollectible Tuition
- Recording Stock Gifts and Non-Cash Donations (addressed in Section 5, “Fundraising Activity”)

Note: To assist in the security and safety of funds held overnight in the parish/school, consideration should be given to purchasing a safe that has a slot top (also known as a depository safe). This gives any staff or volunteer the ability to secure funds at any hour. For more information, contact the Diocesan Finance Office.

Collection Counting and Security Procedures

Collection Counting and Security Policy

Every parish, mirroring the procedures and forms described in this handbook, must write and implement procedures for collection counting and its security.

Rationale:

Special attention is given to the collection, counting, and deposit of funds received at weekend Masses and holy days.

The pastor or pastoral administrator is responsible for all funds collected in the parish. These procedures are intended to give them a structure for the custodial responsibility as well as to protect the contributions made for the ministry of the parish.

The parishes in the diocese vary dramatically in size. Consequently, great variation exists in the size of collections and in the number of persons available to collect, count, and deposit these collections. We acknowledge this in recommending that the following procedures be followed as closely as possible. We also recognize that schools collect and count quantities of cash. Therefore, these procedures apply to those situations also (with some adjustments).

Below you will find specific information regarding the diocese’s collection counting policies and procedures. We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any parish or school should have in place.

Specific Information	
<i>Count Team Selection</i>	<ul style="list-style-type: none"> • <i>The pastor should appoint collection count teams, after consultation with the parish finance council.</i> • <i>Neither pastor nor any staff member should count the collection. Also, parties related to the pastor and/or staff members should not serve on a counting team.</i> • <i>A count team should be made up of a minimum of three unrelated individuals.</i> • <i>There should be at least two count teams, preferably four or more.</i> • <i>The chosen individuals should be known to and respected in the parish community.</i> • <i>Related parties (e.g., spouses, family members, those related by marriage) should never comprise a count team by themselves; there always must be a non-related person on the team and present.</i> • <i>Background and credit checks must be conducted on count team members.</i>

Procedure	Steps
<i>Count Team Schedule</i>	<ul style="list-style-type: none"> • A rotating schedule should be established for the count teams. • Such a schedule helps ensure that no person or team is overworked or involved too much. It also discourages any potential theft or misappropriation. • The schedule should be such that the teams rotate either:

	<ul style="list-style-type: none"> ○ By week (various teams being responsible for specific weeks of the month, for example) ○ Or by month (teams being responsible for different months of the year)
<i>Taking Up the Collection</i>	<ul style="list-style-type: none"> ● <i>All collections should be gathered by assigned ushers or other persons who have been approved by the pastor or business manager. All ushers or other persons must have completed or be current with their safe environment requirement prior to assisting.</i> ● The collection should be immediately placed in locked or tamper resistant bags and transferred to the parish safe or secured location as soon as possible. <ul style="list-style-type: none"> ○ If brought to the sanctuary during the offertory procession, the collection should be removed immediately after the Mass by two of the ushers. They should transfer it to the parish safe or the secured location where the collection counting is taking place. ○ If not part of the offertory procession, the collection should be transferred immediately.
<i>Security Immediately after Mass</i>	<ul style="list-style-type: none"> ● If the collection is counted immediately after Mass, the two designated persons should take the collection immediately after Mass to a designated location where the team of collection counters is waiting. <i>The location should be secured and private, with limited access.</i> ● If the collection is not counted the day of the Mass, it can either be taken by at least two members of the counting team to be placed in the night depository of the bank, or ● <i>The locked bag(s) may also be secured in a safe.</i> ● <i>Under no circumstances should a collection be taken home by anyone to be kept overnight or to be counted.</i>
<i>Beginning the Count</i>	<ul style="list-style-type: none"> ● On the counting day, two persons should pick up the bags from the bank, if not counted after Mass. <ul style="list-style-type: none"> ○ If possible, it is preferable that the collection be counted at the bank. ○ If accommodations are not available at the bank, the collection should be counted at the church site. ● <i>Once two or more of the designated money counters are present, the locked or tamper proof bag(s) should be opened to begin counting.</i>

Procedure	Steps
<i>Counting Procedures</i>	<ul style="list-style-type: none"> • <i>Envelopes should be separated from the loose checks, currency and coins. The loose checks, currency and coins should be counted separately. Written documentation, such as the Collection Counter Worksheet (follows), should be prepared by the persons actually counting the funds.</i> • <i>When a copier is available, copies of loose checks should be made. If a copier is not available, prepare a listing of each check, including the name of the giver, the check amount, the check date, and the check number (see attached Collection Check Log).</i> • <i>All checks should be restrictively endorsed. Preferably, this is done by using a stamp with the entity name, the bank account number into which the deposit will be made, and the words “For Deposit Only”.</i> • <i>The collection in envelopes should be counted in the same manner.</i> • <i>Reconcile the envelope amounts to the actual contributions. Any unreconciled amount should be noted on the Collection Counter Worksheet.</i> • <i>Any specific designations by the donor should be noted on the envelope.</i> • <i>A different collection counter should recount the total checks, currency, and coins to verify the amount.</i> • <i>The deposit slip should then be prepared.</i> • <i>All members of the counting team must sign the Collection Counter Worksheet to reflect their participation in the counting and verification process, as well as the deposit preparation.</i>
<i>Recording Individual Contributions</i>	<ul style="list-style-type: none"> • <i>Bookkeeping staff should record into the individual contribution records all contributions made by envelope, check or otherwise identified method.</i> • <i>The total should be reconciled to the count sheets and the deposit slip.</i>
<i>Reconciling Procedures</i>	<ul style="list-style-type: none"> • <i>Reconcile the amount of the loose checks and envelope collections noted on the Collection Counter Worksheet with the deposit amount noted on the deposit slip.</i>
<i>Note</i>	<ul style="list-style-type: none"> • <i>Make sure the Sunday collection received is coded to the account for the appropriate Sunday.</i>

Special/Mission Appeals

Special/Mission Appeals Policy

The Chancellor must give written approval, in advance, to the Pastor/Pastoral Administrator for all special appeals and offerings. The Pastor/Pastoral Administrator must approve, in advance, all special appeals and offerings before a commitment for such a collection is extended to a ministry, mission, or organization. **At no time will a visiting guest or ministry be allowed to collect the solicited offerings directly. Parishes/Schools should never send these funds directly but must process them through the Diocesan Finance Office.**

Rationale:

There are numerous ministries, missions, and organizations that rely on special financial assistance to address their cause's projects and programs. Without making any comment as to the worthiness of any cause, it is important that the Pastor/Pastoral Administrator is aware of and approves special appeals that are made to the parish community. Similarly, the Pastor/Pastoral Administrator should approve of any financial requests that are made by organizations directly related to the parish (e.g., altar society, youth group, etc.). The Pastor/Pastoral Administrator should at least be aware of such requests being made of organizations indirectly related to the parish (e.g., Knights of Columbus). This is to prevent any duplication of efforts or an unscrupulous taking advantage of goodwill.

This policy also applies to special appeals that take place in schools and their auxiliary organizations.

Below you will find specific information regarding the diocesan procedures. We have *italicized* those portions of "Specific Information" and "Procedures and Steps" that we consider the minimum any parish or school should have in place.

Specific Information	
<i>How Collected, Counted</i>	<ul style="list-style-type: none"> • <i>All special appeals will be collected, counted and deposited through the normal parish offering procedures, properly accounted for to the Diocesan Finance Office, and a check issued by the diocese to the appropriate recipient. This will help to ensure consistency, avoid the mishandling of offerings, enable an appropriate audit trail to be maintained in the parish records, and ensure that contribution credit will be appropriately granted and recorded.</i> • <i>Each year the Chancery assigns specific mission appeals to parishes. In the event that funds are collected for an appeal other than the one assigned, please include with the Pay Diocese form sent to the diocese, all information needed to forward the funds to the proper organization. This will ensure that the funds are sent quickly.</i>

Specific Information	
<i>Cash Offerings</i>	<ul style="list-style-type: none"> • <i>Cash offerings are not allowed to be taken and given directly to the special guest at the conclusion of a service</i>

<i>Annual Diocesan Mission Appeal</i>	<ul style="list-style-type: none"> • If the parish wishes this offering to be considered as participation in the Annual Diocesan Mission Appeal Program, contact the Chancellor's office.
<i>Regular Parish Procedures</i>	<ul style="list-style-type: none"> • If a special offering is taken up for a missionary or special guest of the parish, these offerings will be collected, counted and deposited in the same manner as regular contributions. • The amount should be recorded on the person's contribution record.
<i>Forwarding Address</i>	<ul style="list-style-type: none"> • When funds are sent to the Diocese for processing to be forwarded to the person/ministry that made the appeal, make sure to give the Diocese the proper forwarding address.
<i>Contributions Payable to Parish</i>	<ul style="list-style-type: none"> • <i>All checks should be made payable to the parish and not in the name of the special guest or its ministry organization.</i> • It is acknowledged that some appeals request that checks be written directly to them. They want the names and addresses of the donors so that they may personally thank them and send further information: <ul style="list-style-type: none"> ○ It is preferable that information cards be collected instead. ○ The pastor may contact the Diocesan Finance Office for further assistance with this matter.

Stole Fees

Stole Fees Policy

As allowed by Canon 531, our Diocesan policy decrees that there is to be no fee or charge for administering sacraments and sacramentals (baptisms, weddings, funerals, quinceañeras, house blessings, etc.) Voluntary offerings given for these occasions belong to the Parish and must be deposited into the Parish operating account and recorded as revenue.

Rationale:

Pastors and Parochial Vicars are paid by the Parish for their ministry in the way of a salary, benefits, and living expenses. These payments originate from the Parish operating account and the account should therefore be reimbursed by these donations. Pastors, Parochial Vicars, and other clerics performing parochial functions should not use these donations as a source of livelihood.

This donation should be recorded on the donor's contribution record as there is no fee for sacraments or sacramentals.

Procedure	Steps
<i>Cash Receipts in General</i>	<ul style="list-style-type: none"> Follow procedures for the receipt of cash/checks, as presented in this section.
<i>Security</i>	<ul style="list-style-type: none"> Hold receipts in a secure place until they are deposited (all funds should be deposited as soon as conveniently possible).
<i>Additional Fees</i>	<ul style="list-style-type: none"> Determine if any portion of the amount received is for rental use or security deposit of Parish/School facilities. For example, the Parish/School might have a written policy stating that any non-registered person renting facilities must pay a user fee.
<i>Recording Receipts</i>	<ul style="list-style-type: none"> The portion of the stole fee that is not for rental use or some other fee is considered a charitable contribution to the parish. It should be recorded on the person's contribution record.
<i>Exception</i>	<ul style="list-style-type: none"> The only exception for not depositing the offering in the Parish operating account <u>is that it must be clear that the donor wanted the offering to be a personal gift.</u> The personal gift is not recorded on the donor's contribution record as it is not a gift to the Parish.

Checks Received Through the Mail or in the Office

Checks Received Through the Mail or in the Office Policy

All checks received by a Parish/School outside of Mass collections must be properly received, deposited, and recorded in the Parish/School books.

Rationale:

Parishes/Schools receive funds on an ongoing basis for a variety of purposes. It is essential to take all reasonable steps to make sure that these funds are properly secured from the time they are received through the time they are deposited. Additionally, it is essential to make sure these funds are recorded properly in the Parish/School books as revenue for the purpose for which they were intended.

The following procedures concern checks that are received through the mail and checks/cash received in the office. They should be implemented and followed as closely as possible. Care should be taken that the funds are properly secured, promptly deposited, and accurately recorded in the parish/school books accurately. Additionally, a donor making a cash donation in the office should receive adequate acknowledgement that the funds were received.

We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any Parish/School should have in place.

Specific Information	
<i>Who Opens the Mail and Receives Funds in the Office</i>	<ul style="list-style-type: none">• <i>It is important to designate who opens mail and who receives funds that are brought to the Parish/School offices. Such a practice helps control who handles Parish/School funds and allows for greater security.</i>• For mail that is for the business office and/or the bookkeeper, someone besides accounting personnel should open the mail.• Likewise, someone besides accounting staff initially should receive funds that are brought to the office.• Often, the receptionist or a secretary is a good person for this duty.• For mail sent directly to a Parish/School department (e.g., religious education, youth ministry, athletics), one person in that department should be designated to always be the person who opens the mail. Likewise, that same person should be the one who receives checks and cash that are brought to that office.

Procedure	Steps
<i>Listing of Cash and Checks</i>	<ul style="list-style-type: none"> • <i>Whoever receives any funds should prepare a list of all cash and/or checks received.</i> • The list of funds received should include the following information: name; date; amount; and purpose (if stated). A sample form that can be used to list cash and checks is the “Cash Receipts List” following this policy. • The funds received should be reconciled to the list and placed in the safe at the end of the day. These funds should never be kept overnight at a personal residence or in desk drawers. • The list should be totaled and then initialed and dated by the person opening the mail or receiving funds in the office. • The person receiving the funds keeps a copy of this list on file. • The funds, and a copy of the list, are forwarded to the person who makes the deposits.
<i>Tracking</i>	<ul style="list-style-type: none"> • When minimal amounts of cash/checks are received in the office or through the mail, a running list may be kept for several days that includes both amounts received in the office and amounts received through the mail. • <i>When these funds are deposited, a copy of the list is attached to the deposit slip. A new list is begun by the person receiving funds.</i> • Normally, receipts are not given for checks received in the office. For cash received in the office, see discussion in this section on “Cash Received in the Office”.
<i>Checks Restrictively Endorsed</i>	<ul style="list-style-type: none"> • <i>Checks received should be restrictively endorsed immediately</i> (for example, stamp the back of the check with “St. Simon Church, for deposit only” with the bank account number.). • The mail opener or the person receiving funds in the office can perform this duty.
<i>Receipts for Special Activities</i>	<ul style="list-style-type: none"> • If funds are being collected for a specific activity (e.g., youth ski trip), a separate list can be kept for that activity’s records: <ul style="list-style-type: none"> ○ A Parish/School staff member or someone considered reliable should be responsible for collecting these funds. ○ The funds received should be reconciled to the list and placed in the safe at the end of the day. These funds should never be kept overnight at a personal residence or in desk drawers. ○ Although funds should never be kept unsecured overnight, it is acknowledged that activity fees are often received in the evenings or over weekends, and it may not be possible to place them in a locked safe immediately. ○ Care should be taken to safeguard these funds appropriately.

Procedure	Steps
<i>Deposit of Funds</i>	<ul style="list-style-type: none"> • <i>A deposit slip should be filled out. The list of receipts should be attached to the deposit slip. (See the “Cash Receipts List” in this section for a sample form used to list receipts.) The person filling out the deposit slip should ensure that the total agrees with the list prepared by the person receiving the funds.</i> <ul style="list-style-type: none"> ○ <i>If the total does not agree, the person filling out the deposit slip and the person receiving the funds must meet to reconcile the difference.</i> • <i>Funds should be deposited daily. If this is not possible, they should be put immediately in the safe or some other secured place and the deposit made as soon as possible.</i> • <i>Copies of checks should be made, to be attached to the Parish’s/School’s copy of the deposit slip.</i> • <i>When the bank reconciliation is performed at the end of the month, records of cash receipts and summaries should be compared to deposit slips and bank statements.</i>

Cash Received in the Office

Cash Received in the Office Policy

Any cash received in the Parish/School office outside of collections taken up at Mass must be acknowledged by a written receipt at the time it is given.

Rationale:

Parishes and Schools receive funds on an ongoing basis for a variety of purposes. It is essential to take all reasonable steps to make sure that these funds are properly secured from the time they are received through the time they are deposited. Additionally, it is essential to make sure these funds are recorded properly in the Parish/School books as revenue for the purpose for which they were intended.

Below you will find specific information regarding the Diocese’s collection counting policies and procedures. We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any Parish or School should have in place.

Specific Information	
<i>Receipt Book</i>	<ul style="list-style-type: none"> • A pre-numbered receipt book should be used to acknowledge all cash received in the office. • This includes Mass stipends and stole fees. • It should be a three-part receipt book: one part to give to the payer, one part to remain in the book, and one part to accompany the funds to the bookkeeper to be filed with the deposit slip. • Such a book may be purchased at any office supply store.
<i>Responsible Person</i>	<ul style="list-style-type: none"> • A person other than the bookkeeper should have the responsibility of accepting the check/cash, keeping it secure, and giving a receipt to the donor/payer. • Often the receptionist or secretary is a good person for this responsibility.
<i>When a Receipt is Given</i>	<ul style="list-style-type: none"> • A receipt is given to any donor/payer who gives cash at the Parish/School office. This applies to all cash received at the Parish/School office. • The receipt slip should show the date, name, amount and purpose, and should be initialed by the office person receiving the funds.
<i>Exception</i>	<ul style="list-style-type: none"> • Sometimes a specific department, program or activity is collecting money (e.g., religious education registration fees, activity/merchandise prepayment, etc.). If this is the only purpose for which funds are being collected, a list of those paying can be kept instead of giving individual receipts. • See copy of the form that follows. • The form could be copied on a large envelope so that the funds are kept in the envelope. • The list should include the same information that is kept in the cash receipt book. See above.

	<ul style="list-style-type: none"> • If both cash and checks are being collected, record the same information for checks as for cash. Additionally, for each payee, indicate whether they paid by cash or by check.
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Procedure	Steps
<i>Who Receives a Receipt</i>	<ul style="list-style-type: none"> • <i>When someone comes to the office and gives cash for any reason (for example, Mass stipend, tuition payment, religious article purchase, etc.), that person should receive a receipt.</i>
<i>Security of Funds</i>	<ul style="list-style-type: none"> • <i>The funds received should immediately be put in the safe or a secured place. Funds should be deposited daily, or at the earliest convenience.</i>
<i>Other Comments</i>	<ul style="list-style-type: none"> • The person collecting the money should also use the “Cash Receipts List” to keep track of cash received. • The pre-numbered receipts should be used in order and one book should be completed before beginning another. • Completely used receipt books should be kept in a secured place for a minimum of three years.
<i>Reconciling Receipt Book</i>	<ul style="list-style-type: none"> • At the end of the day, the bookkeeper should reconcile the money received to the receipt book. • If there is very little activity, this count may take place on a weekly basis.
<i>Account Entry</i>	<ul style="list-style-type: none"> • The bookkeeper will make the appropriate entries to record the funds received in the proper accounts when she/he makes the regular entries to record the weekend collection revenue. • This should be done on a weekly basis.

Religious Article Store Sales

Religious Article Store Sales Policy

All sales and expenses of a religious article store, or other such store, run by a Parish/School or one of its organizations must be recorded on the entity's books.

In accord with state regulations, Diocesan policy requires that sales tax be collected and paid on all applicable sales.

Rationale:

Many Parishes and Schools have a religious article store or a bookstore for the convenience of their parishioners/students. Such activity is considered a legitimate part of the entity; thus, all sales and expenses related to the store should be recorded on the entity's books.

The sales tax laws of the State of Texas may be applicable to much of the financial activity that takes place in these stores. Parish/School leadership needs to be aware of what state law requires, and make sure that state law is appropriately followed.

Specific Information	
<i>Information</i>	<ul style="list-style-type: none">• For steps on how to secure and control funds, inventory, etc., see "Product Sales" in the Fundraising Activity section.• See "Sales Tax" in the Other Matters section of this handbook.

Fees for Parish/School Activities

Fees for Parish/School Activities Policy

Fees for Parish/School activities and the activities of their organizations must be recorded (including all receipts and all expenses) on the Parish/School books.

Rationale:

Activities where a fee is charged either to offset the expense or to fully pay for the activity should follow cash receipt procedures similar to those for sales. Examples of these types of services are:

- *Youth camps, retreats*
- *Music, art or other lessons*
- *Seminars or related activities*
- *Team sports events*
- *Counseling services*
- *Coordinating weddings*

We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any parish or school should have in place.

Specific Information	
<i>Excess Expenses</i>	<ul style="list-style-type: none"> • The ministry’s/department’s budget will bear the burden of any excess expenditures arising from fees for services.
Procedure	Steps
<i>Recording Fees Collected</i>	<ul style="list-style-type: none"> • The initial expenses and the fees collected should be run through the budget accounts of the sponsoring ministry/department.
<i>Counting and Depositing</i>	<ul style="list-style-type: none"> • <i>All funds collected for the various functions and programs should be counted and deposited according to the procedures in “Product Sales,” in the section entitled Fundraising Activity.</i>
<i>Related Expenses</i>	<ul style="list-style-type: none"> • <i>No purchases are to be made from cash collected. Any amounts needed for purchases or reimbursements should be obtained through regular purchase procedures.</i>

Cash Receipts in Schools

Cash Receipts in Schools Policy

All cash receipts in Schools must be recorded in the School's accounting books. This includes, but is not limited to, receipts from: cafeteria sales; sports events admission fees; snack bar receipts; bookstore sales; etc.

Rationale:

All financial activity of the School, its activities, and its organizations needs to be recorded on the School's books. This helps ensure that all funds are accounted for properly.

Specific Information	
<i>Related Information</i>	<ul style="list-style-type: none">• Previous policies and procedures in this section are to be applied as applicable, in particular:<ul style="list-style-type: none">○ Checks Received Through the Mail or in the Office○ Cash Received in the Office○ Fees for Parish/School Activities

Recording Tuition and Registration Fees

Tuition and Registration Fees Recording Policy

Revenue received for tuition and registration fees must be recorded for the appropriate fiscal year.

Rationale:

Normally, Schools require that registration and portions of tuition be paid in the spring, for the school year beginning the following fall. The same situation often occurs with Parish religious education programs. It is important to record the receipt of these funds for the proper school year to accurately monitor the financial status of the School or program during a given period.

Procedure	Steps
<i>Deposit Funds</i>	<ul style="list-style-type: none">• It is highly recommended that all tuition payments be collected using the FACTS tuition management system. Every effort should be made to encourage the use of FACTS to avoid the collection of large sums of cash or negotiable instruments such as checks or money orders in the front office.• In those rare instances when an individual pays in person for tuition or registration, it should be deposited in the checking account within 24 hours of receipt, or as soon as possible thereafter.• All payments received should be recorded in a receipt book or log and a receipt should be provided to the individual making the payment.• The payment should be applied to the student's FACTS account and recorded as a Payment Received at Institution within one business day to avoid erroneous late charges, continued collection efforts, or duplicate payments being attempted.

Uncollectible Tuition

Uncollectible Tuition Procedure

When it has been determined that the tuition of a student is not collectible, that amount should be taken off the books.

Rationale:

Often, tuition is recorded when it is earned, even when this is before being collected. When this occurs, and the tuition is not ultimately collected, an entry needs to be made to properly reflect what has occurred.

Specific Information	
<i>Reference</i>	<ul style="list-style-type: none">• If tuition is not collectible for any reason other than a check being returned for insufficient funds, follow the procedures found on this page.• If tuition is not collectible because there are insufficient funds to cover a check, refer to information in the section, entitled “Returned Checks” in Chapter 8.
<i>Tuition Should Be Recorded</i>	<ul style="list-style-type: none">• Even if the tuition has not yet been recorded on the books (using the cash basis method), it should be recorded at this point.• This will allow the school to keep track of the amount of tuition that should have been collected and how much had to be written off.
Procedure	Steps
<i>Note</i>	<ul style="list-style-type: none">• The departments of high schools and elementary schools have various account numbers. It is important to ensure that the correct department numbers are used in the entries.

7. CASH MANAGEMENT: DISBURSEMENTS

Overview	7-1
Cash Disbursements in General	7-2
Expenditures Over \$10,000.....	7-5
Purchase Orders.....	7-6
Purchase Order Form.....	7-8
Payments for Substitute Ministers in Parishes	7-9
Sharing Expenses	7-11
Returned Checks	7-12
Permanent Petty Cash Fund and Temporary Loan/Start-Up Funds.....	7-13
Expense Reimbursements.....	7-17
Diocesan Billing.....	7-19
Procedures for Establishing a Diocesan Credit Card.....	7-22
Diocesan Credit Card Use Rules.....	7-24
Business Travel and Meals Policy	7-25

Overview

The basic objective of internal controls over cash disbursements is to reduce the risk of misappropriation by ensuring that a record of all disbursements is made and that only authorized persons are in a position to disburse funds. This section provides policies, specific information, procedures and sample journal entries that serve as a guide for diocesan entities in the disbursement of funds.

Explanatory Comment Regarding Implementing Policies

The Diocese is composed of parishes and schools. Some have large paid staff and a well-organized pool of volunteers, while others do not.

The policies and procedures that follow in this section, “Cash Management: Disbursements”, are comprehensive. All parishes/schools should implement all policies and procedures. We acknowledge, however, that very small institutions cannot implement some of the procedures fully due to staffing limitations. Consequently, in certain policies we have italicized those portions of “Specific Information” and “Procedures and Steps” under each policy that are considered the minimum any parish or school should have in place. These are the minimum standards for all parishes/schools.

Cash Disbursements in General

Cash Disbursements Policy

Disbursements from bank accounts should be made only for valid transactions. The payment for goods and services, should follow certain procedures to ensure that no unauthorized payments are made, that correct and accurate records are kept for each payment, and that payments are recorded in the proper period. Additionally, physical access to cash and unused checks must be restricted to authorized personnel.

Rationale:

People contribute money to the church with the expectation that those funds will be used wisely and for the purposes for which they were contributed. People who pay school tuition for their children or contribute money to a school expect the same. Procedures on how cash disbursements are to be handled help ensure the proper use of these funds.

We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any parish or school should have in place.

Specific Information	
<i>Budget Preparation</i>	<ul style="list-style-type: none"> • <i>All expenditures should be compared to the budget. Expenditures beyond budgeted amounts or unplanned should be approved by the pastor.</i> • <i>See the section on Budgeting for more information.</i>
<i>Regular Schedule of Payment</i>	<ul style="list-style-type: none"> • <i>Payment may not be made until the vendor has submitted a current W-9.</i> • <i>Payments should always be made by check or by credit card, never by cash, debit card, or automatic withdrawal from operating bank account.</i> • <i>Automatic charges to the Diocesan credit card must be accompanied by a receipt and/or other supporting documentation at all times. There must be written preapproval from the pastor/principal in order to set up all automatic charges.</i> • <i>Invoices for products received or services rendered should be paid on a regularly scheduled basis (weekly, or biweekly, whichever seems most appropriate).</i> • <i>Checks should not be written on demand or with blanks so name or amount can be written in.</i> • <i>Invoices should be paid according to the invoice terms. For example:</i> <ul style="list-style-type: none"> ○ <i>“Net 30” means an invoice should be paid 30 days from the invoice date,</i> ○ <i>“Net 0” means an invoice should be paid with the next scheduled check run.</i>
<i>Always an Invoice</i>	<ul style="list-style-type: none"> • <i>All disbursements should be paid from an approved invoice. No amounts should be paid in cash.</i> • <i>The bookkeeper should record the invoice number in the accounting software to avoid the possibility of double payment. In the absence of</i>

	<p>an invoice number, create your own invoice number incorporating the date of the invoice. We recommend using the following format including the initials of the person creating the payment order. For example: YYYYMMDD-AB (where A is the first initial and B is the last initial).</p> <ul style="list-style-type: none"> • <i>Sometimes statements are sent that show the sum total of multiple invoices. However, payments should be paid from invoices only. A copy of the invoice can be obtained by contacting the vendor.</i> • <i>Shipping confirmations or other summaries are not valid invoices.</i> • <i>Checks should always be payable to a specific person or entity (not “Cash”), including for petty cash reimbursement.</i> • <i>A check should be written for each legitimate invoice for the amount shown on the invoice, less any discount or credits if applicable. Any discounts or credits should be documented on the invoice.</i>
<i>Payroll</i>	<ul style="list-style-type: none"> • All payroll and bonuses must be paid through the Diocesan payroll system. Parishes/schools are not to write checks for this amount. • Any lay employee stipends may be paid directly by the parish/school, but Diocesan Payroll Department must be notified.
<i>Purchase Orders</i>	<ul style="list-style-type: none"> • A generally accepted budgetary control is the use of a purchase order system. • If a parish/school decides to establish a purchase order system, they can use the guidelines that follow, in “Purchase Orders”.

Procedure	Steps
<i>Receipt of Supplies</i>	<ul style="list-style-type: none"> • <i>If supplies or products are purchased, steps must be taken upon their receipt to make sure the requested materials are actually received.</i> <ul style="list-style-type: none"> ○ For example, if religious education books are ordered, when the order is received, the person who made the order must check the delivery to make sure that what was received exactly matches what was ordered, and that it was delivered in undamaged condition. ○ When the invoice is received, the bookkeeper should make sure that the receiving report or packing slip and the invoice agree with each other. • <i>All shipments must be sent to the parish/school office and never to someone’s home.</i>
<i>Invoice Review</i>	<ul style="list-style-type: none"> • All invoices should be authorized by the pastor, pastoral administrator, president, or principal. Other employees may have designated authorization amounts, but such authorization must be documented in writing. • See “Expenditures Over \$10,000” discussion in this section. • If the invoice is to be paid from a tax-exempt savings account, the parish does not pay the invoice. Such an invoice is submitted to the Diocesan

	<p>Property Management and Construction Office. See the “Parish Tax-Exempt Savings Account” discussion in the Cash Management: Introduction section for information on how to pay such an invoice.</p> <ul style="list-style-type: none"> • If the invoice is for a business-related expense reimbursement, see the “Expense Reimbursements” discussion in this section. • Any questions should be answered before a check is written for the invoice. If questions are not answered to the satisfaction of the bookkeeper or business manager, the issue should be brought to the pastor/principal.
<p><i>Approval, Signature</i></p>	<ul style="list-style-type: none"> • <i>The check, with invoice attached, should be presented to the pastor/principal for signature.</i> • <i>A signature stamp must <u>not</u> be used.</i> • <i>Before signing each check, the pastor/principal should review the invoice, and sign the support to show authorization.</i> • Signed checks, along with invoices, should be returned to the bookkeeper, who appropriately distributes the checks.

Expenditures Over \$10,000

Expenditures Over \$10,000 Policy

All expenditures over \$10,000 must be approved by the Bishop, or his delegate, before taking place. The following subjects have additional policy requirements: budgeted purchases of materials and supplies, construction contracts, and, anything to be paid with tax-exempt funds.

Rationale:

Even if an expenditure over \$10,000 is part of the parish/school budget, specific permission must be received. This policy applies to projects, purchases of goods, and purchases of services in which partial payments may be under \$10,000, but the full cost exceeds \$10,000.

Specific Information	
<i>Contracts</i>	<ul style="list-style-type: none"> • Contracts are extremely important and protect the parish/school. See the Contracts section of this handbook for in depth information.

Procedure	Steps
<i>Summary Project Proposal</i>	<ul style="list-style-type: none"> • The parish/school must fill out the Summary Project Proposal Form (found on CONNECT) and send to the Central Office. The form must be signed by the Pastor/Principal.
<i>Diocesan Pastoral Finance Council</i>	<ul style="list-style-type: none"> • The Pastor/Principal obtains a date for presentation to the Diocesan Pastoral Finance Committee from the Finance Department. • The parish/school should plan to make a presentation to the Diocesan Pastoral Finance Committee.
<i>Approval</i>	<ul style="list-style-type: none"> • Written approval or non-approval is sent by the Chancellor or his delegate to the parish/school.

Purchase Orders

:

Purchase Order Guideline

A purchase order should be submitted and approved for all unbudgeted expenditures and all expenditures that during the year are in excess of \$5,000.

Rationale:

The parish/school annual budget should be prepared to include all anticipated expenditures that will occur during the budget period.

*In order to ensure that all non-budgeted expenditures, all capital items, and all significant expenses are properly approved prior to the purchase, all such purchases should be initiated with a purchase order. Approval by the pastor/principal, business manager, or other authorized person must be granted **before** any purchase action begins.*

Purchases that are of a significant amount should be authorized, even when they have been included in the annual budget. Expenditures exceeding \$5,000 should be authorized (Prior approval will ensure that there is sufficient cash available when the purchase is made. This includes purchases of commodities or services that might be received and invoiced in stages (for example; books that might be ordered, and/or received in numerous shipments; or computer technician services that might take place and be billed over a number of weeks).

Procedure	Step
<i>Budget Comparison</i>	<ul style="list-style-type: none"> • When preparing to make a purchase, it should be determined if it has been budgeted for and determine the actual overall cost of the purchase. • If it is not included in the expenditure budget or if the overall cost exceeds \$5,000, a purchase order form is to be requested.

Procedure	Step
<i>Purchase Order Form</i>	<ul style="list-style-type: none"> • A standardized purchase order form should be utilized. The form should have the following minimum data: <ul style="list-style-type: none"> ○ Purchase order number Name, address, phone number and tax identification number of the parish/school ○ Space for name, address, telephone number of the vendor ○ Space for complete identification of the goods or services purchased ○ Shipping instructions ○ Date required ○ Space to signify approval of the purchase ○ Space to designate what budget line item is paying for purchase • A sample form is provided for you on the next page.
<i>Business Manager Review</i>	<ul style="list-style-type: none"> • Purchase orders will be reviewed by the business manager to determine: <ul style="list-style-type: none"> ○ Whether it is an authorized budget expenditure ○ Whether the budget account has sufficient balance to make the purchase ○ Whether or not funds exist in the general fund to make the purchase • The pastor/principal has authority to approve or not approve the proposed expenditure. Steps can be taken to make the expenditures only after approval is given. <ul style="list-style-type: none"> ○ Upon approval, regular cash disbursements procedures are followed.
<i>When Paid</i>	<ul style="list-style-type: none"> • The invoice should not be paid until goods are received or services are performed (except for deposits, etc.). • Orders should never be shipped to an individual's home.
<i>Orders Over \$10,000</i>	<ul style="list-style-type: none"> • Any order for goods or services over \$10,000, whether budgeted or not, must be approved by the Bishop or his delegate. • See "Expenditure Over \$10,000" earlier in this section.

Purchase Order Form

Purchase Order Number: _____

Person Requesting Purchase: _____

Date:

<i>Diocesan Entity Information</i>		
Name:		
Address:		
City:	State:	Zip:
Phone Number: ()	Fax Number: ()	

Vendor Information		
Vendor Name:		
Contact Person:		
Address:		
City:	State:	Zip:
Phone Number: ()	Fax Number: ()	

Goods/Services to be Purchased	
Item(s)	Cost
Example	
Total Cost:	

Shipping Instructions:

Date Goods/Services Required: _____

Signature Authorizing Purchase

Date

Budget Line Item Number & Description:

Payments for Substitute Ministers in Parishes

Substitute Ministers in Parishes Policy

Priests, deacons, or other ministers may celebrate Mass or offer other liturgical services in a parish/school for which they are not assigned. Specific minimum payment levels (not Mass Intention Stipends, but compensation for services) are established by the Diocese. Additionally, specific accounting and reporting procedures must be followed.

Rationale:

Sometimes a minister will be paid by one diocesan entity but celebrate Mass or perform some other liturgical service for another parish/school. The Diocese has established specific minimum amounts to be paid as compensation and reimbursement; this helps ensure a basic equality in the amounts paid. This information is provided with the Annual Budget Rate Sheet. Additionally, specific accounting procedures ensure consistent financial reporting to the entity, the Diocese, and the IRS for income tax purposes.

Specific Information	
<i>Amount</i>	<ul style="list-style-type: none"> • Each year the Diocese will update and publish specific dollar amounts for this policy. • The Chancery establishes minimum compensation amounts to priests for supply help: <ul style="list-style-type: none"> ○ For celebrating Mass or the Sacrament of Reconciliation: the minimum amount for each service is set by the Chancery. ○ In addition, travel expenses are to be paid (unless they are paid by another parish or institution in which the priest is on active duty). The published mileage reimbursement rate should be used. Please see the most recent Rate Sheet posted on CONNECT. • The Diocesan recommendations are minimum amounts. • A visiting priest may refuse to accept the payment. In this case, the parish will send the mileage reimbursement to the parish that pays for the visiting priest's auto maintenance. • When a deacon is requested to provide a Sunday celebration in the absence of a priest, or to officiate at a wedding, funeral or baptism, the above criteria are applied to him as well.

Specific Information	
<i>Diocesan Priest or Deacon</i>	<ul style="list-style-type: none"> • Payments should be made to the individual <ul style="list-style-type: none"> ○ Notify Payroll so the amount can be included on their W-2 ○ If you do not notify Payroll, you will need to submit a 1099 for payments totaling \$600 or more in a calendar year. This could create issues with the IRS since all parishes in the Diocese have the same EIN.
<i>Order Priest</i>	<ul style="list-style-type: none"> • Payments should be made to the order not the individual. • If you pay the individual over \$600 in a calendar year, you must issue a 1099.
<i>Retired Priest or Priest from Outside the Diocese</i>	<ul style="list-style-type: none"> • If a parish/school pays a visiting or retired priest, over \$600 in a calendar year, then the parish/school must issue a 1099 to that person.

Sharing Expenses

Expense Sharing Procedure

If two entities (i.e., parish and school, or parish and parish, or parish/school and the Diocese) share expenses, a check could be written by one entity for the expenditure, with the other entity reimbursing the first for its share of the expense. These expenses are non-payroll related.

Rationale:

A consistent practice of paying a bill with a single check can avoid confusion on the part of the recipient of the check and can prevent duplicate payment or nonpayment.

Specific Information	
<i>Duplication</i>	<ul style="list-style-type: none">• Care should be taken to report accurate amounts to outside entities (e.g., I.R.S.)• Please reach out to the Diocesan Accounting Department for help with recording these transactions.

Returned Checks

Returned Check Policy

When a check written to the entity is returned by the bank, then the amount of the check is to be recorded as a receivable and the bank fee must be recorded. Once it is determined the funds are uncollectible, revenue should be reduced.

Rationale:

There are times when a parish or school will receive a check that does not clear the bank. For example, the check writer's bank account does not have sufficient funds to cover the specified amount. If the check amount has already been recorded as cash in your bank account and as revenue, the books must be adjusted to recognize the fact that the money was not actually received. This can be accomplished by recording the amount as a receivable until it is deemed uncollectible. Often times deposit entries are made after check issues are found so no additional entries are needed.

Specific Information

Attempt to Clear Check

- Contact the check writer.
 - If the check is from a regular parishioner or a parent of a student, they certainly intended the amount to be paid to your entity.
 - Be considerate when making this contact; usually the writer of such a check is unaware of the situation and is embarrassed by the fact. Every location should determine a threshold amount at which point to consult the pastor/principal.
 - The pastor/principal should be involved in the decision regarding how aggressively to pursue payment, and what steps should be taken if payment is not received.
 - The parish/school will notify the writer of the check about the amount of the bank fee that was charged to the entity's account with the expectation that this fee will be reimbursed.

Permanent Petty Cash Fund and Temporary Loan/Start-Up Funds

Permanent Petty Cash Fund and Temporary Loan/Start-Up Funds Policy

A parish or school may establish a permanent petty cash fund to control disbursements for which writing a check would be impractical. A temporary loan/start-up funds may be obtained as a type of temporary funding to accommodate a weekend activity or other temporary event/activity. Neither a permanent petty cash fund nor a temporary loan/start-up funds should be used to circumvent the regular cash disbursement process.

Rationale:

Normally, expenditures should be processed through the regular cash disbursements process. That is, the request for and/or approval of each expenditure should be made by the appropriate persons, and payment should be made by check from an approved invoice. The regular process may not be practical for specific or occasional small expenditures made in the course of operating a parish/school; permanent petty cash funds are used for these types of small expenditures. Permanent petty cash funds operate under different procedures than the normal cash disbursement procedures.

Start-up funds are normally required for weekend or temporary activities. Examples:

- Fall festivals or carnivals
- Bake sales or rummage sales
- Large, in-person registrations such as Religious Education
- Bingo or auctions

We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any parish or school should have in place.

Specific Information	
<i>Type of Funds</i>	<ul style="list-style-type: none"> • <i>Permanent petty cash fund</i> • <i>Temporary loan/start-up funds</i>
<i>Fund Limit</i>	<ul style="list-style-type: none"> • The size of the permanent petty cash fund or temporary loan/start-up funds can vary depending on the size of the entity, but the fund should not exceed \$300. The \$300 maximum applies to both types of funds.
<i>Custodian-Permanent Petty Cash Fund</i>	<ul style="list-style-type: none"> • The pastor/principal chooses one person, to be the designated custodian of the permanent petty cash fund. The bookkeeper cannot be the custodian. <i>The custodian should be the only one with access to the funds and is fully responsible for the safekeeping, disbursing and balancing of the fund. Counting and balancing of the funds should always be performed with multiple, unrelated witnesses. The custodian will have to successfully pass a credit check.</i>
<i>Custodian-Temporary</i>	<ul style="list-style-type: none"> • <i>The individual in charge of the temporary event/activity will be the designated custodian. The custodian is fully responsible for the safekeeping, disbursing and balancing of the fund. Counting and</i>

<i>Loan/Start-Up Funds</i>	<i>balancing of funds should always be performed with multiple, unrelated witnesses. The custodian will have to successfully pass a credit check.</i>
<i>Security</i>	<ul style="list-style-type: none"> • <i>The permanent petty cash fund should be kept in a locked box within a secured area with limited access. The permanent petty cash funds should never be comingled with any other funds.</i> • <i>Temporary loan/start-up funds - Refer to the “Carnival” section of chapter 9 for specific money handling procedures.</i>
<i>No Personal Loans</i>	<ul style="list-style-type: none"> • <i>Both types of funds are to be used for business purposes only.</i> • <i>Absolutely no money should be loaned or borrowed from either type of fund for personal use.</i> • <i>Neither type of fund should ever be used to cash personal checks.</i>
<i>Not Used for Payment of Services</i>	<ul style="list-style-type: none"> • <i>Neither type of fund should ever be used in making payments for services rendered.</i> • <i>Checks for payment of services should be issued from the parish/school operating account in order to maintain proper documentation for IRS reporting requirements regarding the payment of services. See References to 1099 Reporting in this chapter, Chapter 9, and Chapter 10.</i>

Procedure	Steps
<i>Establishment of Permanent Petty Cash Fund</i>	<ul style="list-style-type: none"> • <i>The designated custodian prepares a written request (PO or check request) for an agreed upon amount and submits it to the pastor or principal for approval. The check approval should always be authorized in writing.</i> • <i>After obtaining written approval, a check made payable to the custodian (never to “Cash”) is processed.</i> The Cash account, 101010-01-0000 is decreased and the permanent petty cash account, 107110-01-0000 or 107120-01-0000 is increased. <i>The beginning permanent petty cash should be recorded on the petty cash Reimbursement and Reconciliation Sheet. See appendix for a sample Reimbursement and Reconciliation Sheet.</i> <p><u>Example 1:</u> A petty cash fund of \$50.00 is authorized and established.</p>
<i>Establishment of Temporary Loan/Start-Up Funds</i>	<ul style="list-style-type: none"> • <i>The designated custodian prepares a written request (PO or check request) for an agreed upon amount and submits it to the pastor or principal for approval. The check approval should always be authorized in writing.</i> • <i>After obtaining written approval, a check made payable to the custodian (never to “Cash”) is processed. The Cash account, 101010-01-0000 is decreased and Accounts Receivable is increased.</i> <p><u>Example 2:</u> \$50.00 is authorized as a temporary loan/start-up funds for the weekend carnival. T</p>

<p><i>Limited Access</i></p>	<ul style="list-style-type: none"> • The permanent petty cash custodian endorses the back of the check, cashes the check at the bank and puts the money into a locked petty cash box, which is kept in a locked, secured area, with limited access. Access to the actual funds is limited to the custodian only. The funds should never be left in an unlocked desk or cabinet. • The custodian of the temporary loan/start-up funds endorses the back of the check, cashes the check at the bank and puts the money into a locked cash box. The funds should never be left in an unlocked desk or cabinet. Refer to the “Carnival” section of chapter 9 for specific money handling procedures.
<p><i>Disbursement of Permanent Petty Cash Funds</i></p>	<ul style="list-style-type: none"> • <i>A completed permanent petty cash voucher is submitted to the pastor or principal for approval. See appendix for a sample voucher.</i> • <i>The approved permanent petty cash voucher is submitted to the custodian.</i> • <i>The custodian and the requestor sign the approved permanent petty cash voucher validating the amount of permanent petty cash funds to be released to the requestor.</i> • <i>The custodian releases the funds to the requestor. The custodian and the requestor validate the amount released is the approved amount on the signed voucher.</i> • <i>The custodian retains the voucher in the locked petty cash box until a corresponding receipt is received.</i> • <i>The requestor MUST submit a store issued receipt and the change to the custodian.</i> • <i>The custodian matches the receipt to the corresponding voucher, validates the amount of change returned is correct, staples the receipt to the voucher and records the information on the petty cash Reimbursement and Reconciliation Sheet.</i>
<p><i>Record Permanent Petty Cash Disbursements</i></p>	<ul style="list-style-type: none"> • The permanent petty cash fund vouchers should be recorded monthly to ensure expenses are booked in the appropriate accounting period. • The custodian submits the vouchers, receipts, and a copy of the Reconciliation Worksheet as supporting documentation to the business manager/bookkeeper. <p><u>Example 3:</u> The permanent petty cash fund established in <u>Example 1</u> contains vouchers for:</p> <ul style="list-style-type: none"> ○ Postage \$10 ○ Office supplies \$15 ○ Social outreach \$5 ○ Minor repair, \$5. <p><i>The vouchers total \$35.</i></p>

<p><i>Replenishment of Permanent Petty Cash Funds</i></p>	<ul style="list-style-type: none"> • Permanent petty cash should be replenished when the cash is low. • Temporary loan/start-up funds should never be replenished. • When replenishing the permanent petty cash fund, the business manager/bookkeeper should review the Reimbursement and Reconciliation Sheet with all vouchers and receipts. • <i>Verify that the total disbursements plus the actual remaining permanent petty cash on hand equals the original permanent petty cash assigned. Any questions or discrepancies MUST be reconciled.</i> • <i>A written request (PO or check request) for a replenishment amount is submitted to the pastor or principal for approval.</i> • <i>After obtaining written approval, the fund is replenished by processing a check made payable to the custodian (never to “Cash”). The custodian endorses the back of the check, cashes the check at the bank, and puts the money into a locked permanent petty cash box.</i>
<p><i>Reconcile Permanent Petty Cash Funds</i></p>	<ul style="list-style-type: none"> • The business manager/bookkeeper must perform a documented reconciliation on a weekly basis. • There should <i>never</i> be unreconciled differences. • Due diligence must be performed to identify any discrepancies and to ensure the fund <i>never</i> has unreconciled differences. • <i>At any time, the total on the reconciliation sheet plus actual petty cash on hand should equal the amount of the permanent petty cash fund originally assigned.</i>
<p><i>Repayment of Temporary Loan/Start-Up Funds</i></p>	<ul style="list-style-type: none"> • The temporary loan/start-up funds should be re-paid within (3) business days after the conclusion of the event/activity. • The amount of the temporary loan/start-up funds <i>should not be included or comingled</i> with the total revenue of the event/activity. • The counting team should prepare a separate deposit for the repayment of the temporary loan/start-up funds. Refer to the “Carnival” section of chapter 9 for specific money handling procedures.

Expense Reimbursements

Expense Reimbursement Policy

If a parish/school employee or volunteer pays for a budgeted and already authorized expenditure of the entity, he/she should be reimbursed when the invoice for the expenditure is presented and approved.

Rationale:

All purchases of materials and services for a parish/school should be paid for directly through the regular operating checking account of the entity.

In the event that this is not possible or practical, a parish/school employee or volunteer may be asked to make payment for the purchase and be reimbursed at a later date. This should not be done to circumvent the entity's budget, nor should it be done without proper authorization for that particular purchase.

The invoice for the purchase and other needed documentation should be presented for reimbursement so that the parish/school's accounting files will have appropriate documentation to back up the expense.

Specific Information	
<i>Reimbursed Mileage</i>	<ul style="list-style-type: none">• A parish/school employee or volunteer may be reimbursed for miles driven for official church/school business. This does not include mileage driven to and from the parish/school site and the person's home. See Employment Guidelines policy starting on page 9 of the HR Handbook. Reimbursement should be at the rate established by the IRS. This rate may vary from year to year; annually, the Diocesan Finance Office will publish information regarding the rate.• The employee/volunteer must keep a documented log of each trip taken and the resulting mileage. A copy of this log must be turned in for reimbursement.• If an employee receives payment for mileage without turning in a copy of the mileage log, federal law requires that any such payments made to that employee be considered wages, and reported on his/her W-2.• Similarly, a volunteer who receives payment for mileage without turning in a mileage log is considered to have received taxable compensation.

Procedure	Steps
<i>Prior Permission Needed</i>	<ul style="list-style-type: none"> • When it is determined that a purchase needs to be made, and that it is not possible or practical for the purchase to be made using a check from the entity's regular operating account, the person who will make the purchase must obtain permission from the pastor/principal or the appropriate supervisor.
<i>Steps to be Reimbursed</i>	<ul style="list-style-type: none"> • The person makes an authorized purchase. • The employee must obtain an invoice or a written receipt for the purchase. <ul style="list-style-type: none"> ○ If the employee does not present this documentation to the parish/school business manager or bookkeeper with the request for reimbursement, the employee will not be reimbursed without pastor/principal written approval. • The request is processed with all other bills and invoices. It should have the same review and approval as any other bill to be paid. <ul style="list-style-type: none"> ○ Normally, a check is not specially prepared, outside the normal cycle of bill paying.
<i>Payment</i>	<ul style="list-style-type: none"> • The check should be written directly to the employee being reimbursed (not, for example, to his/her credit card company). This does not apply when a parish/school credit card has been used (it is not a reimbursement in that case). • The check and check stub should make reference that it is a reimbursement check.
<i>Recording Expense</i>	<ul style="list-style-type: none"> • When recording the expense on the books, make the customary entry, crediting cash, and debiting the appropriate expense accounts.

Diocesan Billing

Diocesan Billing Policy

Parishes/schools will have their bank accounts drafted for the billing amount within the first week of the month.

Rationale:

The Diocese manages various programs for the benefit of all of the entities. Many of these programs have costs associated with them. The Central Office pays the premiums or fees and bills the entities their share. Likewise, the Central Office also bills entities for fees and other service costs for various activities of the diocesan departments.

If there are any discrepancies regarding these charges, please correspond with the Diocesan Accounting Department for follow up corrections on your next bill.

Documents Parishes and Schools Will Receive	
<i>Invoice Summary</i>	<ul style="list-style-type: none"> • The invoice summary is sent around the 5th business day of each month. • It will contain all current charges. • Items covered in this summary include, but are not limited to: <p>Accounting Fees – This set amount is billed monthly.</p> <p>Accounting Software – This is a set amount based on the number of users within each specific entity.</p> <p>Auto Insurance Fees – This fee is a set amount and is billed over a period of months.</p> <p>Construction Fees – This is billed quarterly and is based on construction costs for the quarter billed.</p> <p>Cemetery and Columbarium Fees – This is billed quarterly for those entities that utilize the Columbarium software.</p> <p>Criminal Background Check – This is for background checks performed on employees and volunteers. The amounts are determined based on information received from the Safe Environment office.</p> <p>Diocesan Tax – This is a monthly billing and is based on information received by the Parish Accounting Department.</p> <p>Employee Benefits – This is a monthly billing for bimonthly payroll benefits paid by the Central Office including Pension, Supplemental Life, Worker’s Compensation.</p>

	<p>Human Resources Product Order – This fee is for miscellaneous items ordered from the Diocese and is handled by the Human Resources Department.</p> <p>Long-term Disability and Employee Pension Reconciliations – These amounts are calculated and billed or credited in June. These calculations will adjust any discrepancies that may have occurred in your disability and lay pension monthly payments.</p> <p>Miscellaneous Items – This charge is for miscellaneous items ordered from the Diocese for various items or services.</p> <p>Multi-Peril Insurance Fees – This fee is a set amount billed over a period of months and is for property and liability insurance provided by Catholic Mutual.</p> <p>Nolan Assessment – This is a set amount and is billed over a period of months. It helps offset parishioners’ children’s tuitions at Nolan High School. Notification is sent out in the spring prior to the billing.</p> <p>Payroll Fees - This is a monthly billing for payroll fees associated with paying payroll. This is calculated by employee per entity.</p> <p>Priest Retirement Fees – This is billed monthly.</p> <p>Property Taxes – This is billed once a year in February.</p> <p>Service Center Printing – Charges for print production ordered through the Catholic Center Service Center.</p> <p>Sports Fees – This amount is calculated by the Diocesan School Office.</p> <p>Workers’ Compensation Audit – It is billed or credited in January. It is calculated based on actual salary figures less prior year amounts paid.</p>
<p><i>Invoice Draft Period Selection</i></p>	<ul style="list-style-type: none"> • All invoice amounts will be drafted from the entity’s bank account for payment. • Each entity will have the option of choosing 25 or 55 days for the draft payment due date. This option can be changed on a fiscal year basis.

Specific Information	
<p><i>Disputed Items and Questions</i></p>	<ul style="list-style-type: none"> • Each entity will have 10 days to dispute the invoice. After the dispute period has passed all corrections will be made on the following invoice. • If there is a disputed item on the invoice, no interest will be assessed on that amount if the matter has been brought to the attention of the Diocesan Accounting Department and is being researched.

	<ul style="list-style-type: none"> • If you have any questions about this policy, please contact the Diocesan Finance Office. If you have any questions about a specific invoice, please contact the Diocesan Accounting Department.
<p><i>Interest on Past Due Accounts</i></p>	<ul style="list-style-type: none"> • If a parish/school is concerned about its ability to pay the invoice in full by the draft date, the parish/school should contact the Diocesan Finance Office as soon as possible. • Interest will be charged to the parish/school on amounts that are outstanding after the published draft date, unless the item is in dispute. • The diocesan floating interest rate will be applied. • If a parish/school has amounts unpaid that are past the due date, principal payments may not be applied to diocesan loans nor will savings deposits to undesignated or unrestricted accounts be credited to the parish/school. • Any such payments will be applied first to the loan interest, then put to any past due diocesan invoices, and any remaining amounts applied to the principal or general savings.

Procedures for Establishing a Diocesan Credit Card

Establishing a Diocesan Credit Card Policy

All parishes and schools that have a business need for making payments with a credit card should use the Diocesan Credit Card.

Rationale: *People contribute money to the church with the expectation that those funds will be used wisely and for the purposes for which they were contributed. People who pay school tuition for their children or contribute money to a school expect the same. Using a Diocesan Credit Card for purchases will assist in ensuring proper stewardship of funds, correct account coding is used, proper approvals have been obtained and payments are supported with proper documentation.*

Specific Information	
<i>General</i>	<ul style="list-style-type: none"> • Capital One Bank is the issuer of the MasterCard credit card. • The Central office of the Diocese is the main administrator of the program. • Parishes and schools are encouraged to be part of the program.

Procedure	Steps
<i>Requesting to be Part of the Program</i>	<ul style="list-style-type: none"> • The pastor or principal will request via an email to the Controller of the Diocese of Fort Worth to be included in the program. • The email should contain the names of the employees who will become cardholders and the requested credit limits.
<i>Credit Cards (Plastic) Issuance</i>	<ul style="list-style-type: none"> • The Diocesan Accounting Department will send a form to be completed by each cardholder. • The completed form will be returned to the Diocesan Accounting Department for processing with Capital One Bank. • Cards will be mailed within 2 weeks from Capital One Bank. • Employees must activate their cards before use.
<i>General Logistics</i>	<ul style="list-style-type: none"> • The credit card activity cut-off date is the 27th of every month. • Expense reports are prepared electronically using a tool called “Smart Data” provided by MasterCard. Parishes and Schools must attend training with the Diocesan Accounting Office prior to the end of the first activity cycle. Parishes and schools will be trained on how to access and submit expense reports. • Expense reports should be completed and submitted by the 5th of the following month after the activity period is closed. Approvers will have 10 days after the 5th to complete the process. For example, September 27th

	<p>statement expense report should be submitted no later than October 5th. The report must be approved by October 15th.</p> <ul style="list-style-type: none"> • Payment is due by the 22nd of the following month. The Central Office will automatically withdraw the funds via ACH from the parish or school bank account on that day. The Diocesan Accounting Department will upload the journal entry posting by the 20th of the month. The bookkeeper is responsible for recording the cash payment on the 22nd using the notification email from the Central Office for supporting documentation.
<p><i>Expense Report Quick Reference</i></p>	<ul style="list-style-type: none"> • Submit expense report by the 5th of the following month after the credit card statement closes. • Code the expenses by using the Diocesan Chart of Accounts. Users should be conscious of budget accounts and amounts. • Upload the image of the invoices and/or receipts. • The system (Smart Data) will keep the records available for 3 years. • For troubleshooting or assistance with Smart Data contact the Diocesan Accounting Department at DiocesanCreditCard@fwdioc.org

DIOCESAN CREDIT CARD USE RULES

- Use a State Sales Tax Exemption form when applicable.
- Not to be used for personal purchases.
- Receipts must be submitted for all purchases.
- Submit expense reports on time each month.
- Do not share or loan the card to anyone.
- Not to be used for capital equipment or upgrades OVER \$5,000.
- Not to be used for construction, renovation, or installation OVER \$5,000.
- Not to be used for cash advances.
- Not to be used for ATM withdrawals.
- Not to be used for purchasing gift cards.
- Not to be used for purchases involving trade-in of church property.
- Not to be used for illegal items, weapons or gambling.
- Not to be used to purchase gas when mileage reimbursement is submitted.
- Not to be used for political donations.
- Breakfast business meals - \$15 per person limit.
- Lunch business meals - \$20 per person limit.
- Dinner business meals - \$50 per person limit.
- Meal tips should not exceed 20%.
- Alcoholic beverages at dinner business meals- (1) alcoholic beverage may be purchased and is included in the total \$50 allowance.
- Personal charges must be reimbursed the day after the transaction date.
- Unauthorized or illegal charges will be repaid through payroll deduction.
- Not to be used to purchase gifts for employees.

These rules apply to all credit cards used by a parish or a school, not only the Diocesan credit card.

PLEASE NOTE: THE ABOVE LIST OF CREDIT CARD RULES IS NOT EXHAUSTIVE; YOU MAY BE SUBJECT TO ADDITIONAL RULES AND GUIDELINES.

Business Travel and Meals Policy

- Travel requests must be approved by the supervisor at least 7 days prior the event.
- The corporate credit card must be used. Cash advances are not permitted, and personal reimbursements must be pre-approved. Teachers receiving reimbursement through Title money from the state are exceptions to this rule.
- **Per the Diocese of Fort Worth Employee Handbook as of 9/12/18:**
Non-exempt employees will be compensated for time traveled in the course of work/training as follows:
 - After arrival at the first work/training site, travel between additional work/training sites during the workday is compensated time. Travel from the last work/training site to home is not compensated.
 - Non-exempt employees with a regular work/training site who are sent on a special one-day (no overnight) assignment out of town will receive compensation for travel.
 - Non-exempt employees on overnight travel will be compensated for any travel time as a passenger that falls during their usual and customary work shifts (even if the shift time falls on a day not normally scheduled, e.g. a weekend day).
- **Per the Diocese of Fort Worth Employee Handbook as of 9/12/18:**
 - Exempt employees are not compensated beyond their salary for travel time.
- Except for required travel time, and the first and last day of a conference/event constitute the beginning and ending of business. Any time spent on location after the conclusion of the event is personal time, and anything purchased is a personal expense.
- Event registrations, visas, and vaccinations required for international travel are allowable business expenses.
- A combination of economy and practicality must be used when making decisions. Flying is more practical for long distances when you factor in a employee's time, and driving is more practical for shorter distances. The length of the trip will determine if it is better to use long term parking at the airport or take a taxi. While we understand that the lowest priced option may not be the best choice, we want to minimize expense as much as possible.
- When traveling by plane, only the 1st bag fee will be paid by the Parish/School The boarding pass must be submitted to Accounting with the airline receipts.
- When a personal car is used for a business trip, a person is reimbursed by mileage. Do NOT use the corporate credit card to pay for gas.

- When a car is rented, the basic model should be requested. The gas and the car rental are business expenses that should be paid with the corporate card. If the vehicle is rented in the name of the Diocese, then no additional insurance should be purchased.
- For lodging, a standard single room should be utilized in a first class but not a five-star hotel unless the event/conference is held in a five-star hotel. An itemized receipt is needed to validate expenses are properly coded.
- Business meals require the dollar amount, date, name & location of establishment, business scope including nature of discussion, and names and titles of all people attending. The meal cannot be social, personal, or done in return or pay-back of a meal. Meals should be paid with the corporate credit card. The breakfast spending limit is \$15 per person; the lunch spending limit is \$20 per person. The dinner spending limit is \$50 per person not including tip. 1 alcoholic beverage may be purchased with dinner, but the spending limit remains \$50 for the meal and drinks. As a representative of the Diocese, use moderation and good judgement when drinking alcoholic beverages. Suggested gratuity is 15-20%. If the spending limits are exceeded, the person may be required to pay for the overage.
- Use the State Tax Exemption form when applicable.
- The following purchases are considered personal expenses:
 - Spouse/family travel, baggage, meals, etc.
 - Frequent flyer programs; miles reimbursement
 - Seat/room upgrades
 - Passports
 - Traffic fines/tickets
 - Laundry/dry cleaning
 - Long distance phone calls
 - Movie rentals, personal entertainment, hygiene items
 - Mini bar
 - Souvenirs
- Internet charges must be for business.

8. CASH MANAGEMENT: OTHER

Overview	8-1
Accepting Payments Via Bank Drafts, Credit Cards, and Electronic Transfers	8-2
The North Texas Catholic News Magazine	8-7
Advertising Income	8-8
Mass Intention Stipends	8-9
The Use of "Scrip"	8-12
Carnivals/Auctions/Jamaicas/Festivals	8-15
Cafeteria Income.....	8-21
Parish/School Organizations.....	8-22
Reconciling Inter-fund Activity	8-24
Social Outreach and Charitable Contributions Made by Parishes.....	8-25
Custodial Funds.....	8-26
Schools Giving Money to Parishes.....	8-33
Capital Project Transactions.....	8-34
Loans to Parishes/Schools.....	8-37
Procedures for Recording Parish Loans on Behalf of Their (Parochial) Schools	8-39

Overview

This section addresses a variety of specific situations that the parish/school business manager or bookkeeper will occasionally encounter. The special cases in this section are accounting activities that involve both receipts and disbursements. Each special case is organized so that, in general, it addresses the receipt of funds first, and then it addresses information regarding the disbursement of funds.

Explanatory Comment Regarding Implementing Policies

The Diocese is composed of parishes and schools. Some parishes have large paid staff and a well-organized pool of volunteers, while other parishes rely heavily on the pastor to do everything. There is a similar variety among the diocesan schools.

The policies and procedures that follow in this section, “Cash Management: Other”, are comprehensive. Larger parishes/schools clearly should implement them. We acknowledge, however, that very small institutions cannot implement some of the procedures fully. Consequently, in certain policies we have highlighted (in italics) those portions of “Specific Information” and “Procedures and Steps” under each policy that we consider the minimum any parish or school should have in place. These are the minimum standards even for small parishes/schools.

Accepting Payments Via Bank Drafts, Credit Cards, and Electronic Transfers

Bank Drafts, Credit Cards and Electronic Transfers Policy

It is permitted to automatically draft funds from parishioners’/parents’ bank accounts, make charges to their credit cards, and electronically transfer funds from their bank accounts.

If an online payment merchant is used, the parish/school must receive an annual copy of the vendor’s PCI compliance audit report.

Any parish/school that stores credit card information must receive and pass an annual PCI Compliance Audit.

Rationale:

As our society has increased emphasis on “e-commerce” and “paperless transactions,” more and more people are interested in making contributions or paying tuition by automatic bank draft programs, having their credit cards automatically charged, or transferring funds electronically. For whatever type of contribution or payment a person may want to make to a parish/school, that entity may want to be able to utilize electronic or automatic transactions.

This can also apply to financial transactions with other people – for example, those renting parish/school facilities, or those participating in a parish/school fundraising event.

It is important to recognize that even though electronic payments are very convenient, they carry inherent risks and responsibilities. A parish/school should evaluate whether or not they are ready and willing to take on the additional responsibilities that go along with electronic payments.

Specific Information	
<i>Technology</i>	<ul style="list-style-type: none"> • Because technology is changing rapidly, the details regarding bank drafts, credit card agreements, electronic transfers, and online payments can vary greatly depending upon your bank and/or credit card provider. • Contact your bank, credit card service provider, or online payment processor for specific information.
<i>Administration</i>	<ul style="list-style-type: none"> • While there are numerous advantages to these procedures, there is the need for additional administrative paperwork. • Files, containing authorization forms and other documentation, should be kept on each parishioner/parent participating in the program. • Because confidential information is kept in these files, all physical files must be locked and kept in a secure manner. All electronic files must be password protected and kept in a manner as to limit access to only authorized personnel. • When using a payment service such as Faith Direct, FACTS, Vanco, or Zelle, parishes and schools should ensure that their records are properly secured by the vendor and the Vendor is PCI Compliant.

	<ul style="list-style-type: none"> • Parishes/Schools should also perform a cost/benefit analysis to determine if the additional fees associated with electronic payments outweigh the benefit and convenience of using the service. See “Issues to Consider When Comparing Banks and Credit Card Companies” below for help with this analysis.
<i>Recording Transactions</i>	<ul style="list-style-type: none"> • Additionally, many credit card transactions do not immediately produce a document that a bookkeeper can use to support an entry into the general ledger. • If available, a report of the daily “settlement” can be used to enter the transactions into contribution records (such as PDS). • Often the only posting information received will be from the actual bank statement; many entries will originate when the bank reconciliation is prepared. • It may be advantageous to separate transactions by type of card for entry into the general ledger. Depending on your bank statement, such a separation may help you more easily identify each individual transaction.

Specific Information	
<i>Issues to Consider When Comparing Banks and Credit Card Companies</i>	<ul style="list-style-type: none"> • Compensating Balances: Banks offering drafting for commercial clients often require compensating balances. These accounts do not earn interest for the commercial client. Questions to ask: <ul style="list-style-type: none"> ○ Would it be better to pay a slightly higher transaction rate rather than have so much money tied up in a compensating balance account? ○ Could this money be used more effectively in other areas: investing, paying debts, etc.? • Credit vs. Debit Transactions: Frequently, banks will charge a different rate for debit ACH transactions than they do for credit ACH transactions. • Returned Items: Banks charge the merchant a high fee for returned items. <ul style="list-style-type: none"> ○ What fee will the bank charge you for returned checks? ○ Is the bank automatically resubmitting any returned items? How many times? ○ Is the bank charging you for the resubmissions? Is the parishioner/parent being charged? Does that cause problems with goodwill? ○ Is your method of handling NSF items conducive to good customer relations? • Is the merchant PCI Compliant and responsible for maintaining and protecting information? Or does this service require the Parish/School to complete an annual PCI Compliance audit? • Will the parish/school be paying the transactions fees or can the transactions fees be passed to the purchaser/donor? How will this be received by the parishioners/parents?
<i>Parish Accounts</i>	<ul style="list-style-type: none"> • Regarding automatic withdrawals from parish/school accounts, see “Bank Accounts” in the section called Cash Management: Introduction.

Bank Drafts	
<i>Drafting/debiting of Accounts</i>	<ul style="list-style-type: none"> • Parishes/Schools should not draft directly from parishioners’/parents’ bank accounts. The parish/school must use a 3rd Party processor if they wish to perform any bank drafts.

Credit Cards	
<i>Capability</i>	<ul style="list-style-type: none"> • The parish/school must first have the capability, with the appropriate software, to receive contributions/payments by credit card. • The parish/school selects a credit card service company with which to work. It is advisable to consult with your bank. • A parish/school must be PCI Compliant or be using a service that is PCI Compliant before taking any electronic payments.
<i>Obtaining Authorization</i>	<ul style="list-style-type: none"> • Obtain a completed authorization, with the signature, credit card number and expiration date, from the cardholder, allowing you to charge their credit card for a specified amount. This could be set up as a one-time charge, a charge on a scheduled interval such as a weekly or monthly basis, or “as submitted” by the cardholder. • Preparing/maintaining a schedule sheet can be helpful. • For functions such as auctions, carnivals, etc., it is recommended to follow the cardholder’s procedures for pre-approval (telephone authorization) prior to releasing merchandise.
<i>Security</i>	<ul style="list-style-type: none"> • For each person participating in this program, keep a file in a secured location. • This is extremely important because the person’s credit card number and expiration date will be on hand (access to such information is just like access to a person’s cash). • All PCI Compliance procedures must be followed if the parish/school is going to retain credit card information. • In the case of a one-time charge that happens immediately, the credit cardholders credit card number should never be written on notes or sticky notes. If they are written down, the notes must be destroyed immediately after the charge has occurred.

Credit Cards, continued	
<i>Making the Charge</i>	<ul style="list-style-type: none"> • Besides the information file kept on each person participating, records should be kept on file that track the actual activity charged to the credit card, indicating the date, the names of those charged, and the individual and total amounts. The credit card software should provide this report. This information should be stored securely with limited access to its contents. • When the credit card services company sends confirmation of the activity, this confirmation should be attached to the record mentioned above. If the only confirmation is the monthly bank statement, the amounts should be reconciled.
<i>Recording Related Expenses</i>	<ul style="list-style-type: none"> • Transactions are to be recorded as “gross amounts,” not “net amounts.” This means any charges that the credit card company or the bank assesses for these types of transactions are to be recorded as an expense, and all related revenue is to be recorded as if no fee was involved.

	<ul style="list-style-type: none"> • Record the gross amount on the parishioner's contributions records (if a contribution) or on the family's school tuition records. This is done even if the parish/school only received • For example, if a parish receives a contribution for \$1,000 and the donor pays by credit card, the bank will deduct approximately \$25 for the credit card processing charge. You will notice this charge when you receive the bank statement.
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Electronic Transfers	
<i>Recording Procedures</i>	<ul style="list-style-type: none"> • If the bank sends a confirmation, file the documentation received with other contributions/payments that need to be recorded and deposited. • If you are informed only through your monthly bank statement, make the appropriate entry to the cash and contributions/tuition accounts.

The North Texas Catholic News Magazine

North Texas Catholic Policy

All registered households in every parish should receive the *North Texas Catholic*. The parish is responsible for updating the Central Office with names and addresses for delivery.

Rationale:

The North Texas Catholic (NTC) news magazine is an important vehicle for the diocese in its efforts to offer religious reading and a Catholic perspective on local and world events. Diocesan policy calls for all Catholic households in the diocese to receive the news magazine. This occurs by each parish providing it to its registered parishioners.

Specific Information	
<i>Cost</i>	<ul style="list-style-type: none"> • There is no direct cost to the parishioners or parish to receive the North Texas Catholic. • The costs are included in the budget of the Central Office

Procedure	Steps				
<i>To add, remove, or update a recipient</i>	<ul style="list-style-type: none"> • Once a month each parish should send an excel spreadsheet of registered households, updated contact information, and a listing of members who should be removed to the Advancement Foundation. The file should contain the following information: <table style="margin-left: 40px; border: none;"> <tr> <td>• Name</td> <td>• Address</td> </tr> <tr> <td>• Phone</td> <td>• Email Address</td> </tr> </table> 	• Name	• Address	• Phone	• Email Address
• Name	• Address				
• Phone	• Email Address				

Advertising Income

Advertising Income Procedure

If a parish/school receives advertising income, from a bulletin or from any other form of publication, that income must be recognized as revenue in the period in which it's earned.

For a parish, that income is subject to diocesan taxation.

Rationale:

Funds received from advertisers is a revenue to the parish/school and should not be treated as a rebate or reduction of expenses.

All revenue received by a parish is subject to diocesan taxation unless it receives an exemption.

Procedure	Steps
<i>Protection Against Advertising Fraud</i>	<ul style="list-style-type: none">• There is a concern with advertisers misrepresenting the parish/school. It is recommended that the parish/school post a notice on its website that if any business is contacted to advertise with the parish/school, the business should call and verify with the parish/school office.• If a parish is notified about unauthorized solicitation on its behalf, they should contact their bulletin publisher and request a notice of the fraud be communicated to all their advertisers.

Mass Intention Stipends

Mass Intention Stipends Policy

In accord with canon 952 of Canon Law, the Bishops of the Province of San Antonio have determined that the regular offering for the celebration of Mass will be \$5.00 (April 12, 1984).

Canon 952 states that a priest may not ask for a larger sum. He may accept a voluntary offering that is either larger or smaller than the regular offering. He may choose to take no stipend at all. Whatever the case, he is to make it clear that the stipend is a free will offering and not a quid pro quo.

The Congregation for the Clergy (February 22, 1991) stated that as many Masses must be celebrated as there are stipends (*tot missae quot stipendia*).

Pastors must celebrate Mass for the intention of their parishioners every Sunday and Holy Day (Missa pro Populo, canon 534), and may not accept a stipend for this Mass. A pastor may accept a stipend for a second Mass on such days. A priest may accept one stipend a day. A priest may accept a stipend for a second or third Mass celebrated if that stipend is forwarded to the Chancery for the seminarian fund. If requested by a Religious priest, that money will be sent to the congregation's seminary fund.

Priests are requested to send extra Mass stipends to the Chancellor's Office. Those who lack stipends may request them.

Rationale:

Mass Intention Stipends should not be confused with the stipends paid to visiting priests.

When a priest receives an offering for Mass, it is his responsibility to ensure that the mass is celebrated for the intention requested. When the Mass stipend is given at the parish office for a particular intention, and a date has been agreed upon for the Mass, the pastor has the responsibility to ensure that the donor's request is met. Regardless of who receives the stipend, it is important to keep track of each intention request, the amount given, when the Mass is celebrated, and by whom.

For accounting purposes, the parish acts as custodian of the funds until the donor-stipulated request is fulfilled.

Specific Information	
<i>A Priest Directly Receiving a Stipend</i>	<ul style="list-style-type: none"> • If a priest is personally given a mass stipend for a particular intention, he has the responsibility to make sure Mass is celebrated for that intention. <ul style="list-style-type: none"> ○ He may do so by personally celebrating the Mass. In such a case, he has the responsibility to coordinate with whatever Mass intentions may have already been scheduled. ○ Also, the priest may have the Mass intention incorporated into the scheduling of Masses in the parish or community to which he is assigned. This involves giving the intention and the stipend to the person who schedules Masses for the parish or community and having it incorporated into that schedule. In such a case, the priest is transferring to the parish the responsibility of making sure the Mass stipend is properly honored.
<i>Taxable Income for Priests</i>	<ul style="list-style-type: none"> • Mass stipends are considered taxable income for IRS purposes. • Any stipends that are tracked by a parish and distributed to a priest must be included in that priest's W-2 at year's end. This is the responsibility of the parish that received the intention stipend. <ul style="list-style-type: none"> • For these to be nontaxable to order priest, payment must be made directly to the order. • If some stipends are handled directly by the priest, they are still considered reportable income for IRS purposes. • See "Compensation and Benefits for Diocesan Priests" and "W-2 Worksheet for Diocesan Priests" in the Personnel and Employment Benefits section.

Procedure	Steps
<i>Receiving the Stipend</i>	<ul style="list-style-type: none"> • Accept the stipend from the donor to be given to the priest who celebrates the mass.
<i>Recording Information</i>	<ul style="list-style-type: none"> • Record the pertinent information regarding mass intention: donor, amount given, intention requested, and date intention is to be remembered (if a date has been requested). • Also, the amount is to be recorded on the donor contribution record, if the amount is processed through the parish books.
<i>Give Receipt</i>	<ul style="list-style-type: none"> • Give a receipt to the donor, acknowledging the above information.
<i>Security</i>	<ul style="list-style-type: none"> • Place the funds received in a secure place until deposited. Refer to Cash Receipts in Chapter 7. • All funds should be deposited within five (5) days of receipt into the parish checking account.

Procedure	Steps
<i>Recording Receipt</i>	<ul style="list-style-type: none"> Note that the money is held as a liability account until it is disbursed. The funds do not belong to the parish; instead, it acts as a custodian until the funds are turned over to the priest, since, as celebrant, he is to receive the gift.
<i>Mass Book</i>	<ul style="list-style-type: none"> A book or ledger should be kept to record pertinent information. The book should include: the intention requested; the person requesting the intention; the scheduled date; the amount of the stipend and when received; who celebrated the Mass; and that the stipend was given to the priest. At any time, the outstanding amount for Masses not yet said should equal the amount in account 235200.
<i>Disbursing Mass Stipends</i>	<ul style="list-style-type: none"> Once the Mass is celebrated for a particular intention, the stipend is to be given to the priest who celebrated the Mass. Normally, the priest can be given all stipends due him on a periodic (e.g., monthly) basis. Create a bill that will be paid through the accounts payable system.
<i>Excess Mass Stipends</i>	<ul style="list-style-type: none"> If stipends have been given for more Masses than the parish can honor, the priest, or the bookkeeper upon instruction from the pastor, is to send the money and Mass intentions to the Chancellor's Office to be distributed to priests without stipends. Religious order priests may request these extra Mass stipends be sent to missionaries of their own order. To record it, use the same entry as the entry above for disbursing Mass stipends.
<i>Stipends Greater Than \$5</i>	<ul style="list-style-type: none"> If a Mass stipend is given for an amount in excess of the customary \$5 amount, and the priest decides not to accept the excess amount, the excess should be recorded to Miscellaneous Income.

Procedure	Steps
<i>Priest Not Accepting Stipend</i>	<ul style="list-style-type: none"> If the priest decides not to accept the stipend money, then the stipend should be recorded to Miscellaneous Income.

The Use of “Scrip”

Scrip Policy

If a parish/school purchases and sells scrip, it must secure and track the scrip properly, and record related activity in its books.

Note: Because the use of scrip is becoming increasingly popular with both schools and parishes, scrip is considered an exception to the policy regarding fundraising programs and services. That policy prohibits entities from purchasing fundraising products without the certainty that the products can be sold.

Rationale:

It is important that there be consistent procedures that all parishes and schools use regarding the use of scrip. Scrip is similar to working with cash and needs to be treated as such. Additionally, rebates to families carry inherent risk and a higher administrative burden. The use of online services is strongly preferred over the historical practice of managing cards.

Specific Information	
<i>Controls for Cash and Cards</i>	<ul style="list-style-type: none"> • No less than 3 employees/volunteers that have received a background and credit check will need to be involved in the process. Parishes and Schools should consider using online services to ease the management burden and no longer accept cash or check for SCRIP. <ul style="list-style-type: none"> ○ <u>Bookkeeper:</u> This individual does the recording of the transactions, which includes the purchase of scrip, the deposits from the sales, and the cost of the scrip sold by each deposit. ○ <u>Depositor:</u> This person should take the deposit to the bank on a weekly basis at a minimum. This position may be filled by an existing money counting team. The Depositor should not have any duties related to the recording, receiving, selling or ordering of the scrip; this segregation of duties helps ensure better control over the process. ○ <u>Sales & Purchasing Agent:</u> This person is in charge of ordering the scrip and may also sell the scrip. ○ <u>Inventory Agent:</u> The last position should be the one that receives the scrip and reconciles to the purchase order. Also, this person will perform a regular inventory check. This can be combined with another position as long as there are two persons present and sign off on the reports.
<i>Checking Account</i>	<ul style="list-style-type: none"> • Many entities use a separate checking account for their scrip account. This is acceptable. • This checking account must be managed and follow the procedures according to Bank Accounts in Chapter 6.
<i>Cost vs. Benefit</i>	<ul style="list-style-type: none"> • Before a Scrip program is started, an analysis of profitability must be taken. <ul style="list-style-type: none"> ○ After implementation of the program, a cost-benefit analysis should be completed periodically to help determine the cost effectiveness of the program.

Procedure	Step
<i>Purchase of Scrip</i>	<ul style="list-style-type: none"> • The entity should determine the proper amount of inventory to maintain. Generally, it is preferable to purchase only what has been “ordered” by people who will buy the scrip from the school/parish, with only small amounts left over in inventory. • All inventory should be kept in a safe until sold.
<i>Recording the Purchase</i>	<ul style="list-style-type: none"> • Scrip is an asset that is held by the entity until it is sold. Therefore, when it is purchased it must be set up on the balance sheet as an asset (inventory). • Scrip is recorded at the purchase price of the school/parish, not the price at which they will sell it or at its face value.
<i>Tracking Scrip Inventory Amounts</i>	<ul style="list-style-type: none"> • Scrip is purchased in several denominations and store names. • Therefore, an accounting for scrip should include a separate, detailed inventory list which includes store name/vendor, quantity, and value. The total of this list must reconcile to the general ledger in the accounting software. • See example Inventory List at the end of this chapter.
<i>Issues Around the Sale of Scrip</i>	<ul style="list-style-type: none"> • When scrip is sold, several transactions must be recorded. These include the following: <ul style="list-style-type: none"> ○ Journal recording the related deposit and revenue from the scrip sale ○ Journal removing the scrip from the asset category on the general ledger, and recording the related cost of the asset sold ○ Updating the Inventory List • The diocesan chart of accounts handles the recording of revenue and the cost of scrip sold in the same account for simplicity.

<i>Inventory Count</i>	<ul style="list-style-type: none">• At a minimum a full, physical count should be documented weekly.<ul style="list-style-type: none">○ Two or more people should participate in the count.• Once the count is complete, it should be reconciled to the Inventory List and the General Ledger.<ul style="list-style-type: none">○ If there is any variance, the list should be updated, and a journal should be recorded.
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Carnivals/Auctions/Jamaicas/Festivals

Carnivals/Jamaicas/Festivals Policy

Parishes/schools and their organizations that have carnivals, jamaicas, festivals, auctions, picnics, etc., must follow the guidelines found in the *Handbook of Insurance and Risk Management*. They should carefully manage and control the flow of money and record all gross receipts and disbursements on the parish/school books.

Rationale:

Many parishes and schools hold carnivals, jamaicas, etc., during the year. Because large amounts of cash are generated by such events, special procedures need to be in place for the security of the money as well as the safety of the parish/school members involved.

Similar events that are run by parish/school organizations are, de facto, events of the parish/school. Therefore, they are subject to all diocesan policies that apply to parishes/schools.

We have *italicized* those portions of “Specific Information” and “Procedures and Steps” that we consider the minimum any parish/school or auxiliary organization should have in place.

Specific Information	
<i>Planning</i>	<ul style="list-style-type: none"> • <i>Adequate planning of the event should include determining:</i> <ul style="list-style-type: none"> ○ <i>The appropriateness of the activities to be offered</i> ○ <i>If there are sufficient volunteers</i> ○ <i>Any volunteers handling money must have credit check in addition to successfully completing Safe Awareness Training</i> ○ <i>The appropriateness of the timing (in the heat of the summer, in conflict with other parish/school or community events, etc.)</i> ○ <i>The need for any city permits and/or security staff</i>
<i>Insurance</i>	<ul style="list-style-type: none"> • <i>If you are holding the activity on another property, hire or contract with ride providers, or use non-parish/school personnel, equipment or things, you must contact the Diocesan Risk Management Office, which will assist the parish/school in making sure adequate liability insurance is secured.</i> • <i>Contact the Risk Management Office well in advance of the event.</i>
<i>Outside Contractors</i>	<ul style="list-style-type: none"> • <i>If the event is contracted out to an outside company, contact the Diocesan Finance Office well in advance, which will ensure the appropriate review and signing of the contract by the bishop or his designee.</i>
<i>Vendors</i>	<ul style="list-style-type: none"> • <i>If products/services will be purchased from vendors, care should be taken to ensure that the products/services are of reasonable quality and at a reasonable price.</i> • <i>Do not pay for any items in full until they have been received. (See Chapter 8 and apply all policies and procedures.)</i>

	<ul style="list-style-type: none"> • <i>In choosing vendors, favoritism toward parishioners or school parents or supporters should not be shown to the financial detriment of the parish/school.</i> • <i>When allowing Vendors to attend or setup booths at an event, all vendors must sign a Vendor Hold Harmless Agreement, which can be found on CONNECT.</i>
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Specific Information and Procedures	
<i>Ticket Usage</i>	<ul style="list-style-type: none"> • <i>Individual booths cannot receive cash. Instead of accepting cash, tickets must be sold that can be used at all booths.</i> • <i>Such a practice further controls the flow of money and decreases the possibility of theft both internally (by workers) and externally.</i> • <i>Pre-numbered tickets should be used.</i>
<i>Ticket Pre-sales</i>	<ul style="list-style-type: none"> • If tickets are sold before the event: <ul style="list-style-type: none"> ○ Only authorized persons should sell tickets. ○ The event chairperson, or a designated person, is responsible for keeping track of the tickets and funds collected. ○ Funds collected should be secured and deposited appropriately.
<i>Ticket Booth</i>	<ul style="list-style-type: none"> • <i>A ticket booth should have at least two persons staffing it at all times.</i> • <i>Security of the ticket booth is very important. Proximity to security guards and setting up in a secured location is paramount.</i> • <i>Immediate relatives/family members should never be the only people to work in a ticket booth during the same block of time.</i> • <i>The ticket booth should be issued a till or startup cash (“BANK”) at the beginning of each shift. Two workers from the ticket booth should pick up the BANK from the cash office, count to verify the amount of money in the BANK, sign off that it has been received, and take it to the ticket booth.</i> • <i>A mechanism for tracking and reconciling the amount of tickets sold must be in place. We recommend the following procedure:</i> <ul style="list-style-type: none"> ○ Record the # of tickets issued to each booth worker ○ Tickets should never be sold at a discounted price as this make reconciliation impossible ○ Record the # of tickets returned at the end of the shift ○ The number of remaining tickets times the price per ticket, plus the cash in excess of the BANK, should match the value of the tickets issued. See sample reconciliation sheet at the end of this section. • <i>At the end of each shift, the BANK should be taken to the cash office by 2-3 workers for reconciliation.</i> • <i>The funds are kept secure in the ticket booth, out of easy reach from those not working in the ticket booth. Each ticket booth should have a metal moneybox that contains the BANK.</i>

	<ul style="list-style-type: none"> • If any amount of money is removed from a BANK before the end of a shift, the persons taking the money should sign for the amount taken and put the signed receipt in the opening bag for the amount removed. • At the end of the day all cash and the remaining tickets are returned to the cash office. • <i>The booth workers should sign the receipt for the return of the BANK and for all receipts.</i> •
<i>Cash Office</i>	<ul style="list-style-type: none"> • <i>A cash office should be established in a secure location (preferably inside a building) to handle all monies for the event.</i> • <i>It should control the collection, disbursement, and recording of all funds during the event.</i> • This is essential for the proper safekeeping and recording of all cash receipts and disbursements. • A police officer should be on duty outside the cash office at all times. • All bags (backpacks, diaper bags, even purses) should be left outside the cash office. • It is strongly recommended that the business manager/bookkeeper for the parish/school should oversee the operations of the cash office but should not be directly involved in the activity.

Specific Information	
<i>Cash Office Staffing</i>	<ul style="list-style-type: none"> • <i>The cash office should be adequately staffed, with the proper segregation of duties.</i> • <i>A pre-approved list of workers including ticket booth workers should be made and posted in the office. Anyone not on the list is forbidden to enter into the cash office.</i> • <i>All cash office personnel who are not employees must PASS the diocesan credit check and be current on their safe environment training prior to the day of the event.</i> • <i>The cash office staff should include:</i> <ul style="list-style-type: none"> ○ <i><u>Chairperson</u> – overall manager of the cash office during individual shifts. The bookkeeper/business manager needs to supervise this individual.</i> ○ <i><u>Window cashier</u> – distributes and receives all bank and ticket bags for ticket booths. When receiving, the cashier records in a logbook the ticket booth, the names of the workers, and the time receiving the BANK bag.</i> ○ <i><u>Money counters</u> – There should always be at least two money counters present. They are responsible for counting the money collected from the booths. Each bag should be counted by a money counter and then verified by a second money counter. The amounts should be recorded on individual count sheets and initialed by both counters.</i> ○ <i><u>Vault cashier</u> – receives the deposits from the money counters, counts and wraps currency and coins for bank deposits, and maintains the inventory of wrapped money in a pre-selected secure place. In cases where there are not sufficient staff, this position could be filled by the Chairperson.</i> ○ <i><u>Vendor manager</u> – responsible for handling payments to vendors and police officers using checks only. This role can be performed by the window cashier.</i>
<i>Payments to Vendors and Police Officers</i>	<ul style="list-style-type: none"> • <i>All payments to vendors and police officers are to be made by check, not cash. To ensure proper controls, a W-9 form must be collected from each vendor regardless of the amount of the payment.</i> • <i>Prior to the event, a list should be prepared of who will be receiving checks.</i> • <i>Checks that are needed during the event for vendors according to a signed contract must be prepared beforehand.</i> • <i>Checks should be distributed by the window cashier and each check should be signed for by the individual receiving the check.</i> • <i>Any additional amounts that are due in accordance with the written agreement will be paid by check at least one business day following the event.</i>

Procedure	Steps
<i>Preparing the BANK Bags</i>	<ul style="list-style-type: none"> • Obtain sufficient bags for each ticket booth. It is advisable to have extra bags on hand. • Each bag should be labeled and numbered so that all bags are accounted for at the end of the event. • Each label should include a blank space to indicate the purpose of the funds in the bag. • <i>Before the carnival opens, the chairperson prepares an opening BANK for each ticket booth, placing the pre-set amount in each bag and sealing it until it is opened by the ticket booth worker for verification.</i>
<i>Distribution of BANKS</i>	<ul style="list-style-type: none"> • Each ticket booth workers should arrive early to pick up the bank and ticket bags from the window cashier. They count the opening bank bag and verify the amount of tickets issued to make sure the amount is correct and then sign for the amount taken indicating that the amounts are correct and that they took the bag. • They transfer the bags directly to their ticket booth.

Procedure	Steps
	<ul style="list-style-type: none"> •
<i>Cash Office Procedures</i>	<ul style="list-style-type: none"> • The window cashier distributes and receives monies from ticket booth workers, recording their names, the ticket booth, and the time in the logbook. • The unopened bag is given to the money counters, who count the funds twice. After the funds are counted a second time, a count sheet is completed and both counters initial the sheet. • The money counters then give the money to the vault cashier. That person wraps the bills and coins for the bank deposit. • The vault cashier then places the money in a safe or other secured place. The vault cashier alone should have the key to the safe or secured place. • The counted verified slips should be totaled for that day. The amount deposited should equal the opening bank amount plus all daily receipts. • Any significant discrepancies should be verified prior to the end of the event.
<i>Deposit</i>	<ul style="list-style-type: none"> • <i>Whenever possible, bank deposits should be made throughout the carnival, so that significant amounts of cash are not kept on hand at any time.</i> • The chairperson and the vault cashier count and prepare the deposit slip together. They both initial the deposit slip. • The chairperson, accompanied by a police officer, delivers the deposit bags to the bank.
<i>Reconciling</i>	<ul style="list-style-type: none"> • <i>Copies of the count sheets and the deposit slips are kept secure during the event by the chairperson, who gives all of them to the parish/school bookkeeper after the event.</i>

	<ul style="list-style-type: none">• <i>After the entire event, the parish/school bookkeeper reconciles the count sheets with the deposit slips and the bank statement.</i>• <i>If there are any discrepancies greater than \$25, the persons who have initialed the deposit in question are contacted and the matter is reconciled. If the matter cannot be reconciled, the pastor/principal is notified.</i>
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Cafeteria Income

Cafeteria Income Policy

Schools that manage their own cafeterias must ensure that payments received for food are properly handled and recorded and kept in a safe location until a deposit can be made.

Rationale:

Students often purchase their lunches and snacks with cash. Procedures need to be in place and followed to ensure that monies received are accounted for properly. It is strongly recommended that the RenWeb Cash Register function be used, and that cash is not accepted on site.

Specific Information	
<i>Ren Web Cash Register</i>	<ul style="list-style-type: none"> The business manager should set up a cash register in Ren Web and Facts to be used to charge the students and faculty
<i>Other Monies Collected</i>	<ul style="list-style-type: none"> Money collected for individual lunches or for <i>à la carte</i> items should be kept separate.
<i>Persons Collecting the Money</i>	<ul style="list-style-type: none"> The person responsible for taking in the money should be an employee or volunteer who has passed a credit check. At the end of the lunch periods, the individual collecting funds should count the cash, record the amount on a count sheet, and place the funds in a sealed bag.
<i>Security</i>	<ul style="list-style-type: none"> Funds should be brought to the school office and put in a safe. If there is a significant amount, a deposit slip should be prepared, and the funds should be deposited that day.
<i>Deposit</i>	<ul style="list-style-type: none"> The deposit slip should agree to the related count sheet and cash register report. Discrepancies must be reconciled. Un-reconciled discrepancies greater than \$5 must be brought to the attention of the principal.
<i>Recording All Activity</i>	<ul style="list-style-type: none"> All revenue and expenses should be recorded. There should be no netting of activity. For example, paying for food products out of income is not allowed.

Parish/School Organizations

Parish/School Organizations Policy

All financial activity of parish/school organizations, that is, all revenue generated and expenses incurred, is financial activity of the parish/school. Such financial activity must be recorded on the parish/school books, as revenue or expense.

Rationale:

The purpose of a parish/school organization is to support the parish/school of which it is a part. Such groups often perform valuable services for their parish/school. They should be supported and encouraged; their activity and efforts should be coordinated with the overall work of the parish/school.

Often these parish/school organizations raise funds for their parish/school. Accounts in the parish/school books should be used to keep track of the organization's normal operating financial activity, as well as the financial activity related to parish/school support.

Specific Information	
<i>Control</i>	<ul style="list-style-type: none"> • See “Statement on Parish/School Organizations” in the Church Structure section of this handbook. • If an organization uses the name of the parish/school (for example, Parish Women’s Society, School Booster Club, etc.), or if it uses the parish/school employer identification number (EIN) or its tax-exempt status for purchases, the funds of that organization are to be under the control of the pastor/principal. <ul style="list-style-type: none"> ○ Funds must be used for the purpose(s) for which they were collected.
<i>School Policy</i>	<ul style="list-style-type: none"> • Diocesan school policy further states that parent-teacher associations, booster clubs, and any other type of organization intended to support or be beneficial to a school, any party or program, including sports, of the school, “are part of the school and are not legal entities separate and apart from the school. Therefore, they are subject to all diocesan policies, contracts, employee’s insurance and pension plans.”
<i>Parish Bank Account</i>	<ul style="list-style-type: none"> • The funds of the organization must be kept in the parish/school regular bank account. • If a second checking account is needed, contact the Controller in the Diocesan Finance Office for further instructions. • If the organization has a separate checking account, the pastor/principal must be the primary signer on the account. Additionally, the mailing address for the account’s monthly bank statements must be that of the parish/school office. • Organizations must remember that any funds raised are property of the parish/school.

Specific Information	
<i>Recorded on Parish, School Books</i>	<ul style="list-style-type: none"> • Bank reconciliations should be performed by the business manager/bookkeeper. • Follow all bank reconciliation procedures found in Chapter 6.
<i>Outside Organizations</i>	<ul style="list-style-type: none"> • At times a parish/school might have the opportunity to raise funds for an outside organization. When these occasions arise, written authorization from the Chancery must be obtained prior to raising funds for these outside organizations. • All National Collections, Disaster Recovery collections, and funds raised for international organizations must be routed through the Central Office. • A parish/school may need to temporarily hold the funds of an outside organization (for example \$5 jeans day for St. Jude Children's Hospital). These funds should be distributed as quickly as possible to limit the liability to the parish/school. • The Funds Held for Others or another deposits payable account should be used. • See definition of "outside organization" in "Statement on Parish/School Organizations" in the section entitled Church Structure.

Procedure	Steps
<i>Establishing Account</i>	<ul style="list-style-type: none"> • When a parish/school organization is established, a class is chosen for that organization. A detailed General Ledger report filtered by class will provide the monthly activity for the organization.

Reconciling Inter-fund Activity

Reconciling Inter-fund Activity Procedure

If a parish/school has more than one fund on its books (for example, operating fund, building fund, cemetery fund, etc.), it is necessary to make sure that each fund is in balance at the end of each period.

Rationale:

In using the Accounting Software, when you write a check that affects a fund other than the Operating Fund, the system will credit (reduce) cash in the Operating Fund, and post a debit to the other fund affected. However, no inter-fund entry will be made. This results in both funds being out of balance. Thus, an additional step will be required to make sure all funds are in balance. This is done by the Central Office at year end.

Social Outreach and Charitable Contributions Made by Parishes

Social Outreach and Charitable Contributions Made by Parishes Policy

Funds used for social outreach purposes are a diocesan tax reduction. Revenue received will be taxed normally. When funds are expended for social outreach, the parish/school will receive a tax reduction on the following month's invoice.

Rationale:

*Caring for the less fortunate is part of the mission of a parish, as much as other areas of parish life, such as liturgy, religious education, etc. Regular operating revenue used for this purpose is subject to diocesan taxation. However, **special** collections for charitable causes are exempt from the tax.*

Specific Information	
<i>Regular Operating Revenue</i>	<ul style="list-style-type: none"> • Funds that are received through a parish's regular collection may be spent on social outreach and receive a tax reduction on their next month's bill.. • For example, if a parish budgets a portion of its regular annual collection to assist the needy in the parish or in the community, those funds are not tax-exempt until spent. • Catholic Charities should be utilized since they have the expertise and support our mission.
<i>Special Collections</i>	<ul style="list-style-type: none"> • If a parish raises money for a National or Diocesan Collection, these funds will not be taxed. • If a parish takes up a special collection for any charitable cause, those receipts are subject to diocesan taxation at the time that they are collected • Thus, for example, if a parish has a regular second collection every month to support its food pantry, those funds collected are taxable. At the time the expense is recorded a tax-reduction is created on the next invoice.
<i>Allowable Expenses</i>	<ul style="list-style-type: none"> • All funds expended must be for payments for services or purchase of supplies that are given for outreach to the community.
<i>Non-Allowable Expenses</i>	<ul style="list-style-type: none"> • Expenses for overhead, parish utilities, and employee salaries/benefits, etc. are not allowed to be paid for with tax-exempt Social Outreach Funds. • Funds should not be given directly to an individual. • Care should be given when repeatedly offering assistance to the same individual (not applicable to a food pantry ministry). • Care should also be taken that funds given to an individual through assistance must not be interpreted as compensation for services or labor.
<i>Note on Receiving Parish</i>	<ul style="list-style-type: none"> • Parishes receiving assistance from other parishes will pay the diocesan tax on the donation.

Custodial Funds

Custodial Funds Policy

The Diocese approves various occasional special collections for outside entities or causes. Such funds are considered custodial in nature. They are recorded on the parish/school books. Their dispersal to the outside entity must be channeled through the diocese; funds sent directly to the entity (not through the diocese) are subject to diocesan taxation.

Rationale:

Occasionally, a parish/school is asked to collect funds for a cause that is not one of its established activities or programs. This is part of the mission of a parish/school.

There are many ways in which this can occur; some may be clearly established and regular aspects of the parish/school life, while others may be unique or one-time situations. Because of the many possible scenarios that can occur, several sets of procedures have been established. The following pages address the most frequent types of situations:

- *Funds donated to a regular activity/program*
- *Funds donated for a special situation*
- *Funds donated for a special situation in the local community*
- *Funds donated for a special situation by an individual parish or school*
- *Individual donor asking parish/school to act as conduit for donation*

If you feel the situation your parish/school has is not adequately addressed, please contact the Diocesan Finance Office.

Specific Information	
<i>Warnings</i>	<ul style="list-style-type: none"> • Donors may not designate or restrict their contribution to a specific family or individual. If the donor does contribute to a specific family or individual this amount cannot be added to the donor's annual giving statement. <ul style="list-style-type: none"> ○ Receipt of funds under these conditions should be accounted for on the donor's annual giving statement. ○ Checks should be made payable to the parish/school. ○ The parish/school reserves the right to return any gifts. • See "Charitable Contributions Made by Parishes" in this section for information regarding parish funds used to help the needy.
<i>Funds for Staff Persons</i>	<ul style="list-style-type: none"> • The pastor/principal and other staff should be instructed not to receive checks made payable to the parish/school when the donor has specified orally, or in an accompanying note, that the money is to be given to a named individual or family. • This also applies to money that the donor wants to give as a gift to the individual priest/deacon/staff person. • If such an event does occur, care should be taken to make sure that the money given is: properly transferred to the person intended, and not recorded in the donor's contribution file as deductible for federal income tax purposes.

Specific Information	
<i>Example: Funds Passed Through to a Staff Person</i>	<ul style="list-style-type: none"> • In the event the parish/school accepts funds intended for a staff person: <ul style="list-style-type: none"> • Someone writes a check to the parish; however, the funds are intended by the donor to be for a staff person or a priest who, for example, assisted in a religious ceremony. • The check must be deposited in the parish operating account. • The amount should be included in the next payroll check for the staff person. Payroll taxes for Social Security and Medicare must be withheld. • The total amount must be included on the person's W-2 at the end of the year. • If the person to receive the funds is not an employee but rather a contractor, that amount must be included on his/her Form 1099. • See "Payroll," "Payroll Reporting," and "Special Payments to Employees" in the section entitled Personnel and Employment Benefits.
<i>Individual's Responsibility</i>	<ul style="list-style-type: none"> • If the money is paid directly to the individual, the parish/school is not involved. • It is the individual's responsibility to report such income on his/her tax return.
<i>Other References</i>	<ul style="list-style-type: none"> • See "Tax Rules related to Charitable Giving" in the Stewardship and Development section.

SITUATION #1 – FUNDS DONATED TO A REGULAR ACTIVITY/PROGRAM	
<i>Types of Situations</i>	<ul style="list-style-type: none"> • This situation addresses regular diocesan efforts such as: <ul style="list-style-type: none"> ○ Annual diocesan/national collections ○ Rice Bowl ○ Mission appeals sponsored by Diocese
<i>Custodial Role</i>	<ul style="list-style-type: none"> • The parish/school is considered a custodian of these funds collected; the funds are not for parish/school use. The funds are to be collected and kept track of separately. They are to be deposited in the regular checking account. The funds are transferred to the Diocese via the PAY Diocese Form. • Funds collected are not considered revenue of the parish/school but are held in liability accounts until transferred to the diocese. The Diocesan Finance Office will inform you which account numbers to use.
<i>Tax Exempt</i>	<ul style="list-style-type: none"> • These funds are not subject to diocesan taxation.

<i>Accounting Step</i>	<ul style="list-style-type: none"> When the money is deposited, both the cash account and the appropriate liability accounts (mentioned above) are increased. When the money is transferred to the Diocese, the same two accounts are decreased by the same amount.
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SITUATION #1 – FUNDS DONATED TO A REGULAR ACTIVITY/PROGRAM, continued	
<i>End of Month Review</i>	<ul style="list-style-type: none"> Review the general ledger monthly and verify the balance of the diocesan and national collections. If the collection deposit and payment were recorded to the same account number, the account balance should be zero. If the account does not have a zero balance, determine why it is so. Contact the Diocesan Accounting Office for help in reconciling the account balance.
<i>Mission Appeal Steps</i>	<ul style="list-style-type: none"> Record the collections in a Funds Held for Others – Mission Appeal account. The parish/school must not pay money to the mission directly. Forward the money to the Diocese via the PAY Diocese form, which will forward the money to the appropriate place.
<i>Parishioner Contribution Records</i>	<ul style="list-style-type: none"> Contributions in this situation should be recorded in each parishioner’s contribution records.

SITUATION #2 – FUNDS DONATED FOR A SPECIAL SITUATION	
<i>Types of Situations</i>	<ul style="list-style-type: none"> This situation addresses efforts that are not annual events (such as in Situation #1), but the funds of which are still funneled through the Diocese. It could include: <ul style="list-style-type: none"> A special collection for disaster relief A special collection for a priest/religious working in another country or for a foreign charitable/religious activity A coordinated effort by the local community to address a specific need All funds collected should be sent to the Diocese; the Diocese will forward all funds to the appropriate person/entity.
<i>Custodial Role</i>	<ul style="list-style-type: none"> The parish/school is considered a custodian of these funds collected; the funds are not for parish/school use. The funds are to be collected and kept track of separately. They are to be deposited in the regular checking account. The funds are relayed to the appropriate entity through the Diocese.
<i>Tax Exempt</i>	<ul style="list-style-type: none"> Due to the fact that these funds are not revenue of the parish/school the funds are considered exempt from diocesan taxation.
<i>Example</i>	<ul style="list-style-type: none"> A priest or religious from Costa Rica, who is from the same religious order as the pastor or is a friend of a parishioner, comes to the parish and preaches an appeal sermon at all weekend Masses. A collection is taken up for his/her work in Costa Rica. The funds collected should be forwarded to the Diocese, which in turn will properly transfer the funds to the order. As a reminder, all visiting priests or religious must have written approval from the Chancery prior to practicing public ministry.
<i>Security</i>	<ul style="list-style-type: none"> The collection should be subject to regular collection counting procedures.

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| | <ul style="list-style-type: none">• Such procedures ensure the safe arrival of the funds to their intended destination (much less chance of loss or theft). |
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SITUATION #2 – FUNDS DONATED FOR A SPECIAL SITUATION, continued	
<i>Forwarding Funds</i>	<ul style="list-style-type: none"> • The parish/school should not pay money to the person/mission directly. Forward the money to the Diocese, which will forward it to the appropriate place. •
<i>Collecting Funds Over a Period of Time</i>	<ul style="list-style-type: none"> • If funds are collected over an extended period of time, they should be sent in to the Diocese for distribution before the end of the fiscal year (June 30). • Before the end of the fiscal year, all Funds Held for Others should be forwarded to the Diocese using the PAY Diocese form.
<i>Parishioner Contribution Records</i>	<ul style="list-style-type: none"> • Contributions in this situation should be recorded in each parishioner's contribution records.

SITUATION #4 - FUNDS DONATED FOR A SPECIAL SITUATION BY AN INDIVIDUAL PARISH OR SCHOOL	
<i>Types of Situations</i>	<ul style="list-style-type: none"> • The situation addresses the efforts of an individual parish or school to address a particular need. • For example, parish leadership decides to take up a collection for a parishioner who was seriously hurt in an auto accident and will be unable to work for several months
<i>Note:</i>	<ul style="list-style-type: none"> • Catholic Charities Fort Worth and St. Vincent de Paul Society have many resources that are available to individuals during situations with special needs.
<i>Tax-Exempt</i>	<ul style="list-style-type: none"> • Due to the fact that these funds are not revenue of the parish/school the funds are considered exempt from diocesan taxation.

SITUATION #3 – FUNDS DONATED FOR A SPECIAL SITUATION IN THE LOCAL COMMUNITY	
<i>Types of Situations</i>	<ul style="list-style-type: none"> • This situation addresses efforts in a local town or community.
<i>Example</i>	<ul style="list-style-type: none"> • For example, the local council of churches or a local organization is raising money for a local disaster (e.g., for the families of an apartment complex destroyed by fire) and asks your parish/school to join in the effort. A special collection is taken up. The parish/school writes a check to the organization for the amount collected.
<i>Tax-Exempt</i>	<ul style="list-style-type: none"> • Due to the fact that these funds are not revenue of the parish/school the funds are considered exempt from diocesan taxation. See “Social Outreach and Charitable Contributions Made by Parishes” for more information.
<i>Parishioner Contribution Records</i>	<ul style="list-style-type: none"> • Contributions in this situation should be recorded in each parishioner's contribution records.

SITUATION #4 - FUNDS DONATED FOR A SPECIAL SITUATION BY AN INDIVIDUAL PARISH OR SCHOOL, continued	
<i>Social Outreach Expense</i>	<ul style="list-style-type: none"> • The funds should be deposited in the operating checking account. • Assistance should be given through the direct purchase of services by the parish/school on behalf of the individual need on a case by case basis. • See “Social Outreach and Charitable Contributions Made by Parishes” section above for more information.
<i>Warnings</i>	<ul style="list-style-type: none"> • An Important Note: Careful consideration should be given by parish/school leadership before entering into such an effort. The parish/school should examine both the specific need and the appropriateness prior to choosing to serve that particular need. • <i>All social outreach are subject to internal and external audit by the Central Office due to the potential fraud, or liability, this places the Diocese, and parish/school, in with the Internal Revenue Service.</i> • See discussion in Situation #5, immediately following.
<i>Donor Deduction for Income Tax Purposes</i>	<ul style="list-style-type: none"> • Contributions made by donors to this effort are considered deductible for federal income tax purposes.
<i>Parishioner Contribution Records</i>	<ul style="list-style-type: none"> • Contributions in this situation should be recorded in each parishioner’s contribution records.

SITUATION #5 – INDIVIDUAL DONOR ASKING PARISH/SCHOOL TO ACT AS CONDUIT FOR DONATION	
<i>Types of Situations</i>	<ul style="list-style-type: none"> • This situation addresses the effort of an individual or group of individuals to give money to an individual or cause that is not part of the parish’s/school’s activity. • For example, a woman wants to give \$500 to a person she knows needs help with expenses. She asks the parish if she can write a check to the parish, which in turn would give the money to the needy individual.
<i>Warning</i>	<ul style="list-style-type: none"> • A parish/school should <i>not</i> act as a conduit in such a situation aka money laundering. • In general, a not-for-profit entity should only receive funds for programs and activities that it has initiated as part of its tax-exempt purpose.
<i>No Contribution Letter to Donor</i>	<ul style="list-style-type: none"> • If the parish/school does decide to act as a conduit in such a situation, it is <i>not</i> to give a contribution letter to the person giving the money. • There can be serious legal ramifications, for the Diocese and parish/school, for giving a contribution letter for something the IRS does not consider tax deductible.
<i>Adopting the Cause</i>	<ul style="list-style-type: none"> • If parish/school leadership determines that the cause is worthwhile and they want to take it on as a parish/school effort, there should be a general request for contributions from the parish/school population.

	<ul style="list-style-type: none">• It should not retain the appearance of being the private effort of an individual or a group of people.• If it becomes a parish effort, the funds gathered for the needy person would be considered part of the parish's outreach ministry.• Due to the fact that these funds are not revenue of the parish/school, the funds are considered exempt from diocesan taxation.
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Schools Giving Money to Parishes

Schools Giving Money to Parishes Procedure

If a school gives money to a parish, both entities need to record the transaction on its books.

Rationale:

There are times when a school has funds it wishes to give to its parish. In such a case, each entity should properly record that transaction. Contact the Diocesan Finance Office for specific instructions.

Capital Project Transactions

Capital Project Transactions Procedure

All activity relating to capital projects will be recorded in the Parish/School Operating Fund. This includes the savings accounts, construction in progress expenditures, the related loan, and the revenue activity.

The Facility Management department # 6000 in parishes, and # 9300 in schools should be used for all capital project revenue and expenditures.

When money is collected for a capital project, it should be sent to the Diocese, deposited in one of the capital savings accounts, and recorded in a capital project revenue.

SAVINGS MODE

Accounting procedures for parishes and schools recording capital project transactions when in the Savings Mode are as follows:

Procedure	Steps																								
<i>Recording Transactions (Savings Mode)</i>	<ul style="list-style-type: none"> • If you have not been granted a diocesan tax exemption, the entry would be: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Core Account No.</td> <td style="width: 30%;"></td> <td style="width: 15%; text-align: right;">Debit</td> <td style="width: 25%; text-align: right;">Credit</td> </tr> <tr> <td>11700X-01-0000</td> <td>Savings Account with the Diocese</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>40XXXX-01-xxxx</td> <td>Revenue – CY (current year activity)</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </table> • If you have been granted a diocesan tax exemption, the entry would be: <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Core Account No.</td> <td style="width: 30%;"></td> <td style="width: 15%; text-align: right;">Debit</td> <td style="width: 25%; text-align: right;">Credit</td> </tr> <tr> <td>11801X-01-0000</td> <td>Capital Project Savings Account with the Diocese-DTE granted by the Diocese</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>59901X-01-</td> <td>Revenue – CY (current year activity)</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </table> 	Core Account No.		Debit	Credit	11700X-01-0000	Savings Account with the Diocese	xxx		40XXXX-01-xxxx	Revenue – CY (current year activity)		xxx	Core Account No.		Debit	Credit	11801X-01-0000	Capital Project Savings Account with the Diocese-DTE granted by the Diocese	xxx		59901X-01-	Revenue – CY (current year activity)		xxx
Core Account No.		Debit	Credit																						
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11801X-01-0000	Capital Project Savings Account with the Diocese-DTE granted by the Diocese	xxx																							
59901X-01-	Revenue – CY (current year activity)		xxx																						

Procedure	Steps
<i>Recording Capital Project Revenue</i>	<ul style="list-style-type: none"> • Since the Diocese pays all construction bills on behalf of the parish/school out of one of the capital accounts, revenue will need to be recognized. • Please see “Parish Tax-Exempt Savings Accounts” in section 6 for rules on receiving tax exemption.
<i>Recording Capital Project Expenses</i>	Capital Project expenses should be recorded to the Capital Expenditure expense accounts. On an annual basis (year-end), the parish/school accounting department will transfer these expenses to fixed assets in the Plant Fund.

The entry for the payment of the capital expenditure would be:			
Core Account No		Debit	Credit
8950XX-01-XXXX	Capital Expenditure Expense Account	XXX	
11801X-01-0000	Capital Project Savings Account with the Diocese		XXX
To transfer the capital expenditures to the plant fund, the entry would be:			
Core Account No		Debit	Credit
193X00-14-0000	Fixed Assets	XXX	
398001-14-0000	Fund Balance-Plant Additions		XXX

LOAN MODE

Accounting procedures for parishes and schools recording capital project transactions when in the Loan Mode are as follows:

Procedure	Steps												
<i>Recording Transactions (Loan Mode)</i>	<ul style="list-style-type: none"> If the parish has been granted permission to run a capital project the entry for capital expenditures would be: <table style="margin-left: 40px;"> <tr> <td>Core Account No.</td> <td></td> <td>Debit</td> <td>Credit</td> </tr> <tr> <td>895XXX-01-0000</td> <td>Capital Expenditure – current year activity</td> <td>xxx</td> <td></td> </tr> <tr> <td>25600X-01-0000</td> <td>Capital Project Loan</td> <td></td> <td>xxx</td> </tr> </table> 	Core Account No.		Debit	Credit	895XXX-01-0000	Capital Expenditure – current year activity	xxx		25600X-01-0000	Capital Project Loan		xxx
Core Account No.		Debit	Credit										
895XXX-01-0000	Capital Expenditure – current year activity	xxx											
25600X-01-0000	Capital Project Loan		xxx										

When a tax-free capital savings account is depleted before the completion of a project, the project funding automatically moves into loan mode. The tax-free savings account is closed and any remaining deferred revenue held for the capital project at the parish/school level should be reorganized as revenue (Contributions for Capital Project) **subject to diocesan tax assessment**. Once the parish is in the loan mode, all contributions received for the capital project are recorded in a **taxable revenue** account and are subject to the diocesan tax assessment. When a payment is made on the loan, the parish will receive a **tax reduction on the principal portion** (not the interest portion) of the loan payment. Loan payments are first applied against accrued interest with the remainder reducing principal.

LOAN MODE

Accounting procedures for parishes and schools recording capital project transactions when in the Loan Mode are as follows:

Procedure	Steps																					
<i>Recording Capital Project Contributions (Loan Mode)</i>	<ul style="list-style-type: none"> Once the parish/school are in the loan mode, the entry for recording contributions for a capital project would be: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Debit</th> <th style="width: 20%; text-align: center;">Credit</th> </tr> </thead> <tbody> <tr> <td>Core Account No. 101010-01-0000</td> <td style="text-align: center;">Cash</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>40640x-01-xxxx</td> <td style="text-align: center;">Contributions for Capital Project</td> <td style="text-align: center;">xxx</td> </tr> </tbody> </table> 		Debit	Credit	Core Account No. 101010-01-0000	Cash	xxx	40640x-01-xxxx	Contributions for Capital Project	xxx												
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Core Account No. 101010-01-0000	Cash	xxx																				
40640x-01-xxxx	Contributions for Capital Project	xxx																				
<i>Recording Loan Payments for an Account that is Not Tax-Exempt</i>	<ul style="list-style-type: none"> The entry to record the parish/school loan payment would be: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Debit</th> <th style="width: 20%; text-align: center;">Credit</th> </tr> </thead> <tbody> <tr> <td>Core Account No. 88900x-01-xxxx</td> <td style="text-align: center;">Principal Payment (No DTR)</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>101010-01-0000</td> <td style="text-align: center;">Area Bank–Checking-Operating</td> <td style="text-align: center;">xxx</td> </tr> </tbody> </table> The entry parish/school accounting will make to allocate the above entry between interest and principal reduction would be: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Debit</th> <th style="width: 20%; text-align: center;">Credit</th> </tr> </thead> <tbody> <tr> <td>Core Account No. 256x0x-01-0000</td> <td style="text-align: center;">Note Payable – Diocese</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>201000-01-0000</td> <td style="text-align: center;">Interest Payment to Diocese</td> <td style="text-align: center;">xxx</td> </tr> <tr> <td>896400-01-xxxx</td> <td style="text-align: center;">Allocation of Principal Payment</td> <td style="text-align: center;">xxx</td> </tr> </tbody> </table> 		Debit	Credit	Core Account No. 88900x-01-xxxx	Principal Payment (No DTR)	xxx	101010-01-0000	Area Bank–Checking-Operating	xxx		Debit	Credit	Core Account No. 256x0x-01-0000	Note Payable – Diocese	xxx	201000-01-0000	Interest Payment to Diocese	xxx	896400-01-xxxx	Allocation of Principal Payment	xxx
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896400-01-xxxx	Allocation of Principal Payment	xxx																				

Loans to Parishes/Schools

Loans to Parishes Policy

A parish/school may borrow funds **only** from the Diocese. A parish/school **may not** seek either short-term, or long-term, loans from any other entity or person.

Rationale:

The Diocese has developed the mechanism so that all loan requests, if they are accepted, can be provided for through the Diocese. In this way, neither the Diocese, any parish, or any school will enter into unauthorized borrowing contracts.

Specific Information	
<i>Purposes for Loan</i>	<ul style="list-style-type: none"> • Normally, a parish/school may request a loan from the Diocese only in the context of a capital improvement campaign. • Loans are not usually available to cover operating expenses. • In some case, a “line of credit” loan may be approved.
<i>How to Request</i>	<ul style="list-style-type: none"> • All requests for loans must be presented to the Diocesan Pastoral Finance Committee through the Chancery in writing. • Contact the Diocesan Finance Office regarding how to proceed.
<i>Interest</i>	<ul style="list-style-type: none"> • Interest begins accruing immediately when funds are borrowed. Interest is calculated as simple interest on a daily basis.
<i>Payments</i>	<ul style="list-style-type: none"> • Payment may be made at any time. In the case of a building program, payments should be made when the parish/school receives contributions toward the project. • Interest is always paid first, and the remainder applied to principal. This application of interest and principal is used throughout the duration of the loan.
<i>Amortizations</i>	<ul style="list-style-type: none"> • Parishes/schools should not wait for an amortization schedule to begin paying on a building loan. • Amortization of loans begins when the parish/school takes possession of the building. The Diocesan Finance Office will send the amortization schedule within 30 days. • Additional expenses such as artwork or furniture will be added to the loan as necessary. The loan will be re-amortized when the Construction Office verifies that the project is complete. • Non-building loans will be amortized within 30 days of receipt of funds by the parish/school.

<i>Building Project Loan Notification</i>	<ul style="list-style-type: none"> • During a building project, payments are made by the Diocese out of the parish’s/school’s building savings account. When these funds are depleted, a loan automatically begins.
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	<ul style="list-style-type: none"> • A letter is sent by the Diocesan Finance Office notifying the parish/school that the project is now in loan mode. • Any funds raised/received for this project after this date should be applied to the loan.
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Procedure	Steps																												
<i>Recording Loan Payments</i>	<ul style="list-style-type: none"> • If a parish/school have been granted a diocesan loan, the entry to record a loan payment would be: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Core Account No.</th> <th style="text-align: left;"></th> <th style="text-align: right;">Debit</th> <th style="text-align: right;">Credit</th> </tr> </thead> <tbody> <tr> <td>88900X-01-XXXX</td> <td>Loan Payment #x</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>101010-01-0000</td> <td>Area Bank-Checking-Operating</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </tbody> </table> • The entry parish/school accounting will make to allocate the above entry between interest and principal reductions on the loan would be: <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Core Account No.</th> <th style="text-align: left;"></th> <th style="text-align: right;">Debit</th> <th style="text-align: right;">Credit</th> </tr> </thead> <tbody> <tr> <td>25XX0X-01-0000</td> <td>Note Payable – Diocese –</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>890201-01-XXXX</td> <td>Interest Payment to Diocese</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>896400-01-XXXX</td> <td>Allocation of Principal Payment</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </tbody> </table> 	Core Account No.		Debit	Credit	88900X-01-XXXX	Loan Payment #x	xxx		101010-01-0000	Area Bank-Checking-Operating		xxx	Core Account No.		Debit	Credit	25XX0X-01-0000	Note Payable – Diocese –	xxx		890201-01-XXXX	Interest Payment to Diocese	xxx		896400-01-XXXX	Allocation of Principal Payment		xxx
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Procedures for Recording Parish Loans on Behalf of Their (Parochial) Schools

Loans to Schools Policy

A parish school may borrow funds through the parish.

Rationale:

Capital project expenses paid on behalf of a parochial school should be recorded to the parish’s Capital Expenditure expense accounts. Because the Diocese pays all construction bills, it is recommended that the Diocesan Parish/School Office determine the appropriate journal entry. On an annual basis (year-end) the Diocesan Parish/School Office will transfer these expenses to fixed assets in the Plant Fund.

Procedure	Steps																																							
<i>Capital Expenditure</i>	<p>Accounting procedures for parishes recording a <u>capital expenditure</u> type of loan on behalf of their (parochial) school are as follows:</p> <p>The entry the parish will make for the capital expenditure would be:</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Debit</td> <td style="padding-left: 40px;">8950xx-01-xxxx</td> <td style="padding-left: 40px;">Capital Expenditure Expense Account</td> </tr> <tr> <td style="padding-left: 40px;">Credit</td> <td style="padding-left: 40px;">25xxxx-01-0000</td> <td style="padding-left: 40px;">Note Payable – Parish/School</td> </tr> </table> <p>When the school pays the parish on the loan, the entry the school will make to record the payment to the parish would be:</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Debit</td> <td style="padding-left: 40px;">880110-01-6605</td> <td style="padding-left: 40px;">Capital Grant to Parish</td> </tr> <tr> <td style="padding-left: 40px;">Credit</td> <td style="padding-left: 40px;">101010-01-0000</td> <td style="padding-left: 40px;">Cash</td> </tr> </table> <p>When a parish receives money from the school to pay on the loan, principal and interest is tax exempt. The entry the parish will make for the payment from the school would be:</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Debit</td> <td style="padding-left: 40px;">101010-01-0000</td> <td style="padding-left: 40px;">Cash</td> </tr> <tr> <td style="padding-left: 40px;">Credit</td> <td style="padding-left: 40px;">599160-01-xxxx</td> <td style="padding-left: 40px;">DTE-Oper Support/Parishes</td> </tr> </table> <p>The entry the parish will make for the loan payment would be:</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Debit</td> <td style="padding-left: 40px;">88900x-01-xxxx</td> <td style="padding-left: 40px;">Principal Payments (No DTR)</td> </tr> <tr> <td style="padding-left: 40px;">Credit</td> <td style="padding-left: 40px;">101010-01-0000</td> <td style="padding-left: 40px;">Area Bank – Checking – Operating</td> </tr> </table> <p>The entry Parish/School accounting will make to allocate the above entry between interest and principal on the loan would be:</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Debit</td> <td style="padding-left: 40px;">25xxxx-01-0000</td> <td style="padding-left: 40px;">Note Payable – Parish/School</td> </tr> <tr> <td style="padding-left: 40px;">Debit</td> <td style="padding-left: 40px;">890201-01-xxxx</td> <td style="padding-left: 40px;">Interest Payment to Diocese</td> </tr> <tr> <td style="padding-left: 40px;">Credit</td> <td style="padding-left: 40px;">896400-01-xxxx</td> <td style="padding-left: 40px;">Allocation of Principal Payment</td> </tr> </table> <p>At year-end, the Parish/School accounting department will transfer the capital expenditures on the parish books to the plant fund. The entry would be:</p> <table style="width: 100%; border: none;"> <tr> <td style="padding-left: 40px;">Debit</td> <td style="padding-left: 40px;">193x00-14-0000</td> <td style="padding-left: 40px;">Fixed Assets</td> </tr> <tr> <td style="padding-left: 40px;">Credit</td> <td style="padding-left: 40px;">398001-14-0000</td> <td style="padding-left: 40px;">Fund Balance – Plant Additions</td> </tr> </table>	Debit	8950xx-01-xxxx	Capital Expenditure Expense Account	Credit	25xxxx-01-0000	Note Payable – Parish/School	Debit	880110-01-6605	Capital Grant to Parish	Credit	101010-01-0000	Cash	Debit	101010-01-0000	Cash	Credit	599160-01-xxxx	DTE-Oper Support/Parishes	Debit	88900x-01-xxxx	Principal Payments (No DTR)	Credit	101010-01-0000	Area Bank – Checking – Operating	Debit	25xxxx-01-0000	Note Payable – Parish/School	Debit	890201-01-xxxx	Interest Payment to Diocese	Credit	896400-01-xxxx	Allocation of Principal Payment	Debit	193x00-14-0000	Fixed Assets	Credit	398001-14-0000	Fund Balance – Plant Additions
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Procedure	Steps																																													
<p><i>Line of Credit</i></p>	<p>Accounting procedures for parishes recording a <u>Line of Credit</u> type of loan on behalf of their school are as follows:</p> <p>On occasion a school may need an interim loan. Because the school may ask for additional loans during the course of the year, the loan is titled “Line of Credit”. The entry the school will make to record the line of credit funds sent directly to the school would be:</p> <table data-bbox="407 489 1255 548"> <tr> <td>Debit</td> <td>101010-01-0000</td> <td>Area Bank – Checking – Operating</td> </tr> <tr> <td>Credit</td> <td>256702-01-0000</td> <td>Note Payable – Parish/School</td> </tr> </table> <p>When the school uses the funds to pay for expenses the entry will be:</p> <table data-bbox="407 625 1255 684"> <tr> <td>Debit</td> <td>xxxxxx-01-xxxx</td> <td>Expense account</td> </tr> <tr> <td>Credit</td> <td>101010-01-0000</td> <td>Area Bank – Checking – Operating</td> </tr> </table> <p>From time to time a school may need an interim loan to pay Accounts Receivable owed to the diocese. Diocesan accounting will do a journal entry to decrease the Accounts Receivable owed by the school and increase the interim “Line of Credit” loan. The entry Parish/School accounting will make to record the journal entry on the school books would be:</p> <table data-bbox="407 905 1195 963"> <tr> <td>Debit</td> <td>xxxxxx-01-xxxx</td> <td>Expense account</td> </tr> <tr> <td>Credit</td> <td>256702-01-0000</td> <td>Note Payable – Parish/School</td> </tr> </table> <p>The school pays the loan payments directly to the diocese. They do not pay the parish. The entry the school will make to record the loan payment to the diocese will be:</p> <table data-bbox="407 1110 1073 1169"> <tr> <td>Debit</td> <td>88900x-01-xxxx</td> <td>Principal payment</td> </tr> <tr> <td>Credit</td> <td>101010-01-0000</td> <td>Cash</td> </tr> </table> <p>The entry Parish/School accounting will make to allocate the above entry between interest and principal reduction on the loan would be:</p> <table data-bbox="407 1283 1195 1373"> <tr> <td>Debit</td> <td>256702-01-0000</td> <td>Note Payable – Parish/School</td> </tr> <tr> <td>Debit</td> <td>890201-01-xxxx</td> <td>Interest Payments to Diocese</td> </tr> <tr> <td>Credit</td> <td>896400-01-xxxx</td> <td>Principal payment</td> </tr> </table> <p>The entry Parish/School accounting will make to record the “Line of Credit” loan on the parish books will be:</p> <table data-bbox="407 1486 1243 1545"> <tr> <td>Debit</td> <td>189500-01-0000</td> <td>Loans Receivable – Parish/School</td> </tr> <tr> <td>Credit</td> <td>256702-01-0000</td> <td>Note Payable – Parish/School</td> </tr> </table> <p>There is no interest recorded on the parish books. The entry Parish/School accounting will make to record the loan payment to the Note Payable and Note Receivable on the parish books will be:</p> <table data-bbox="407 1692 1243 1751"> <tr> <td>Debit</td> <td>256702-01-0000</td> <td>Note Payable – Parish/School</td> </tr> <tr> <td>Credit</td> <td>189500-01-0000</td> <td>Loans Receivable – Parish/School</td> </tr> </table>	Debit	101010-01-0000	Area Bank – Checking – Operating	Credit	256702-01-0000	Note Payable – Parish/School	Debit	xxxxxx-01-xxxx	Expense account	Credit	101010-01-0000	Area Bank – Checking – Operating	Debit	xxxxxx-01-xxxx	Expense account	Credit	256702-01-0000	Note Payable – Parish/School	Debit	88900x-01-xxxx	Principal payment	Credit	101010-01-0000	Cash	Debit	256702-01-0000	Note Payable – Parish/School	Debit	890201-01-xxxx	Interest Payments to Diocese	Credit	896400-01-xxxx	Principal payment	Debit	189500-01-0000	Loans Receivable – Parish/School	Credit	256702-01-0000	Note Payable – Parish/School	Debit	256702-01-0000	Note Payable – Parish/School	Credit	189500-01-0000	Loans Receivable – Parish/School
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9. FIXED ASSETS: BUILDING AND PROPERTY USE

Concept of Fixed Assets	9-1
Insurance Inventory	9-3
Sample Inventory List Sheet	9-4
Sample Inventory Video Summary	9-5
Real Estate Transactions	9-6
Firearms and Weapons Policy	9-8
Title, Deeding and Registration of Real Property	9-10
Purchase and Sale of Vehicles	9-11
Repairs/Maintenance Schedule Note	9-13
Rental of Facilities Policy	9-14
Renting of Facilities Revenue	9-16
Alcohol Policy	9-17

Concept of Fixed Assets

Physical Plant Fund

Normally a Parish/School in the Diocese of Fort Worth maintains a Physical Plant Fund on its books. A Plant Fund is separate from the Parish's/School's Operating Fund. It tracks the entity's fixed assets: property, buildings, equipment, and furnishings.

Property and buildings are recorded in the Physical Plant Fund when they are purchased or built. The value recorded is their original cost. If there are improvements made to property or buildings, the cost of those improvements is also recorded in the Plant Fund. If property or a building has never been recorded in the Physical Plant Fund and the original cost is unknown, use its estimated value at the time it is recorded.

Equipment and furnishings are recorded in the Physical Plant Fund if:

- It is believed they will have a useful life of over one year.
- They cost more than a predetermined amount (more than \$5,000).

Fixed Assets

“Fixed assets” is an accounting concept. The concept refers to things owned by an entity that benefit that entity for an extended time period.

The following items are considered Fixed Assets:

- Land
- Improvements (e.g. buildings, fences, statues)
- Furniture
- Fixtures
- Equipment

Each of these would be recorded in the Physical Plant Fund of the parish. The same would be true for any other similar purchase that a Parish/School would make, if that purchase is over \$5,000 and will benefit the Parish/School over an extended period of time. In this way, the Parish/School can keep track of all such expenditures and their costs over the years.

Depreciation

Presently, it is not the general practice of the Diocese of Fort Worth to depreciate the value of fixed assets on the Parish/School level. However, when a Parish/School undergoes a financial external audit, depreciation will be calculated at that time.

Specific Information	
<i>Schools</i>	<ul style="list-style-type: none">• For a school that is associated with a parish, its property, buildings and leasehold improvements are normally recorded on the parish's books. Such a school's Plant Fund would consist of its furniture and equipment.• An inter-parochial school would normally record all of its fixed assets (property, buildings, equipment, and furnishings) in its own Plant Fund.

	<ul style="list-style-type: none"> If a parochial school is on the grounds of a parish, contact the Diocesan Finance Office regarding how to record fixed assets. 												
<i>Thresholds</i>	<ul style="list-style-type: none"> The common threshold amount for capitalization is \$5,000. 												
<i>Considering the Overall Expenditure</i>	<ul style="list-style-type: none"> When evaluating expenditures, the parish or school should consider the overall expenditure, not the individual amounts within the expenditure. For example, if 200 chairs costing \$50 each are purchased, the expenditure should be capitalized because the \$10,000 spent for the group of chairs is more important than the \$50 each chair costs. 												
<i>Plant Fund Entries</i>	<ul style="list-style-type: none"> Normally, a parish/school will not make entries in the Plant Fund; this function will be performed by the Diocesan Accounting Office, or with its assistance. 												
<i>Journal Entries</i>	<ul style="list-style-type: none"> During the Year-End closing process, the Diocesan Accounting Office will make the following entry to reclassify the amount you have coded to the “895000-895039” accounts to the fixed asset accounts in the Plant Fund. The entry will be as follows: <table style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Core Account No.</th> <th></th> <th style="text-align: right;">Debit</th> <th style="text-align: right;">Credit</th> </tr> </thead> <tbody> <tr> <td>193000-196300</td> <td>Asset Accounts</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>389001</td> <td>Fund Balance-Plant Additions</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </tbody> </table>	Core Account No.		Debit	Credit	193000-196300	Asset Accounts	xxx		389001	Fund Balance-Plant Additions		xxx
Core Account No.		Debit	Credit										
193000-196300	Asset Accounts	xxx											
389001	Fund Balance-Plant Additions		xxx										

Removal of Fixed Assets from Physical Plant Fund

When a fixed asset is sold, has become obsolete, lost its usefulness, it should be removed from the Plant Fund.

As part of the year-end closing process, the Parish/School must review the Physical Plant Fund detail to determine if any items should be removed. This procedure can take place in the context of the annual Insurance Inventory (see “Insurance Inventory” later in this section). The Diocesan Accounting Office will assist in making the appropriate entries, both in the Plant Fund and in the Operating Fund.

Insurance Inventory

Insurance Inventory Policy

Every Parish/School must have an inventory of all fixed assets, and update the inventory at least annually. A copy of the inventory with the annual update must be given to the Diocesan Insurance and Risk Management Office.

Rationale:

Adequate oversight of the land, buildings, furnishings, and equipment of a Parish/School requires that it keep an up-to-date list of all these items. Such a list is valuable for insurance purposes; for example, if something is destroyed by fire or is stolen, the parish/school will have an accurate record of what was lost.

Specific Information	
<i>Inventory List</i>	<ul style="list-style-type: none"> • An inventory list of all items by location must be kept and updated annually. • Ideally, this inventory list should include the item, its description, its location, and quantity. • A sample sheet of such an inventory list can be found in the appendix.
<i>Video</i>	<ul style="list-style-type: none"> • For insurance purposes, a videotape must be made of the entire Parish/School campus. • Such a video is to include the inside and outside of all structures, as well as the contents of the rooms in all structures. • This procedure should take place annually, so that new items would not be omitted. • A summary sheet should be prepared regarding what was filmed. A sample summary sheet follows this policy. • When recording video, the recorder should announce the name of each room as it is filmed.
<i>Copies to Diocese</i>	<ul style="list-style-type: none"> • A copy of both the inventory list and the videotape must be forwarded to the Diocesan Insurance and Risk Management Office upon completion.
<i>Rectory and Office Note</i>	<ul style="list-style-type: none"> • Often, priests and other parish employees work in a particular parish for many years. When the priest is transferred to another assignment or when a staff member leaves employment, there can be confusion as to whether office equipment, rectory furnishings, etc., is the property of the parish or the individual. • An inventory list of items owned by the parish can be valuable tool in tracking parish assets and avoiding the possibility of misunderstanding.

Sample Inventory Video Summary

Holy Family School Inventory Video Review

Time of video: +/- 28 minutes

Started video scanning school sign and outside of building.

Worked their way into the school offices. Record office equipment, paintings, file cabinets, copiers and desks.

Went in library and recorded statues, books, chairs, computers, copiers, TVs, Overhead projectors, (zoomed in on copier model and make).

Taped classrooms, desks, equipment and file cabinets.

Taped computer classroom and all of the equipment.

Taped workroom copiers, mimeograph machines, postage meter, phone and laminator.

Taped art class, TVs, easels and books.

Taped library office and equipment.

Taped physical education office and office equipment. Moved into gymnasium and taped cabinets. They did not open cabinets and tape the contents.

Taped kitchen and teacher lounge equipment.

Taped temporary building (music) outside and inside. Taped pianos, cabinets and TVs.

Real Estate Transactions

Real Estate Transactions Policy

The Chancellor must approve all real estate transactions including the purchase, sale, donation, or ownership transfer, either to or from the Diocese. Upon receiving approval from the Chancellor, the real estate transaction will be negotiated and administered by the Diocesan Real Estate & Construction Office working through the diocesan attorney. All real estate must be properly recorded in the name of the bishop and his successors in office.

Rationale:

Submitting proposed real estate transactions to the Chancellor ensures that proper review and consideration is given the transaction. If the transaction is complex or requires funding, the proposal may require presentation to the Diocesan Pastoral Finance Committee (DPFC) for further consideration. The DPFC will recommend that the Bishop either accept or reject the transaction or request additional information/justification.

Real estate transactions involve a number of legal issues and complexities that require the review of the diocesan attorney. All real estate must be recorded at the appropriate governmental agency in the name of the bishop and his successors in office. Future complications with regard to the real estate may develop:

- *without the proper safeguards in the contractual agreements,*
- *inspections of the real estate for possible environmental and building integrity issues,*
- *review of the title commitment to ensure a “free and clear” ownership,*
- *and the scrutiny of all closing documents.*

Specific Information	
<i>Request to the Chancellor</i>	<ul style="list-style-type: none"> • The request for the real estate transaction should be made in writing directly to the Chancellor. • The request should thoroughly describe the transaction with enough detail to substantiate the need for the transaction and how the purchase is to be funded.
<i>Review and Approval of Diocesan Pastoral Finance Committee</i>	<ul style="list-style-type: none"> • The Chancellor may request that the Diocesan Pastoral Finance Committee review the transaction prior to approval. • When this occurs, the Parish/School must submit a Summary Project Proposal to the Diocesan Finance Office. Please see Chapter 6 “Parish Tax Exempt Savings Accounts.” • The information to be presented will vary by transaction but must contain sufficient information to substantiate the need for the transaction.

Specific Information	
<i>Diocesan Administration</i>	<ul style="list-style-type: none"> • Once approval is received from the Bishop, the real estate transaction will be initiated and administered by the Diocesan Real Estate & Constructions Office in consultation with the diocesan attorney. • The actions may begin with contract negotiation, preparation, review, and compliance. • For purchases and donations, site evaluations may be conducted to ensure the property is suitable for its intended use. • Building and environmental inspections will be scheduled, if necessary, and the results reviewed and evaluated. • The title commitment for insurance will be reviewed and evaluated. • The closing documents will be thoroughly examined and approved before being signed by either the bishop or his designate.
<i>Costs</i>	<ul style="list-style-type: none"> • Various related costs (for example, but not limited to, evaluations, inspections and legal costs) will be the responsibility of the Parish/School.
<i>Document Retention</i>	<ul style="list-style-type: none"> • All documents related to a real estate transaction will be retained at the Catholic Center for proper documentation and security. • These documents may include the deeds establishing ownership, the contracts for the transaction, the survey of the property, the title commitment, environmental surveys, inspections of the property, easements and other conveyances affecting the property, and any other pertinent information.

Firearms and Weapons Policy

The Diocese of Fort Worth is concerned with providing parishioners, volunteers, visitors and employees with a safe place to worship and a productive environment. As such, the Diocese of Fort Worth expressly prohibits any and all acts or threats of violence by or against anyone on Parish, School or other Diocesan (“Diocesan”) facilities.

In addition, the Diocese of Fort Worth strictly prohibits the possession of, exhibiting or threatening to exhibit or to use, or use of any and all weapons, including firearms, on Diocesan premises by anyone whether licensed or unlicensed and whether concealed or visible, excluding on-duty peace officers. Parishioners, volunteers, students, and employees are further prohibited from the possession of, exhibiting or threatening to exhibit or to use, or the use of any and all weapons while conducting business on behalf of the Parish/School/Diocese while off Diocesan premises.

Rationale:

In 1996, the Texas Legislature approved the carrying of concealed handguns, but the law prohibited them from being carried on Church and School premises. In 2016, the law was amended to allow the open carry of handguns and the statute left the prohibitions in place. However, for the law to take effect on Diocesan property effective notice must be given.

Specific Information	
<i>Effective Notice</i>	<ul style="list-style-type: none"> • All Diocesan locations must post a notice on the homepage of their website • Annually, all Diocesan locations must publish a notice in their literature (i.e. bulletin, school newsletter) • A person of apparent authority to act for the owner may verbally tell someone that firearms are not permitted on premises. A person of apparent authority for a Parish would include the following: <ul style="list-style-type: none"> ○ Priest or Deacon ○ Acolyte, Sacristan, or Usher ○ Parish staff • A person of apparent authority for a School would include the following: <ul style="list-style-type: none"> ○ Principal, President, Teachers ○ All other School staffs • See Texas Penal Code, Title 7, Chapter 30, Section 30.06(a) & 30.06(b), and Section 30.07(a) & 30.07(b); https://statutes.capitol.texas.gov/Docs/PE/htm/PE.30.htm
<i>Notice Requirements</i>	<ul style="list-style-type: none"> • Notice must contain the required language in both English and Spanish. • Notice must appear in contrasting colors (black and white recommended). • Notice must be printed/displayed with block letters. • Below is the required language: <ul style="list-style-type: none"> ○ “PURSUANT TO SECTION 30.06, PENAL CODE (TRESPASS BY LICENSE HOLDER WITH A CONCEALED HANDGUN) A PERSON LICENSED UNDER SUBCHAPTER H, CHAPTER 411,

	<p>GOVERNMENT CODE (HANDGUN LICENSING LAW), MAY NOT ENTER THIS PROPERTY WITH A CONCEALED HANDGUN.</p> <p>CONFORME A LA SECCIÓN 30.06 DEL CÓDIGO PENAL (TRASPASAR PORTANDO ARMAS DE FUEGO) PERSONAS CON LICENCIA BAJO DEL SUBCAPITULO H, CAPITULO 411, CODIGO DE GOBIERNO (LEY DE PORTAR ARMAS), NO DEBEN ENTRAR A ESTA PROPIEDAD PORTANDO UN ARMA DE FUEGO.”</p> <ul style="list-style-type: none"> ○ “PURSUANT TO SECTION 30.07, PENAL CODE (TRESPASS BY LICENSE HOLDER WITH AN OPENLY CARRIED HANDGUN), A PERSON LICENSED UNDER SUBCHAPTER H, CHAPTER 411, GOVERNMENT CODE (HANDGUN LICENSING LAW), MAY NOT ENTER THIS PROPERTY WITH A HANDGUN THAT IS CARRIED OPENLY. <p>DE CONFORMIDAD CON LA SECCIÓN 30.07, DEL CÓDIGO PENAL (TRASPASO DE UNA PERSONA CON LICENCIA CON UNA ARMA DE FUEGO VISIBLE), UNA PERSONA CON LICENCIA BAJO EL SUBCAPÍTULO H, CAPÍTULO 411, DEL CÓDIGO DE GOBIERNO (LEY DE LICENCIAS DE ARMAS DE FUEGO), NO PODRÁ ENTRAR A ESTA PROPIEDAD CON UNA ARMA DE FUEGO QUE SEA LLEVADA VISIBLEMENTE.”</p>
<i>Website publication</i>	<ul style="list-style-type: none"> • All Diocesan locations are required to have the statutory language, as detailed above, in both English and Spanish, posted on the homepage of their website.
<i>Bulletin Announcements</i>	<ul style="list-style-type: none"> • At least annually, each location must publish in its bulletin, newsletter, or other publication that firearms and weapons are prohibited from Diocesan locations. The publication must include, in English and Spanish, the language required to be posted on the signs, as detailed above.
<i>Incident Procedure</i>	<ul style="list-style-type: none"> • Should someone discover an individual carrying a gun while on Diocesan premises, someone should inform the nearest employee, usher, security guard, or priest. • The employee, priest, or usher should (calmly and kindly) inform the individual that carrying a firearm, even if they are a license holder, is forbidden on the property. The individual must leave the premises immediately and may return without the firearm or weapon. The individual may leave it in their car in the parking lot. • Should the offending individual refuse to follow the request, the priest, employee, or usher should step away and immediately call the police. Under no circumstances should a priest, employee, or usher try to enforce the prohibition beyond informing the offending individual that the weapons are forbidden. Leave the enforcement to the police or security guard.

Title, Deeding, and Registration of Real Property

Title, Deeding, and Registration of Real Property Policy

Real property requiring the filing of a deed or the registration with appropriate governmental agencies is to be filed in the name of the Bishop and his successors in office. Real property includes, but is not limited to, real estate, registered investments such as stocks, bonds and mineral interests, and titles such as vehicles or trailers. All transfers of ownership involving these property types must be administered by the Central Office to ensure the transactions are recorded properly.

- For real estate, please contact the Office of Real Estate & Construction
- For registered investments, please contact the Advancement Foundation
- For vehicle titles, please contact the Office of Finance & Administrative Services.

Rationale:

As a result of the civil structure of the diocese under Texas law, all real property requiring deeding and registration with a governmental agency must be in the name of the Bishop and the names of his successors as a corporation sole. To ensure the property is recorded properly, the Diocesan Finance Office will administer all requests for purchases, sales, donations, and any other type of transaction requiring the registration of ownership of the property. In addition, real estate transactions must receive approval from the Chancellor.

Specific Information	
<i>Record Retention</i>	<ul style="list-style-type: none">• All deeds of ownership, registrations for diocesan vehicles, and certificates for stocks and bonds are retained at the Catholic Center.

Purchase and Sale of Vehicles

Purchase and Sale of Vehicles Policy

A parish/school **must** contact the Diocesan Finance Office before purchasing any vehicle.

Rationale:

Any purchase over \$10,000 must be approved by the Chancellor. This **includes** the purchase of vehicles.

Additionally, since the diocese is self-insured for vehicle insurance, all vehicles must be owned by the Diocese.

Specific Information	
<i>Purchase from Dealer</i>	<ul style="list-style-type: none"> • If the vehicle is being purchased from a dealer, the Application for Certificate of Title will be completed by the dealer, and sales tax (if applicable) and all other fees will be collected at the time of purchase. • It is imperative that the dealer contact the Diocesan Finance Office to ensure that the vehicle is titled correctly. • The applicant's name and address (box 14.) should be the Diocese of Fort Worth at 800 West Loop 820 South, Fort Worth, TX 76108. The Renewal Notice (box 14a.) should be sent to the purchaser.
<i>Purchase from Individual</i>	<ul style="list-style-type: none"> • If the vehicle is being purchased from an individual (someone other than a dealer), the current Certificate of Title must be sent to the Diocese so an Application for Certificate of Title can be completed to change ownership of the vehicle. • Additionally, the following information must accompany the current certificate: purchase price, intended usage of vehicle, and from where the application fees are to be paid. • The seller of the vehicle must sign an Application for Texas Certificate of Title, as well as the Certificate of Title (ownership papers). A copy of the application for certificate follows, or you may consult the Internet site www.dot.state.tx.us under the heading "Vehicles."
<i>Contacting the Diocese for Purchases</i>	<ul style="list-style-type: none"> • Contact the Chancellor's Office if the proposed purchase is over \$10,000. Permission is required for such purchases. • Please contact the Diocesan Accounting Office to obtain the proper entries to book the purchase of vehicles. • Please contact the Diocesan Risk Management Office to make sure the vehicle is added to insurance.

Specific Information

Vehicle Sale

- The Certificates of Title to all vehicles owned in the Diocese are kept at the Catholic Center.
- Call the Diocesan Finance Office to request the original title be sent.
- If the vehicle is being sold outright, or traded in during the purchase of another vehicle, the back of the certificate must be filled out and given to the purchaser.
- Notify the Diocesan Risk Management Office to cancel insurance on the vehicle.

Journal Entries for Purchase

- The following entry should be made upon purchase of a vehicle:

Core Acct. No.		Debit	Credit
895038-01-X000	Vehicles	xxx	
101010-01-0000	Cash		xxx

Journal Entries for Sale

- The following entries reflect how these transactions are to be recorded:

Normal entry for disposal of asset – no depreciation
Operating Fund

Core Acct. No.		Debit	Credit
101010	Cash – Operating Account	xxx	
191000	Inter-fund Borrowing		xxx
591000	Gain on Sale of Assets		xxx

OR

892000	Loss on Sale or Retirement of Assets	xxx	
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Plant Fund

Core Acct. No.		Debit	Credit
191000	Inter-fund Borrowing	xxx	
193800	Vehicles		xxx

- Contact the Diocesan Finance Office for assistance.
- If depreciation has been recorded, a debit to “Accumulated Depreciation,” Account No. 196300 will be included in the plant fund entry, and the gain or loss will be adjusted accordingly.
- See “Reconciling Inter-fund Activity” in the section entitled Cash Management: Other.

Repairs/Maintenance Schedule Note

Pastors/principals must ensure that the property, buildings, and equipment of the parish/school in their charge are properly maintained.

A major responsibility of the pastor/principal is proper stewardship of the physical properties under their care. There should be a written schedule for maintaining the property, buildings, and equipment of the parish/school to record when repairs/maintenance and replacement have taken place, and when scheduled preventive maintenance should occur.

Such a schedule gives a clear history of what has occurred in the past as well as assists in the time and money for proper upkeep.

Specific Information	
<i>Audit of Physical Plant</i>	It is suggested that every parish and school hire an engineering firm, or similar professional, to periodically audit their physical plant. The goal is to have a clear understanding of the maintenance needs and the life expectancies of mechanical equipment, roofs, etc. Done approximately every five years, the cost of this audit should be offset by catastrophic loss prevention.

Rental of Facilities Policy

Rental of Facilities Policy

When parishes and schools rent or allow the use of their facilities for something that is not a parish/school function, the renter must sign a facility use agreement with the entity that rents the facility.

Rationale:

Parish/school facilities are often made available for uses that are not those of the parish/school or its organizations. Sometimes these facilities are used by persons who are part of the parish/school family, or by outside persons or organizations.

The Diocese has issued various minimum requirements that must be observed regarding the use of parish/school facilities. These minimum requirements are in place for the welfare of the parish/school, those using the facility, and the Diocese as a whole. Please see an example of a facilities use agreement on CONNECT.

Specific Information	
<i>Contract</i>	<ul style="list-style-type: none"> • The parish/school must use a facility use agreement. • The parish/school may make adaptations to the contract, but must have those adaptations approved by the Claims Risk Manager before that type of contract can be used. Specific policies or requirements should be added to section 17 of the agreement only. If the requirements are extensive, the Parish/School may attach a separate sheet, but this must be reference in section 17 (i.e. “See attached list of additional requirements.”) • Contact the Claims Risk Manager for further information.
<i>Must Include</i>	<ul style="list-style-type: none"> • The agreement or contract must address, but is not necessarily limited to, the following areas: <ul style="list-style-type: none"> ○ Renter agrees to provide general liability insurance of not less than \$1,000,000 for the event. ○ Renter also agrees to add the parish/school, the Bishop of the Diocese of Fort Worth, and the Diocese of Fort Worth as “additional insureds” on its general liability policy for the dates of facility usage. ○ Renter shall be responsible for the behavior and actions of all persons attending the event. ○ Renter is responsible for following all applicable laws, ordinances, and Diocesan policies. ○ If alcohol is served, the “Policy on the Use of Alcohol” must be observed. • Contact the Claims Risk Manager for further information and exact wording to be used.
<i>Alcohol Policy</i>	<ul style="list-style-type: none"> • Refer to the “Policy on Use of Alcohol” provided in this section.

<p><i>Multi-day Events</i></p>	<ul style="list-style-type: none"> • In some cases, a Parish/School may wish to create a single rental contract to cover multiple dates throughout a calendar year. The Parish/School may attach a list of dates and times to the contract and modify the end of Section 1 to list all dates and times or “...on <i>dates and times per attached list.</i>” • Example 1: A school may be willing to allow a Cheer Camp on their premises for a 3-day event. Section 1 should be modified to show the dates, start and end times, for each day. • Example 2: An active Knights of Columbus Council may wish to meet on the 1st and 3rd Wednesday evenings of each month, and also run their annual fish fry. Rather than signing an agreement for each date, the Council can provide a list of all dates it wishes to use the facility and this list should be attached to the agreement using the language above.
<p>Specific Information</p>	
<p><i>Other Areas to Address</i></p>	<ul style="list-style-type: none"> • Other areas that should be addressed in the agreement or contract include, but are not limited to: <ul style="list-style-type: none"> ○ Hours available ○ Fees ○ Parish/school obligations ○ Renter’s obligations ○ Cancellation procedures • Contact the Diocesan Finance Office for further information.
<p><i>Special Events Coverage</i></p>	<ul style="list-style-type: none"> • All Renters are required to provide insurance at the requested amounts. No exceptions. • Often, private individuals and some organizations will not carry the required insurance coverage. In these cases, the Renters may apply for “Special Events Coverage,” which will provide the Parish/School with the proper coverage. There is a cost associated with this coverage and it is billed to the Parish/School on their monthly Diocesan invoice. • Refer to the <i>Handbook of Insurance and Risk Management</i> for information on “Special Events Coverage” for further details.
<p><i>Examples</i></p>	<ul style="list-style-type: none"> • The local Scout troop rents the school cafeteria for its annual awards banquet. Because the school is not the charter organization, the troop is considered an outside organization. The school must have a signed contract with the troop in accordance with the above stipulations. The troop must provide written proof that it has purchased adequate insurance for the event, provide written proof that the event is covered by a policy provided by the council, or must purchase special events coverage for that specific event. See above. • The local Knights of Columbus council holds a monthly breakfast in the parish hall. Because it is an outside organization, it must have a contract with the parish, and provide proof of adequate insurance coverage, in line with the above information. Because this is a regularly scheduled event, the parish may have a contractual agreement with the council that covers all breakfasts for the entire year. • Contact the Claims Risk Manager for further information.

Renting of Facilities Revenue

Renting of Facilities Revenue Policy

Parish/school facilities may occasionally be rented to outside persons or organizations. Written policies and procedures, which are in accordance with diocesan policy, must be followed. Revenue from facilities rental is recorded in full; related expenses are recorded separately.

Rationale:

Building rent revenue and related expenses must be recorded appropriately according to the type of transaction.

Specific Information																																																			
<i>Types of Transactions</i>	<p>When a parish or school leases a facility, there are generally two types of transactions that occur:</p> <ul style="list-style-type: none"> • A deposit is received for a later event. • Money is collected after the event occurs. 																																																		
<i>Journal Entries</i>	<ul style="list-style-type: none"> • The following entries reflect how these transactions are to be recorded: <p style="text-align: center;">Recording the deposit for a future event (refundable)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Core Acct. No.</td> <td style="width: 50%;"></td> <td style="width: 15%; text-align: right;">Debit</td> <td style="width: 15%; text-align: right;">Credit</td> </tr> <tr> <td>101010</td> <td>Cash in Bank</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>233000</td> <td>Deposits Payable – Other</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </table> <p style="text-align: center;">Recording the money received after the event occurs</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Core Acct. No.</td> <td style="width: 50%;"></td> <td style="width: 15%; text-align: right;">Debit</td> <td style="width: 15%; text-align: right;">Credit</td> </tr> <tr> <td>101010</td> <td>Cash in Bank</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>585000</td> <td>Lease and Rental Income</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </table> <p style="text-align: center;">Recording the deposit as revenue after the event</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Core Acct. No.</td> <td style="width: 50%;"></td> <td style="width: 15%; text-align: right;">Debit</td> <td style="width: 15%; text-align: right;">Credit</td> </tr> <tr> <td>233000</td> <td>Deposits Payable – Other</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>585000</td> <td>Lease and Rental Income</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </table> <p style="text-align: center;">If you return all/part of the deposit for any reason</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">Core Acct. No.</td> <td style="width: 50%;"></td> <td style="width: 15%; text-align: right;">Debit</td> <td style="width: 15%; text-align: right;">Credit</td> </tr> <tr> <td>233000</td> <td>Deposits Payable – Other</td> <td style="text-align: right;">xxx</td> <td></td> </tr> <tr> <td>200000</td> <td>Accounts Payable</td> <td></td> <td style="text-align: right;">xxx</td> </tr> </table>			Core Acct. No.		Debit	Credit	101010	Cash in Bank	xxx		233000	Deposits Payable – Other		xxx	Core Acct. No.		Debit	Credit	101010	Cash in Bank	xxx		585000	Lease and Rental Income		xxx	Core Acct. No.		Debit	Credit	233000	Deposits Payable – Other	xxx		585000	Lease and Rental Income		xxx	Core Acct. No.		Debit	Credit	233000	Deposits Payable – Other	xxx		200000	Accounts Payable		xxx
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Alcohol Policy

Note: All diocesan entities must adhere to this policy at all times. In addition, this policy applies to the use of parish/school facilities by outside persons and organizations and the use of outside facilities by diocesan entities.

Alcohol Policy

The use of alcohol in our society has long been a part of community celebrations. The Church should set an example of using it responsibly.

However, because of the great amount of damage being caused by the abuse of alcohol in our present society, and, because of the liability being placed on organizations that serve and sell alcohol, the following minimum regulations are binding on every parish, school and agency of the Diocese of Fort Worth at all functions which they sponsor in any way. The first four regulations below apply in all situations. The following headings state additional requirements that relate to specific type of events.

1. **Selling alcoholic beverages.** No alcoholic beverage will be sold at any function sponsored by a parish, school, or other Diocesan organization, whether the function takes place on or off church property. “Free will offerings” for alcoholic beverages at parish or school events are considered a sale and are prohibited.
2. **Beer and Wine Only.** Hard liquor and mixed drinks are prohibited. Only beer and wine may be served on Diocesan property, regardless if the event is hosted by an outside organization, private individual, or a Parish/School. Additionally, only beer and wine may be served at Parish/School or Diocesan events, regardless if the event occurs on or off Diocesan property.
3. **Serving alcoholic beverages.** Only beer and/or wine may be served at a function and heavy hors d’oeuvres or a meal must also be available at that function. Cheese and crackers are not sufficient. The following requirements must be observed:
 - A. Alcoholic beverages must be served by an adult, at least twenty-one years old; self-serve is not permitted under any circumstances.
 - B. Designated servers must be willing to refuse service when they determine a person appears to be intoxicated.
 - C. Under no circumstance can a person under the age of twenty-one consume alcohol, even when accompanied by their parents.
 - D. Where possible, and when necessary, the use of ride-sharing services such as Uber, Lyft, etc. is encouraged.
4. “BYOB” parties sponsored by parishes, schools, or other Diocesan entities are not permitted.

For Fundraising Banquets or Dinners

5. When serving a meal, a parish or school may serve beer or wine with the meal and may have a brief social hour before the dinner at which beer or wine is served, even when tickets are sold for the event.

For Parish picnics and festivals:

6. No sale of alcohol may occur. If beer or wine is available to attendees of the festival, no charge may be made for the beverages.
7. Per requirements of State Law, an entrance fee or ticket fee may not be charged to enter the event as this could constitute the sale of alcohol. Entrance fees or tickets may be charged/sold at alcohol free events.

For Small Events of Employees or Volunteers (and spouses) only:

8. A small event is defined as less than fifty (50) people in attendance.
9. Attendees may donate beer or wine to be served at the event. This is a donation to the Parish/School.
10. Beer and/or wine may be made available to the attendees as long as food is served at the event. Care must be taken that no more than 2 drinks per attendee per hour is made available. For purposes of calculating, a 750ml bottle of wine is equivalent to 5 drinks.
11. No charge may be made to attend the event or when alcohol is served.

For Catholic School Events:

12. Alcohol may not be served at any School-sponsored events while students are present. This includes events both on and off Diocesan Property.

Use of facilities by Non-Parish/School or Diocesan organizations:

13. In serving alcoholic beverages when facilities are being used by persons at a function not sponsored by a parish, school, or other Diocesan organizations (e.g., weddings, anniversaries, Quinceaneras, etc.), only beer and/or wine may be served, but only without charge at these functions, and only if food is served.
14. When Parish/School facilities are used for a function not sponsored by a parish, school, or other Diocesan organization, the renter/user will be required to sign the "Contract for Use of Facilities." See "Rental of Facility Policy" in this chapter.

10. OTHER MATTERS

Ethical Conduct for Those Who Serve in the Church.....	10-1
Legal Counsel	10-3
Construction Fees for Capital Projects	10-4
Sales Tax	10-5
Federal Employer Identification Number	10-7
Unrelated Business Income	10-8
Record Retention.....	10-10
Sacramental Record Keeping.....	10-14

Ethical Conduct for Those Who Serve in the Church

AN EXAMINATION OF CONSCIENCE

The Lord Jesus established the Church as the living sign of His presence in the world. The mission of our local Church, the Diocese of Fort Worth, is to proclaim the Good News of God's love for us by imitating the perfect example of God's Son, Christ Jesus, in every aspect of our lives. Every Christian is called to be a shining light of Christ's love for others. Those who serve in the Church as clergy, religious, ministers, employees and volunteers have a particular responsibility to present to those they serve a clear message of love, respect and care.

Because of the unique setting of work on behalf of the Church, the following questions are proposed to those who serve in the Church to help them in fulfilling their responsibilities as well as they possibly can. The topics that are mentioned for consideration cover not only areas of obvious concern to all Christians, but also touch on matters that pertain in a special way to those who in any way represent the Diocese, its parishes, schools and other agencies. These latter topics pertain to the special ethical and moral sensitivity by which the work of those who serve Christ's Church is made more fruitful.

It goes without saying that those who serve in the Church will acknowledge and respect in word and deed the dignity and worth of every human being and the sacredness of the environment, and will carry out faithfully the responsibilities entrusted to them in carrying out the unique work of the Catholic Church. But in addition, each of us who serves in the Church must ask:

1. Do I respond respectfully to others regardless of their race, gender, national origin, age, creed, disability, sexual orientation, marital status, socio-economic condition and political beliefs because I recognize the common dignity of each human being?
2. Do I follow the policies and procedures of the Diocese as well as the policies and procedures of the specific institution where I serve? Do I respect those responsible for governing disadvantaged or oppressed groups of persons?
3. Do I strive to ensure that all individuals have access to resources, services and opportunities available within the Church and the community, with special regard for disadvantaged or oppressed groups of persons?
4. Do I recognize and respond to the special needs of the poor, the homeless, and those who suffer as a result of educational, socio-economic or physical limitations or as a result of discrimination in any form?
5. Do I maintain the confidentiality of information received, not only when requested by an individual, but in all circumstances when disclosure could cause harm (except when an individual gives permission; when it is judged that non-disclosure could result in harm to the individual or others; or when required by law to report)?
6. **Do I avoid participating in gossip or rumors and avoid conflicting loyalties and interest: Do I recognize the need for my relationships to be healthy and holy in all aspects – physical, sexual, emotional and spiritual.**

7. Do I follow procedures which contribute to the preservation of the local and global environment? Do I use carefully and responsibly the resources and property of the Church?
8. Do I maintain high standards of competence and recognize the importance of spiritual and intellectual growth?
9. Do I distinguish clearly between statements and actions I make as a private individual, as a representative of the Catholic community, and in my special role in serving the Church?
10. Do I recognize realistically the limitations of my own expertise, acknowledge the diverse gifts of others, and respect the work of my colleagues? Do I use appropriate channels to express differences and seek always to contribute to the well being of those with whom I interact?

Certainly, when those who serve in the Church examine themselves with these questions they will experience a continued path of conversion in their own lives and will find many ways to be more effective in their work and more faithful to their responsibilities to the people of Christ's Church. It is Jesus Christ, by the power of his Holy Spirit in our hearts, who gives us the grace to be truly signs of his love and presence. May his name be praised.

Legal Counsel

Legal Counsel Policy

For legal matters, parishes/schools must use a diocesan approved or appointed attorney.

Rationale:

The Diocese of Fort Worth and its parishes/schools are covered only by legal counsel appointed by the bishop. Because, under Texas law, the diocesan bishop is legal corporate sole owner of all diocesan entities, only the bishop can engage legal counsel on behalf of a diocesan entity.

Specific Information	
<i>Legal Issues</i>	<ul style="list-style-type: none">• Parishes/schools that have legal questions should contact the General Counsel regarding legal matters.• The General Counsel should inform the parish/school how long it will take to complete the task and describe the time and scope of the work with a preliminary cost estimate.• The General Counsel should receive copies of all official correspondence; it is the official depository for legal correspondence for the diocese.• The parish/school is responsible for related costs.
<i>Normal Contracts</i>	<ul style="list-style-type: none">• Contracts for services, material, and other relationships in diocesan entities are to be entered into through diocesan approved contract formats.• Standard formats that are approved by the diocese are available on CONNECT.
<i>Questions to Diocese</i>	<ul style="list-style-type: none">• Any correspondence between legal counsel and the diocese will be copied to the parish/school.• The parish/school is responsible for related costs should any arise.

Construction Fees for Capital Projects

Construction for Capital Projects Policy

A parish/school will pay to the diocese a fee of ½ of 1% of the total project cost on any capital project of over \$100,000.

Rationale:

The Diocese of Fort Worth provides a variety of services to parishes/schools in the areas of capital campaigns and construction projects.

Specific Information	
<i>Fee Includes</i>	<ul style="list-style-type: none"> • The fee includes the services of the Real Estate & Construction Office and all basic legal fees for contract preparation.
<i>Projects Excluded</i>	<ul style="list-style-type: none"> • Although budget approval from the Chancellor and/or the Diocesan Pastoral Finance Committee is required for any project over \$10,000, no fee will be assessed for projects that have a final cost of under \$100,000.
<i>Criteria</i>	<ul style="list-style-type: none"> • The following criteria will be used in assessing the fee: <ul style="list-style-type: none"> ○ When the parish/school receives official notification, in writing, that the final budget has been approved, and the contract is signed, it will be notified of the fee amount. ○ The fee will be charged proportionately over the life of the project when payments are made. (All projects that are tax-exempt must be paid by the diocese.) ○ Parishes/schools will be given the option to pay the fee out of their operating budget rather than capitalize it into their debt, in order not to pay interest on this fee.

Sales Tax

Sales Tax Policy

Policy: Parishes and schools are to follow applicable state laws regarding the proper collection and payment of sales tax on items they sell.

Rationale:

In many instances, parishes and schools are exempt from paying sales tax on items they have sold. However, at certain times, they are subject to state laws that require the collection and payment of sales tax.

State laws do not follow federal categories defining the taxability of unrelated business income. The following information is intended to be a general summary. For specific questions, contact the State Comptroller's Office (1-800-252-5555 or tax.help@cpa.state.tx.us).

Specific Information	
<i>Official Document</i>	<ul style="list-style-type: none"> • Refer to the publication, “Texas State Tax Exemptions for Nonprofit Organizations.” • A copy may be obtained from the State Comptroller by going here: https://comptroller.texas.gov/taxes/publications/96-122.php.
<i>Exemptions</i>	<ul style="list-style-type: none"> • Generally, the following activities are exempt: <ul style="list-style-type: none"> ○ Sales of meals and food products ○ Annual banquets and suppers (alcohol not exempt) ○ One-day events – each calendar year, 2 days (24 consecutive hours each) are exempt for auctions, rummage sales, and other fund raisers. Current interpretation is that each organization within the parish/school may have 2 one-day events per calendar year. • Refer to the above-mentioned document for further details or contact the State Comptroller's office.
<i>Taxable Sales – Some Examples</i>	<ul style="list-style-type: none"> • A list of taxable sales activities include, but are not limited to: <ul style="list-style-type: none"> ○ Fundraising sales on non-food items, e.g., Christmas wrapping paper, clothing, etc. (if not part of an entity's one-day event) ○ School books and materials (if not part of an entity's one-day event) ○ Religious articles and books (if not part of an entity's one-day event)
<i>Tax Permit</i>	<ul style="list-style-type: none"> • If a parish/school sells taxable goods or services, it must obtain a sales tax permit. • A sales tax number is obtained by contacting the State Comptroller's Office, at the above phone number or web site.

Specific Information	
<i>Payment of Taxes</i>	<ul style="list-style-type: none"> • Sales tax returns and payments are due on or before the 20th of the month after the reporting period. • The “reporting period” may be a month, a calendar quarter, or the year – depending on how much tax the parish/school collects. <ul style="list-style-type: none"> ○ For most parishes and schools, the reporting period will be either on a quarterly or an annual basis.
<i>Reporting and Payment Schedule</i>	<ul style="list-style-type: none"> • Use the following information to determine the reporting period: • Monthly – <ul style="list-style-type: none"> ○ If you collect more than \$500 in sales tax per month, you should file monthly. ○ That means the sales tax report and payment is due on or before the 20th day of the following month. ○ For example, the July return must be filed on or before August 20th. • Quarterly – <ul style="list-style-type: none"> ○ If you collect less than \$500 state sales tax per month (or \$1,500 per quarter), you should file quarterly. ○ That means the sales tax report and payment is due on or before the 20th day of the following month. ○ For example, the first quarter covers January, February, and March, and the return must be filed on or before April 20th. • Yearly – <ul style="list-style-type: none"> ○ Yearly filers collect less than \$1,000 in sales tax per year. ○ These tax reports are due on or before January 20th ○ The Comptroller notifies you if you are eligible to use this reporting method.
<i>Forms</i>	<ul style="list-style-type: none"> • The sales tax reporting forms are normally sent to you by the State Comptroller’s Office. • Contact that office for further information.
<i>Other Information</i>	<ul style="list-style-type: none"> • See “Income Subject to State Sales Tax” in the Fundraising Activity section.

Federal Employer Identification Number

Federal Employer's Identification Number Policy

All entities that have employees or pay employment taxes must have a federal Employer's Identification Number.

Rationale:

Parishes and schools in the Diocese are subject to the appropriate federal laws. This includes having an Employer's Identification Number (EIN).

Specific Information	
<i>Use of EIN</i>	<ul style="list-style-type: none">• EIN's are used to identify the tax accounts of employers.
<i>How to Obtain</i>	<ul style="list-style-type: none">• Fill out IRS Form SS-4, "Application for Employer Identification Number."• This form can be obtained by calling 1-800-829-3676 or at www.irs.ustreas.gov.
<i>When to Apply</i>	<ul style="list-style-type: none">• Contact the Diocesan Finance Office to see if the Diocese has a copy of your number on file.
<i>Others Requesting Your EIN</i>	<ul style="list-style-type: none">• Normally the EIN should not be given out.• Occasionally, parishioners or parents in a parish/school request the EIN or the entity for certain reasons (e.g., to complete an IRS form regarding child care expenses).• It is acceptable to provide this information in such cases.• Contact the Diocesan Finance Office if you have questions.

Unrelated Business Income

Unrelated Business Income Policy

Parishes and schools that generate unrelated business income (UBI) must report such income on IRS Form 990T, and pay appropriate taxes, if any are due.

Rationale:

The Internal Revenue Code imposes a tax on the “unrelated business taxable income” of every tax-exempt organization, including parishes and schools, as a means of placing the business activities of exempt organizations on the same tax basis as the taxable business endeavors with which they compete.

Form 990T is required only if the gross income from an unrelated trade or business is \$1,000 or more – even if the parish/school will pay no tax because of related expenses.

Specific Information	
<i>Income and Expenses Separate</i>	<ul style="list-style-type: none"> • For financial accounting purposes, gross receipts from unrelated business activity should be recorded separately from the related expenses.
<i>2 Categories</i>	<ul style="list-style-type: none"> • There are two broad categories of UBI. One, as the name implies, is income from unrelated business activity. • The other is debt-financed income.
<i>Unrelated Business Income</i>	<ul style="list-style-type: none"> • Unrelated business activity is: <ul style="list-style-type: none"> ○ (1) Activity that is carried on in the manner which is typically associated with a regular trade or business; ○ (2) Activity that is “regularly carried on,” with the frequency and continuity of similar activities performed by commercial business; ○ (3) And is activity that is not related to the exempt purpose of the organization. • Basically, if you have regular activity generating income which is not related to the parish’s/school’s purpose that competes on an ongoing basis with commercial businesses, you have unrelated business activity.
<i>Examples</i>	<ul style="list-style-type: none"> • A parish bookstore that is opens regular business hours, has paid workers, and competes with other stores in selling to the general public. • A school has a magazine it publishes itself, which contains commercial advertising. • A church’s parking lot is used by the church as a commercial lot during the week.

Specific Information	
<i>Exceptions</i>	<ul style="list-style-type: none"> • Three specific exceptions from UBI are provided for a traditional charitable business: <ul style="list-style-type: none"> ○ A business selling merchandise which has been received through gifts or contributions (example: a thrift shop) ○ A business existing primarily for the convenience of the members, students, patients, officers, and employees of the organization (example: a school bookstore, noting that items which are not convenience items may be taxable) ○ A business in which most of the work is performed by volunteers (example: some school sports concession stands)
<i>Debt Financed Income</i>	<ul style="list-style-type: none"> • Congress approved a tax on debt-financed income for tax-exempt organizations that borrow money to purchase passive income items (this is similar to tax rules for for-profit entities). • The related regulations are complex, and they normally will not apply to the situations of parishes/schools in the Diocese. • However, if a parish/school owns a debt-financed building that it leases all or part of to another entity, they should contact the Diocesan Finance Office immediately.
<i>Questions</i>	<ul style="list-style-type: none"> • Because of the complexity of this issue, it is best to contact the Diocesan Finance Office regarding questions about UBI and related taxes.

Record Retention

Record Retention Policy

All parish/school records shall be kept in a secure place. When possible, important documents such as sacramental records, employee records, payroll records, legal documents, and current journals and ledgers shall be kept in a fireproof cabinet.

Rationale:

Records are kept as long as they serve a useful purpose or legal requirements are met.

Specific Information																			
<i>Sacramental Records</i>	All sacramental records shall be kept permanently in a safe or a fireproof cabinet on the parish premises. Periodically, copies of these records will be transferred to diocesan archives. See “Sacramental Record Keeping,” which follows.																		
<i>Personnel Records</i>	A separate file should be kept for each employee containing the following documentation. The entire file should be kept for a minimum of 7 years after employment has ended.																		
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%; padding: 5px;">Document</th> <th style="padding: 5px;">Description</th> </tr> </thead> <tbody> <tr> <td style="padding: 5px;">Application form</td> <td style="padding: 5px;">Keep updated information; include name, address, and social security number</td> </tr> <tr> <td style="padding: 5px;">Salary records</td> <td style="padding: 5px;">Written approval of starting salary, future raises, and any additional benefits, such as allowance or other negotiated arrangements</td> </tr> <tr> <td style="padding: 5px;">Job description</td> <td style="padding: 5px;">Current description of the assigned responsibilities</td> </tr> <tr> <td style="padding: 5px;">Time cards</td> <td style="padding: 5px;">For non-exempt employees</td> </tr> <tr> <td style="padding: 5px;">Performance evaluations</td> <td style="padding: 5px;">Periodic reviews and evaluations for employee performance</td> </tr> <tr> <td style="padding: 5px;">Form I-9</td> <td style="padding: 5px;">Immigration and Naturalization Service work form</td> </tr> <tr> <td style="padding: 5px;">Form W-4</td> <td style="padding: 5px;">Employees report withholding allowances, to assist the employer in determining the amount of taxes to be withheld; all non-minister employees should complete this form</td> </tr> <tr> <td style="padding: 5px;">Other withholding authorization</td> <td style="padding: 5px;">Written authorization for any amounts voluntarily withheld from an employee’s pay (insurance, Cafeteria Plan 125, etc.)</td> </tr> </tbody> </table>		Document	Description	Application form	Keep updated information; include name, address, and social security number	Salary records	Written approval of starting salary, future raises, and any additional benefits, such as allowance or other negotiated arrangements	Job description	Current description of the assigned responsibilities	Time cards	For non-exempt employees	Performance evaluations	Periodic reviews and evaluations for employee performance	Form I-9	Immigration and Naturalization Service work form	Form W-4	Employees report withholding allowances, to assist the employer in determining the amount of taxes to be withheld; all non-minister employees should complete this form	Other withholding authorization	Written authorization for any amounts voluntarily withheld from an employee’s pay (insurance, Cafeteria Plan 125, etc.)
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Specific Information

Administrative Records

Document	Description	Minimum Retention
Communications from Bishop's Office	Letters, policy statements, etc., directly from bishop or the Diocesan Division Directors; not including general mailings	Permanently
Correspondence	Letters written to/from the pastor/principal or staff on entity related matters	Annually reviewed
Publications	Bulletins, parish directory, parish history and anniversary books, promotional or information pamphlets	Permanently
Registration records	Records identifying parishioners and census records	Permanently
Insurance records	Claims and policies	Permanently
Legal correspondence	Regarding parish/school legal matters	Permanently
Annual reports	Reports regarding parish/school activity, life or finances	Permanently
Property records	Blue-prints and plans, construction files, property appraisals	Permanently
Council and board records/minutes	For parish pastoral council, parish finance council, school advisory council and their committees; includes membership	Permanently
Cemetery records	Lot maps, lot and burial cards, annual reports, etc.	Permanently
Contracts and leases	Any signed by pastor/principal or diocese	7 years after expiration
Annual inventory records of furniture fixtures, and equipment	Inventory, either written or by video	7 years
Accident reports and claims	Accidents in which parish/school may have liability or be involved	7 years after settled

Specific Information*Financial Records*

Document	Description	Minimum Retention
Audit reports	Reports of audited financial statements and compliance audits	Permanently
List of bank accounts	All parish/school bank accounts – the account numbers, purpose, date opened, and date closed	Permanently
Financial statements	Parish/school generated statements	Permanently
General ledgers	Detailed activity, hard copy or disc	Permanently
Trust fund and Endowment records	Documents, correspondence regarding gifts given, pledged	Permanently
Payroll journal	Detailed activity, hard copy or disc	7 years
Vendor invoices	Bills paid for materials and services received	7 years
Contribution and donation records	Contribution records as well as offering envelopes (envelopes only 3 years if contribution records and spreadsheets are comprehensive)	7 years
Tuition records		7 years
Statements to students	Billings for tuition, registration, etc.	7 years
Check registers		7 years
Check copies/stubs	Might be attached to vendor invoices	7 years
Charitable raffle records	Documentation on monies awarded through raffles, etc.	7 years
Cash receipt books		3 years
Agreements with credit card companies/stores	Control over parish/school credit cards and/or charge accounts (e.g., Office Depot, VISA, etc.)	3 years after expiration
School subsidy documentation		7 years
Sharing in Ministry records	Documents about parish quotes, rebates, etc.	7 years

Specific Information*Financial
Records,
continued*

Document	Description	Minimum Retention
Form 8282	Reports to IRS the sale of donated property originally valued by the donor in excess of \$5,000; must be filed if donated property was sold, or otherwise disposed of within 2 years of the contribution	7 years
Form W-2	Reports wages paid and taxes withheld	7 years
Form 941	Reports to IRS wages paid each quarter, and both income taxes and FICA taxes withheld	7 years
Form 990-T	Tax return for exempt organizations, including churches and schools, engaged in an unrelated trade or business	Permanently
Form 1099-MISC	Reports payment of non-employee compensation of \$600 or more during any one year	7 years
Form 5578	Used by private schools to certify compliance with federal nondiscrimination requirements	7 years

Sacramental Record Keeping

Sacramental Records Policy

In accordance with the Code of Canon Law and the norms of the United States Conference of Catholic Bishops, permanent records are to be kept in each parish for the sacraments of Baptism, Confirmation and Marriage, and for funerals held in the parish. Records of First Holy Communion may be kept, but this is optional.

Specific Information	
<i>Use of Registers</i>	<ul style="list-style-type: none"> Permanent records are to be kept in registers printed for this purpose by publishers who provide for the needs of Catholic parishes. If a pastor has responsibility for more than one parish or mission, separate sacramental records are to be kept for each parish or mission.
<i>Entries</i>	<ul style="list-style-type: none"> Entries are to be printed legibly using a ballpoint pen. The sacramental minister may sign the register each time one of the above sacraments is administered, or when a funeral is held, but it is permissible to print his name instead of requiring a signature. A record of sacraments received at death, if known, can be noted in the record.
<i>No Use of Computer</i>	<ul style="list-style-type: none"> A computer is not to be used instead of sacramental record books.
<i>Microfilmed Copies</i>	<ul style="list-style-type: none"> Every few years all sacramental records will be microfilmed by the diocesan offices in order to have a duplicate record. The original record is kept permanently in the parish.
<i>Place of Sacrament Noted</i>	<ul style="list-style-type: none"> When one of the above sacraments is conferred in a place other than the parish church, e.g. a hospital, the permanent record is to be kept in the parish church in whose territory the sacrament was conferred, with a notation in the margin about the locality of the conferral of the sacrament.
<i>Corrections</i>	<ul style="list-style-type: none"> Once an entry is made in the sacramental records, no erasure or white out is to be applied. In the case of a mistake, two lines are to be drawn through the mistake, and the correction made above, e.g. changing the name "Smith" to "Smyth." If the mistake causes the entire entry to be crossed out, a new line is to be used for the corrected entry. Corrections cannot be made where there was no mistake, e.g. "I want the name of the godparents removed."
<i>Certificates</i>	<ul style="list-style-type: none"> Certificates testifying to the sacramental record are to be issued on forms printed for this purpose by publishers who provide for the needs of Catholic parishes. Certificates may be issued only to the person who received the sacrament or to a member of his/her family, or they may be sent to another parish at the request of one of the above.

Specific Information	
<i>Corrected Certificates</i>	<ul style="list-style-type: none"> • Certificates may be issued with corrected information, without indicating the original, mistaken information, e.g. if the name was written Smith in the original record, and was later corrected to Smyth, only the name Smyth need be entered on the certificate.

The Sacrament of Baptism	
<i>Baptismal Register</i>	<ul style="list-style-type: none"> • The baptismal register is the prime sacramental record book of the parish. The date of the baptized Catholic's confirmation, and his/her marriage, ordination to major orders or solemn religious profession is to be entered in the margin.
<i>State Birth Certificate</i>	<ul style="list-style-type: none"> • It is the norm that a state birth certificate is to be provided as a source document when registration is taken for the baptism. If this is not available, a copy of the hospital records may be used. If no record can be obtained, enter in the margin "no legal documents were presented concerning this birth."
<i>Unwed Parents</i>	<ul style="list-style-type: none"> • In the case of unwed parents, only the name of the parent or parents on the birth certificate is to be entered. If both parents want a parent's name entered, even though it is not on the birth certificate, that parent must swear before two witnesses that he/she is the parent, and the fact of the oath is to be noted in the margin. The word "illegitimate" is not to be used. "Father Unknown" is appropriate.
<i>No Erasures</i>	<ul style="list-style-type: none"> • As noted above, no erasures or white outs are to be made to the original record.
<i>Records for Adopted Children – Baptized After Adoption</i>	<ul style="list-style-type: none"> • The United States Conference of Catholic Bishops issued norms October 20, 2000 concerning special cases of record keeping, i.e. adoption, with an effective date of December 1, 2000. • The United States Conference of Catholic Bishops, in accord with the prescriptions of canon 877, no. 3 hereby declares that: <ul style="list-style-type: none"> (I) For children baptized after their adoption is finalized, the following information shall be entered in the register: <ol style="list-style-type: none"> a) the Christian name(s) of the child as designated by the adoptive parent(s); b) the name(s) of the adoptive parent(s); c) the date and place of birth; d) the names of the sponsors selected by the adoptive parents; e) the place and date of the baptism; f) the name of the minister performing the baptism; and g) the fact of adoption but not the names of the natural parents.

The Sacrament of Baptism, continued	
<i>Records for Adopted Children – Baptized Before Adoption</i>	<p>(II) For children baptized before their adoption is finalized, the following notations shall be added to the baptismal register, but only after the adoption has been finalized and with due regard for the civil law of the jurisdiction:</p> <ul style="list-style-type: none"> a) parentheses shall be placed around the names of the natural parents; b) the name(s) of the adoptive parent(s) shall then be added; c) the child’s former surname shall also be parenthesized, and the new surname added; and d) a notation shall be made that the child was legally adopted.
<i>Certificates for Adopted Children</i>	<ul style="list-style-type: none"> • Baptismal certificates issued by the parish for adopted children will be no different from other baptismal certificates. No mention of the fact of adoption shall be made on the baptismal certificate. • Baptismal certificates issued by the parish for these individuals shall give only the name(s) of the adoptive parent(s), the child’s new legal surname, the date and place of baptism, and the name of the minister who conferred the sacrament. The name(s) of the sponsor(s) shall not be given, and no mention of the fact of the adoption shall be made on the baptismal certificate.
<i>Other Comments Regarding the Baptism of Adopted Children</i>	<ul style="list-style-type: none"> • For future ease in reference, and to afford what may often be the only possibility of reference after the adoption has been finalized, a baptismal entry for the adopted child can be made in the baptismal register of the adoptive parents’ parish, citing the date and location of the original baptismal record, and listing only the name of the adoptive parents, and the date and place of birth. • Parish personnel having access to parish registers have an obligation not to disclose to any person any information that would identify or reveal, directly or indirectly, the fact that the person was adopted. • Because of the procedures above, it is recommended that adopting parents wait until the adoption is final to have the baby baptized, except in danger of death.

The Sacrament of Confirmation	
<i>Minister</i>	<ul style="list-style-type: none"> • The ordinary minister of the sacrament is the bishop, except in the case of those accepted into the Church through the RCIA, in which case the priest baptizing or accepting the profession of faith is the ordinary minister.
<i>Records</i>	<ul style="list-style-type: none"> • The norm is to ask confirmation candidates for a copy of their baptismal certificate. • Records of confirmation both by the bishop and by the minister of the RCIA are to be kept in the same book, clearly indicating the date of the sacrament and the minister, and noting when confirmation was made in the process of acceptance into the Church through the RCIA. • A record of the confirmation is to be sent to the church of baptism when the baptism was celebrated in the Catholic Church.
The Sacrament of Marriage	

<i>Pre-Marital Investigation Papers</i>	<ul style="list-style-type: none"> • Pre-marital investigation papers are to be filled out for each marriage using the forms provided by the diocese. These are to be kept on file in the parish permanently. In addition, a record of each marriage is to be entered in the appropriate sacramental record book. The date and place of the marriage is to be sent to the church of baptism of each of the Catholic parties. The information concerning a marriage, in turn, is to be entered in the margin of the baptismal record of anyone baptized in the parish, wherever the marriage took place.
<i>Following State Law</i>	<ul style="list-style-type: none"> • Care must be taken to follow state law; specifically, the minister of the Catholic marriage is to require the couple to present a valid marriage license. The information required by the license is to be entered by the Catholic minister on the license and returned within the time prescribed to the county clerk of the county where it was issued. A license from any county in the state is valid. The State of Texas does not require that ordained ministers be registered in the state for the marriage to be valid civilly, as is the case in some states.
<i>Dispensations</i>	<ul style="list-style-type: none"> • When a dispensation from canonical form has been given the record of the marriage is kept in the parish of preparation, and not in the parish where the non-Catholic church is located. • This dispensation and other dispensations or permissions for mixed marriages are given by the bishop of the Catholic party.

Record of Funerals	
<i>Record of Funerals</i>	<ul style="list-style-type: none"> • A record of funerals will be entered in the appropriate register, with an indication of whether the funeral took place at a Mass of Christian Burial, or was held in the context of some other ceremony, e.g., a graveside service or a service of the Word at the funeral home.
<i>Mass of Christian Burial</i>	<ul style="list-style-type: none"> • The Mass of Christian Burial is not to be celebrated outside the parish church or a Catholic chapel or oratory. • If the latter is located in a separate Catholic institution, e.g., a hospital or convent chapel, the record is to be kept in the funeral register of the parish in which the mass took place.

Rite of Christian Initiation of Adults

<i>Book of the Elect</i>	<ul style="list-style-type: none">• Those presented to the bishop as the Elect, as outlined in the RCIA, are to have their names inscribed in a separate book of the Elect, which can be any sufficiently permanent register to be kept with other parish records. The names of catechumens and the names of candidates are to be entered on separate pages. The bishop will sign both pages at the Rite of Acceptance.
<i>Recording Baptism of Catechumens and Candidates</i>	<ul style="list-style-type: none">• The record for catechumens baptized through the RCIA is to be entered in the regular baptismal register, indicating RCIA in the margin.• The norm about a birth certificate or other record is the same as for infants as stated above.• The record for candidates coming into full communion with the Catholic Church is also to be entered in the regular baptismal register indicating that acceptance was through the RCIA and indicating the place and date of baptism in a non-Catholic church.• Those parishes using registers printed specially for the RCIA may continue to do so.