

Parish Finance Manual

Policies, procedures,
internal controls and
best practices



ARCHDIOCESE
OF
SAINT PAUL &
MINNEAPOLIS



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Section 1 Welcome

The Parish Finance Manual has been prepared to provide parishes with one comprehensive document containing the financial policies and procedures of the Archdiocese of Saint Paul and Minneapolis. It is also intended to serve as a reference guide to all who are involved in parish finances.

In this manual, users will find a collection of all policies, procedures, internal controls, chart of accounts and informational topics as they relate to parish, school and cemetery financial administration.

Please review the manual and become familiar with the topics covered. It is essential that parishes achieve the desired goals of transparent parish accountability, appropriate and effective internal controls, compliance with generally accepted accounting principles (GAAP), and adherence to Church policies and governmental regulations. While this Manual is extensive, additional topics and relevant sections will be added and updated as necessary.

I wish to acknowledge all who assisted with the development of this valuable tool.

Thomas Mertens
Chief Financial Officer
Archdiocese of Saint Paul and Minneapolis

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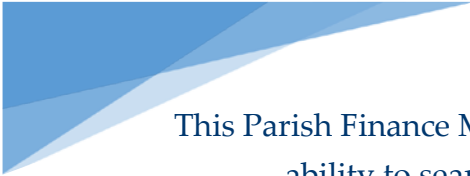
Section 2 About This Manual

This manual describes accounting guidelines and procedures for parishes and Catholic schools (“institutions”) in the Archdiocese of Saint Paul and Minneapolis. The procedures outlined in this manual are designed to meet the requirements of both large and small institutions within the archdiocese. This manual supersedes all previously published instructional material.

2-1 How to Use this Parish Finance Manual?

2-1-1 Electronic Manual vs. Printed Manual

This manual is an electronic version of the Parish Finance Manual (PFM) and is designed to be viewed online. While users can choose to print a hard copy of this Parish Finance Manual, they should be aware that updates to its content will be made on a regular basis and a printed copy can be quickly outdated.



This Parish Finance Manual has the ability to search (Ctrl+F) for keywords, jump to content located elsewhere in the document, open hyperlinked web pages outside of the document, and print one, some, or all pages.

For users who prefer a printed copy, a Table of Contents, Table of Revisions and Index have been inserted in the document for referential purposes.

2-1-2 Internal Control Indicator

To completely understand Internal Controls, one must recognize the full context of the situation in order to appreciate the need for the specific internal control recommended. To help you pull out the internal control references within the text of the Parish Finance Manual, we’ve marked some Internal Control Tips with a blue banner running on the left margin and highlighted the text in blue.

2-1-3 Table of Contents

The table of contents is at the front of the document and lists each Section and important groupings under the various sections.

Click the page number on the right side of the page to quickly view that section.

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2-1-4 Color Coded Accounts

Account types are color coded in the document for easy reference:

- Assets = Black
- Liabilities = Blue
- Net Assets = Purple
- Income = Green
- Expense = Red

2-1-5 Text Boxes

Text boxes highlighting important phrases or concepts have been added to the document.

2-1-6 Hyperlinks

There are words, phrases, and locations that are hyperlinked in the text of the document. These [hyperlinks](#) are blue underlined words or phrases. Click the link to take you directly to the definition, or location of the outside source.



Hyperlink is a link in document to another location or file, typically activated by clicking on a highlighted word or image on the screen.

2-1-7 Index

The Index is listed on the last few pages of the document. The index lists important keywords and the page numbers in which they're referenced. Hyperlinks are not available in the Index section.

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2-1-8 Table of Revisions

Beginning with the first revision of the Parish Finance Manual, a Table of Revisions will be inserted to inform users of additions, changes and deletions.

The Table of Revision contains the concepts of Inserted (new text), Updated (changed text), and Deleted (removed text) along with the date of change.

This Table of Revisions includes only those changes included in the current revision.

23-1 Revision 1 Changes, Additions, Deletions released 12/31/2019						
Date	Action	Page	Section / Sub-Section	Reason	Old	New
7/8/19	Update	209	11-3-17 Budget Implementation and Review	ParishSOFT Update	Project Report –reference to old report	Project Summary – reference to new report
7/8/19	Update	357	16-3-2 ParishSOFT Accounting GAAP Compliance	ParishSOFT Update	Project Report –reference to old report	Project Summary – reference to new report
7/8/19	Update	416	18-4-3a Example ParishSOFT Accounting - Project	ParishSOFT Update	Project Report – old sample report	Project Summary – new sample report

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Section 3 Introduction

3-1 Purpose

The purpose of this manual is to provide [accounting standards](#) and guidelines that will:

- Enable the institution to classify financial transactions consistently, which will, in turn, provide the institution with meaningful comparative financial statements that can be used to review the past and plan for the future.
- Provide a uniform method of accounting and reporting throughout the Archdiocese of Saint Paul and Minneapolis.
- Provide continuity when there is a change in pastor, business administrator, principal or other administrative staff.

3-2 Scope

Although this manual does not provide the user with a basic course in accounting, certain key concepts are explained. Standard accounting textbooks provide information that is more detailed. The governing standards, [Generally Accepted Accounting Principles \(GAAP\)](#), provide the framework of guidelines for financial accounting used in any given jurisdiction; commonly known as [accounting standards](#). If accounting or business questions arise that require further explanation or clarification, please contact the Archdiocesan Office of Financial Standards and Parish Accounting.



What's the difference?

Policies – a principle or course of action adopted by the Archdiocese, government, or organization. (What you must do)

Procedures - an established way of accounting entries. (How to do it)

Internal Controls - financial management practices that are systematically used to prevent errors, misuse and misappropriation of assets. (Things to do to prevent errors or fraud)

Best Practices - procedures that are accepted as being correct or most effective. (The best way to do something)

3-3 Important Concepts

To provide an understanding of the structure, intent, and maximum utilization of the accounting system, several important concepts are discussed in this section:

- Double entry method of bookkeeping
- Cash and accrual basis of accounting
- Fund accounting

3-3-1 Double Entry Method of Bookkeeping

The fundamental accounting equation applicable to any entity, from the smallest parish to the largest corporation, is *Assets minus Liabilities equal Net Assets* (or Equity).

Another way to state the equation is *Assets equal Liabilities plus Net Assets*.

This means that the total assets on the balance sheet should equal the total liabilities and net assets. Revenue over or under expenditures are included in net assets. Therefore, revenue and expense are included in the equation.

As the equation illustrates, all financial transactions have at least two effects. For example, a decrease in an asset, such as [cash](#), may have one or more of the following effects:

*Increase another asset (investments)

*Decrease a liability (notes payable)

*Decrease net assets (payment of expense)



The fundamental accounting equation applicable to any entity, from the smallest parish to the largest corporation, is:

Assets minus Liabilities equal Net Assets

Another way to state the equation is:

Assets equal Liabilities plus Net Assets

Transactions are self-balancing, in that all effects are accounted for and are equal. Total debits and total credits in any journal entry must equal. The equation remains mathematically in balance.

Each balanced entry is recorded in the cash receipts journal, cash [disbursements](#) journal, or balance sheet accounts and posted to the general ledger. The balanced general ledger thus represents a summary of the financial activities during the reporting period. This accounting method is commonly referred to as a double-entry system (developed in 1494 by Luca Pacioli, a Catholic monk).

The elements of the accounting equation, as they relate to the institution, are defined as follows:

- a. *Asset*: any cash, [cash equivalents](#) and personal property.
- b. *Liability*: a debt or an amount owed to some person or organization, payable in the form of cash. A liability is a claim of outside parties on the assets of the parish.
- c. *Net Assets*: the residual equity (assets minus liabilities) of the organization, formerly known as Fund Balance. Generally, net assets are computed as follows:

Net Assets at beginning of accounting period	\$xxx
Add (+) revenues of current period	\$xxx
Deduct (-) expenditures of current period	<u>(\$xxx)</u>
Net Assets at end of accounting period	<u>\$xxx</u>

Revenue and expense are an integral part of each accounting period. The net effect of the two determines the operating results for the period.

- d. *Revenue*: the gross receipts of the institution derived from sources such as parish collections, contributions, investment income, grave or [crypt](#) sales, grave opening/closing fees, sale of [fixed assets](#), sale of merchandise, receipts from socials and benefits, tuition, etc. Revenue does not include money that will be repaid or receipts that have already been recorded as revenue (e.g., receipt of loan proceeds or collection of [accounts receivable](#)).
- e. *Expense*: the payment of [cash](#) or the incurring of a liability for services rendered to the institution or for goods received by the institution (e.g.,

salaries, fringe payroll costs, supplies, travel, utilities, grave open/closing contracted services). Expense does not include payment of liabilities already recorded or the investment of cash.

The following reference provides the accounting process for each term:

Account Type	Typical Account	Typical Balance	Debit Effect	Credit Effect
Asset	Checking Account	Debit	+ Increase	- Decrease
Liability	Mortgage	Credit	- Decrease	+ Increase
Net Assets	Equity	Credit	- Decrease	+ Increase
Income	Sunday Offertory	Credit	- Decrease	+ Increase
Expense	Utility Bill	Debit	+ Increase	- Decrease

3-3-2 Cash and Accrual Basis of Accounting

There are two methods for recording transactions. One is the cash basis, the other the [accrual](#) basis. The following is a brief description of each basis of accounting.

Cash Basis: Income is recognized when cash is received and expenses are recorded when payment is made. Since transactions are recorded with the actual cash payment, costs attributable to activities during the reporting period may not be recorded if the cash payment is made prior to the beginning of the period or subsequent thereto. Likewise, income may be recorded in a period before or after it is actually [earned](#), in the accounting sense.

Example: A parish is planning a fundraising dinner to be held in July. The parish [fiscal year](#) ends June 30. Under cash basis accounting, the purchase of supplies for the dinner made in June would be recorded as expenses when the bills were paid. Ticket sales made before June 30 would be recorded as income when the money was received.

Accrual Basis: Income is recognized and expenses are recorded when the activity occurs or benefit accrues, that is, when goods are

used, services are performed, or the entity gains a right to an asset, regardless of when the [cash](#) payment or receipt is made.

Example: In the example above, the purchases made in June would be recorded as expenses in July (the next fiscal year), when the dinner is actually held. Likewise, any ticket sales made before June 30 would not be recognized in income until the dinner was held.

For reporting standardization, consistency and analysis of aggregated data, the Archdiocese of Saint Paul and Minneapolis has adopted the [accrual](#) method for institutional financial management and reporting.

3-3-3 Fund Accounting

A fund¹ is a self-balancing set of accounts established to record the financial activities associated with a specific purpose or objective. Each fund includes assets, liabilities, and a fund balance.

The funds most commonly used by not-for-profit organizations are the general fund and donor restricted funds. The use of these funds are not mandatory, and the same funds are not used by all not-for-profits.

For simplicity and clarity in recording and reporting financial data, institutions in the Archdiocese of Saint Paul and Minneapolis shall use a Parish Operating fund, Cemetery Operating fund, Capital Campaign fund or a Regional School fund, depending on your corporate structure.

3-4 Financial Statements

Accounting systems are designed for the collection and documentation of financial data. Its design produces monthly financial information. As an example, the bookkeeper or other administrative staff should prepare monthly financial statements for the pastor or administrator to review. These important reports

¹ In ParishSOFT Accounting, "Funds" are referred to as "Entities".

show members of [leadership](#) at the institution – the pastor, the Parish Finance Council, school principal, School Advisory Council, Cemetery Board, etc. – where the institution stands financially and how closely the institution has adhered to its budget.

If a parish operates a parochial school, the pastor, trustees, school principal and School Advisory Council, if one exists, should review monthly financial statements to monitor the performance of the school.

This data is also essential for producing the [Annual Parish Financial Report \(APFR\)](#) for the parish and Archdiocese of Saint Paul and Minneapolis.

3-5 Fiscal Year

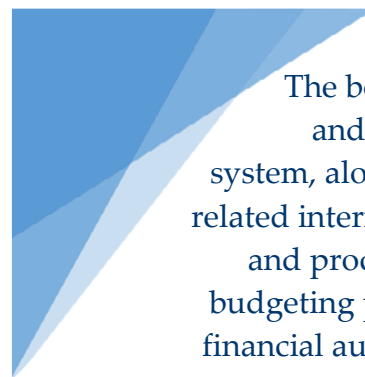
The [fiscal year](#) adopted by the Archdiocese of Saint Paul and Minneapolis is the year beginning July 1 and ending June 30. All transactions are recorded and reported for this annual period from July 1 to June 30.

Each month-end represents a reporting period, at which time the accounting records should be reconciled, summarized for the institution's internal reporting purposes, and closed.

3-6 Business Conduct and Management

The pastor and administrator have a fiduciary responsibility to administer the receipt and disbursement of funds in a secure and prudent manner. Funds should be solicited and collected to the extent necessary to support institution activities, and they should be disbursed for valid expenses incurred as part of these activities.

In a parish setting, prudent financial management requires the pastor, trustees and the Parish Finance Council to safeguard monies received by implementing proper checks and balances to conserve the assets of the parish, and expend funds within parish means. These activities are to be conducted in a manner that



The bookkeeping and accounting system, along with the related internal controls and procedures, the budgeting process, the financial audit, and the management oversight provided by the Pastor should be viewed as a single system. No part stands alone; each supports the other.

This entire system enables the Pastor to fulfill his obligation of fiduciary responsibility and proper stewardship.

establishes accountability for financial transactions while minimizing the potential for waste, fraud or abuse.

Internal Control Tip

It is essential that pastors and administrators exercise good business sense in the financial affairs of the institution. [A pastor must be aware of accepted business practices and laws related to business dealings, such as requirements to file tax and other legal forms.](#) When a pastor or administrator is in doubt about the accepted business practice or legal ramifications of a given situation, consultation with the trustees, Parish Finance Council, School Advisory Council, and/or Cemetery Board should occur. In some circumstances, consultation with outside professionals such as accountants or attorneys is also warranted.

Following these business and financial practices with the matters discussed in this manual will help to reduce institution exposure to liability or other negative outcomes.

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Section 4 Financial Management and Internal Controls

Internal control is a process, effected by a parish board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations.

Fundamentally, internal control deals with the safeguarding of assets, both physical and monetary.

There are four basic concepts underlying the definition of internal controls:

1. Internal control is a process. It is a means to an end, not an end in itself.
2. Internal control is effected by people. It is not merely policy manuals and forms, but people at every level of an organization.
3. Internal control can be expected to provide only reasonable assurance, not absolute assurance, to an entity's management and board.
4. Internal control is geared to the achievement of objectives in separate but over-lapping categories.²

Internal Control Tip

In the Financial Management and Internal Controls Section, the Internal Control Tip indicator will not be present, as the entire chapter discusses Internal Controls.

² [USCCB - Diocesan Internal Controls: A Framework](#)

4-1 Purpose

The purpose of an internal control structure is to support the institution's ability to record, process, summarize, and report financial data accurately through appropriate financial management. In addition, a successful internal control structure will help safeguard assets by discouraging self-interest that may result in conflict of interest situations, deterring direct loss and [misappropriation](#) and helping ensure the accounting records governing the assets are accurate.

An [internal control](#) structure encompasses:

Control Environment. The core of any parish is its people their individual attributes, including integrity, ethical values, and competence and the environment in which they operate.

Risk Assessment. The entity must be aware of and deal with the risks it faces. It must set objectives, integrated with the ministries, programs, fundraising, financial, and other activities so that the parish is operating in concert. It also must establish mechanisms to identify, analyze, and manage the related risks.

Control Activities. Control policies and procedures must be established to ensure that management's responses to risks are effectively carried out.

Information and Communication.

Information and communication systems surround all of these activities. They enable people to capture and share the information needed to conduct, manage, and control operations.



An effective control system ensures that procedures are in place that meet the following objectives:

1. Adequately safeguard the cash, property and other assets of the office.
2. Ensure that all financial transactions are appropriately documented and approved by authorized staff.
3. Funds are expended in accordance with donor requirements and limits.
4. Ensure that financial reporting is accurate, timely and conforms to policies.

Monitoring. The entire process must be monitored, and modifications must be made as necessary. In this way, the system can react dynamically, changing as conditions warrant.

This chapter will concentrate on the **control environment**. It outlines certain sound business practices and management controls that pastors and administrators of the Archdiocese of Saint Paul and Minneapolis should implement in their day-to-day operations.

Other chapters of this manual discuss in detail the risk management control activities, information and communication, and monitoring necessary for various aspects of accounting and the proper operation of the accounting system.

4-2 Control Environment

The control environment represents the collective effect of various factors in establishing, enhancing and mitigating the effectiveness of specific policies and procedures. In a parish setting, such factors include the following:

- Management philosophy and style
- Parish organizational structure
- Activities of the Parish Pastoral Council and other parish organizations
- Active engagement of the Parish Finance Council
- Engaged and active trustees
- Methods of assigning authority and responsibility
- Current personnel handbook
- External influences, such as annual reporting requirements (APFR), parish financial audit, accounting review or internal control review (Agreed-Upon Procedure)



A successful internal control structure will help safeguard assets by discouraging self-interest that may result in conflict of interest situations, deterring direct loss and misappropriation, and helping ensure the accounting records governing the assets are accurate.

An environment of strong internal controls is essential for the pastor, his delegate, trustees, Parish Finance Council, School Advisory Board, and/or Cemetery Board members who rely on the presence of internal controls and correct, strong accounting practices. These two important environment factors enable them to conduct and complete the responsibilities assigned to them for their respective roles. For instance, the following serve to strengthen the internal control structure of a parish:



The pastor is the most significant factor in establishing an environment that promotes a strong internal control structure.

- Management philosophy that requires strict accountability for program activities
- A pastor who actively directs the financial management of the parish
- Clear lines of authority and accountability that emphasize the importance of internal controls.
- A documented code of conduct/ethical standards.
- A formal budget process and prompt variance analysis.
- A plan to attract and retain competent personnel.
- An effective audit committee and internal audit functions.
- Personnel policies which lead to accurate recording and timely payroll reporting
- Parish Finance Council that meets regularly to monitor parish finances

The pastor is the most significant factor in establishing an environment that promotes a strong internal control structure.

4-3 Basic Elements of Internal Controls

4-3-1 Honest and Capable Employees

Recent frauds perpetrated on dioceses have been committed by employees having a great deal of trust. Certainly, any system is critically dependent on the people who use it. If the people are

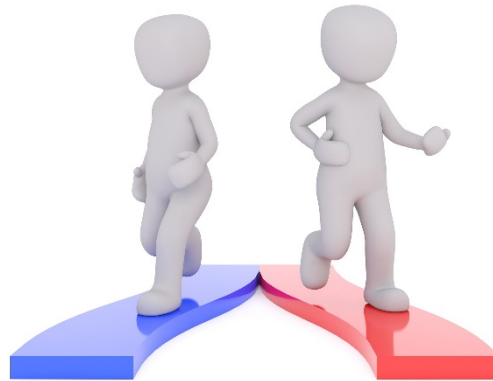
dishonest or incompetent, even the finest system will not perform properly. Honest and capable employees can and do function effectively even in situations where other elements of internal control are lacking. The following suggestions may help in deterring employee dishonesty and apply to volunteers as well as paid employees:

- Require annual vacations of employees to help ensure that any fraud requiring their constant attention would be discovered during their absence. This requires cross-training to ensure work continues during such absences.
- Bond or secure fidelity insurance on employees in positions of trust. A fidelity bond is insurance protecting the organization from losses resulting from employee dishonesty.
- Establish and educate personnel on the conflict-of-interest policy to prevent potential abuse.
- Know your personnel. Watch for signs that an employee is spending more than his/her salary would seem to allow.
- Investigate all employees adequately before their employment as part of the hiring process.

4-3-2 Segregation of Duties

Segregating the control over assets from the responsibilities of accounting for them is an important element of [internal control](#). Therefore, in the day-to-day operation of an institution, the person who maintains the accounting records should not have control over the actual assets he or she is recording. Some institutions in the Archdiocese of Saint Paul and Minneapolis have staffs so small that an absolute [segregation](#) of duties may be difficult. Many of the accounting procedures we recommend in this manual provide mitigating controls to counteract the internal control weaknesses inherent in parish accounting systems. Pastors should keep in mind the segregation of recording and custody functions as they assign duties to employees.

A comprehensive system of internal controls may reduce the efficiency of the accounting processes. For example, it may be efficient for one person to perform all accounting functions; however, this process has little, if any, internal controls. The pastor, as financial administrator of the parish, must make informed decisions about which accounting procedures to implement based upon tolerated weaknesses and ways in which the accounting application can compensate through permissions. The pastor should seek the assistance of the Parish Finance Council and his delegates in order to identify areas where internal controls may be lacking or proper procedures have not been applied. Pastors should also feel free to contact the Office of Financial Standards and Parish Accounting for guidance in these matters.



4-3-3 Procedures for the Processing of Transactions

Specific procedures will be discussed later as they relate to business cycles. In general, a basic element of internal control is proper authorization. It is imperative that the day-to-day operating

authority be delegated to the appropriate manager(s) with specific guidelines to follow (for example, the maximum amount to be borrowed without authorization or the maximum amount of a disbursement to be approved).

4-3-4 Suitable Documents and Accounting Records

Accounting records and documents should be maintained to provide an audit trail. One major objective of an internal accounting control system is to provide reasonable assurance that the financial records reflect all financial transactions that have occurred. The recording of all transactions must be correct as to quantity and dollar amount, and must be made in the proper accounting period. The supporting documentation should be:

- simple and easy to use to help reduce error
- numbered to help keep physical control over the documents
- as few in number as possible to minimize confusion
- designed to ensure that they will be properly completed

4-3-5 Cash Management Cycle

The following is a summary of the control activities for the Cash Management Cycle. These controls are discussed in detail, and within context, throughout this manual. Please refer to the specific chapter for detailed information on each concept.

The controls to be discussed for the cash management cycle will include those over cash/non-cash assets that are readily convertible into cash (e.g., marketable securities, receivables, and liabilities whose liquidation will require the use of cash, such as accounts payable and notes payable).

4-3-5a Bank Accounts

- The number of bank accounts should be strictly limited to those absolutely required. Obviously, the fewer the

accounts, the greater the control and the smaller the opportunity for errors or wrongdoing.

- All accounts should be opened in the name of an entity, never an individual. The mailing address should not be a private residence. Only officials designated by board resolution should be permitted to open and close bank accounts. Those permitted should be specifically named in writing to job title or office in the organization procedures manual.
- Authorized check signers should be very limited. Checks in excess of a certain dollar amount (e.g., \$5,000) should require the signature of two responsible individuals. No signature stamps should be allowed.
- Bank statements should be reconciled to the accounting records each month in a timely manner. This is essential to determine if any unauthorized checks were issued or receipts stolen. The statement should be reconciled by someone other than the check signers and those controlling the checking account. The individual responsible for reconciling the account should receive the bank statement unopened. The actual reconciliation should be compared with the financial statements by a separate responsible individual (e.g., internal auditor, finance council member) at least annually.
- All wire transfers should be pre-authorized by two responsible individuals.

4-3-5b Cash Disbursements

- All cash disbursements should be made with prenumbered checks, with the exception of petty cash. Using checks for all major cash payments ensures that the disbursement is authorized and there is a permanent receipt. The check should be prenumbered so that it is accounted for properly. This procedure helps to prevent the issuance of a check that is not recorded in the cash

disbursement journal. Additionally, presigned checks should not be allowed.

- If a mistake is made when preparing a check, the check should be voided before preparing a new one. The voided check should then be altered to prevent its use, retained to make sure all prenumbered checks are accounted for, and filed with other checks for a permanent record. The stock of unused checks should be safeguarded and regularly inventoried.
- Check signing should be the responsibility of individuals having no access to the accounting records.
- Checks should be drawn according to procedures prescribing adequate supporting documentation. To ensure that disbursements are supported by invoices that have been properly authorized, this documentation should include at least (1) a proper original invoice; (2) evidence that the goods or services were received; and (3) evidence that the purchase transaction was properly authorized.
- All supporting documents should be canceled or marked "paid" once a disbursement is made to avoid double payments. Payments should not be made on statements or balance-due billings unless underlying invoices are included.
- All checks should be mailed promptly and directly to the payee. The person mailing the check should be independent of those requesting, writing, and signing it.

4-3-5c Cash Receipts

- When the mail is opened, a list of collections should be made. The person opening the mail and preparing the list should be independent of the accounting function. A responsible official should periodically compare the list with the journal record and the bank deposit.

- Cash and check receipts should be deposited intact daily.
- Billing invoices should be prenumbered to make sure they are all accounted for. There must also be physical control over invoices so that they are not improperly used.

4-3-5d Petty Cash

- An [imprest](#) petty cash fund with one custodian should be used. The imprest fund involves replenishing petty cash only when properly approved vouchers are presented justifying all expenditures. For accountability, only one person should be in charge of the fund.

4-3-5e Marketable Securities

- The custody of marketable securities should be segregated from accounting for marketable securities. Also, physical safeguards should be established for investments on hand.
- Independent custodians and investment managers should be utilized whenever possible. An investment policy that identifies those authorized to buy/sell securities, as well as specific guidelines on the organization's portfolio mix (e.g., percentage of fixed income vs. equity), should also be on hand. Additional diligence should be exercised for funds held or managed by monitoring performance through independent published data or by obtaining services of independent professionals.
- Two individuals should be present whenever securities or other valuables are inspected, and securities should be periodically compared with a schedule of marketable securities or valuables.
- Activity of purchases/sales should be reconciled with brokers' or managers' statements.

4-3-5f Receivables

- All handling of cash should be segregated from the maintenance of receivable records. Checks should be restrictively endorsed upon opening prior to processing accounts receivable applications.
- Periodically, the detail of the accounts receivable/notes receivable/pledges receivable subsidiary records should be compared with the control account and reconciled by an independent person. Accounts should also be periodically confirmed by the debtor.
- All adjustments for discounts or allowances should have specific approval.
- All adjustments for bad debts should have special approval. Additionally, a record of all bad debts written off should be maintained and periodically reviewed to minimize the danger of collections being received and not recorded.
- The accounts should be aged regularly and the delinquent accounts periodically reviewed by a responsible official.
- Custodial accounts and amounts received for others should be adequately segregated in the activity records and transmitted to the ultimate recipient on a timely basis. Whenever possible, amounts reported by contributors (such as parishes forwarding special collections) should be reconciled or compared with amounts ultimately disbursed to the agency.

4-3-5g Payables

The accounts payable/notes payable procedures are clearly related to the procedures for cash disbursements and payroll. The control concern is to make certain that all liabilities are properly recorded and ultimately paid. Controls are also necessary to ensure that account distributions are proper. There

should be a proper segregation of duties over the performance of the functions of comparing receiving reports, purchase orders and invoices and the handling of the actual disbursement functions. For disbursements that are not normally accompanied by an invoice (e.g., payment on a note), the authorization should come from a responsible official.

4-3-5h Payroll

Still another important element of a well-designed system of internal control involves the people who perform and execute the established policies and procedures. Personnel policies should be adopted to ensure that only reasonably competent and honest persons are hired and retained. While the selection of honest, capable employees does not ensure that errors or irregularities will not occur, such selection will enhance the likelihood that they will not.

Typically, there are four functions that are accomplished through the payroll cycle. They are:

- Personnel administration and employment file maintenance
- Timekeeping and payroll preparation
- Payment of payroll
- Preparation of payroll tax returns and payment of taxes

Personnel Administration and Employment File

Maintenance: This function includes interviewing candidates, checking references, and hiring qualified personnel. The process produces personnel records and wage information. The most important internal controls in personnel involve the formal method of informing the timekeeping and payroll preparation personnel of the authorization of new employees, the authorization of initial and periodic changes in pay rates, and the establishment of termination dates for employees. Segregation of duties over these procedures is particularly important. No

individual with access to payroll records or checks should also be permitted access to personnel records.

Timekeeping and Payroll Preparation: This function directly affects payroll expense for the period. It includes preparation of time cards by employees, if required; the summarization and calculation of gross pay, deductions, and net pay; the preparation of payroll records; and the preparation of payroll checks.

Of primary concern is control over the preparation of payroll checks. Anyone who is responsible for preparing the checks or for inputting data should be prevented from summarizing the records and signing or distributing payroll checks.

The summarization and calculation of the payroll can be controlled by well-defined policies. For example, payroll policies should require that an independent person recalculate actual hours worked, review for the proper approval of overtime, and recheck pay rate and calculations. This can be done through spot checks.

Adequate control over posting time on the time cards includes the use of a time clock or the signature of a supervisor on the employee's timesheet attesting to the number of hours worked.

Payment of Payroll: The signing and distribution of the checks must be properly handled to prevent their theft. The controls should include limiting the authorization for signing the checks to a responsible employee who does not have access to timekeeping or the preparation of the payroll, the distribution of the payroll by someone who is not involved in the other payroll functions, and the immediate return of unclaimed checks for redeposit. If a check-signing machine is used, the same controls are required; in addition, the check-signing machine must be carefully monitored.

It is advisable that the organization use an [imprest](#) payroll account to prevent the payment of unrecorded payroll transactions. An imprest payroll account is a separate checking

account in which a small balance is maintained. A check for the exact amount of each net payroll is transferred from the general account to the payroll checking account immediately prior to the distribution of the payroll. The advantages of an imprest account are that it limits the organization's exposure to payroll fraud, allows the delegation of payroll check-signing duties, separates routine payroll expenditures from other expenditures, and facilitates cash management.

Preparation of Payroll Tax Returns and Payment of Taxes:

The careful, timely preparation of all payroll tax returns and the payment of taxes are necessary to avoid penalties and criminal charges. The most important control is the preparation of these returns based on a well-defined set of policies that carefully indicate when each form must be filed, as well as when specific payroll taxes are due. Independent verification by a competent individual is also an important control to prevent errors and potential liability for additional taxes and penalties.

4-3-5i Purchasing Cycle

There are typically four primary functions in the purchasing or acquisition cycle. They are:

- Processing purchase orders
- Receiving goods and services
- Recognizing the liability Processing and recording cash disbursements
- Processing Purchase Orders.

The request for goods or services is the starting point for the cycle. Proper authorization for acquisitions is an essential part of the function because it ensures that the goods or services purchased are for an authorized purpose, and it prevents the purchase of excessive or unnecessary items. It is essential, therefore, that purchasing authority be established.

For capital or other major expenditures, a competitive bidding process should be established.

After the acquisition request has been approved, the order must be initiated to purchase the goods or services. Where it is cost beneficial, a purchase order system should be used. All purchase orders should be prenumbered and should include sufficient columns and spaces to minimize the likelihood of unintentional omissions on the form when goods are ordered. A responsible official should check to see if available budget dollars remain to support the purchase.

Receiving Goods and Services: The receipt of goods or services from the vendor is a critical point in the cycle, because it is the point when the associated liability is usually first recognized. When goods are received, adequate control requires an examination for descriptions, quality, and condition. The individual responsible for the examination should prepare a receiving report verifying that all is in order.

Recognizing the Liability: The proper recognition of the liability for the receipt of goods and services requires accurate and prompt recording. The accounts payable disbursements personnel are responsible for verifying the propriety of acquisitions and for recording them in the accounts payable register or system. When the vendor's invoice is received, the descriptions, price, quantities, terms and freight on the invoice should be compared with the information on the purchase order and, where applicable, the receiving report. Typically, extensions and footings are verified, and an account distribution is entered on the invoice. Budget authorization and availability should also be examined.

Processing and Recording Cash Disbursements: As previously discussed, the most important controls in the cash disbursement function include the signing of checks by an individual with proper authority, separation of responsibilities for signing the checks and performing the accounts payable function, and careful examination of the supporting documentation by the check signer.

The checks should be prenumbered and care should be taken to physically control blank, voided, and signed checks before they are mailed. Finally, it is important to have a method of canceling the supporting documents to prevent their reuse as support for another check at a later time. A common method is to have a "paid" stamp for the supporting document that includes the number of the account the disbursement is charged to and the check number.

4-4 Parish Operating Manual

As noted, a system of internal controls consists of both general and specific policies. The system should be documented so that all personnel will know what is expected of them and will be properly trained to carry out their responsibilities. The policies should become part of a permanent corporate record along with such supplementary policies as an accounting manual and travel policies. Of course, such documents are useful only if they are periodically updated.

4-5 Parish Finance Council

The Archdiocesan policy for Parish Finance Councils can be found at [207 – Parish Finance Council Requirements](#). The Parish Finance Council is not a decision-making body but is advisory to the pastor and trustees, who should attend council meetings in a consultative, non-voting capacity. The business administrator and other parish employees that support the council should attend council meetings in the same manner, as should a member of the School Advisory Council for parishes that operate schools, and Cemetery Board members for parishes that operate cemeteries.



The recruitment and election process of the Parish Finance Council should emphasize demonstrable skills or expertise in financial management or [internal controls](#). Members should be able to attend the majority of the meetings, be committed to the faith and mission of the Catholic Church and the parish's particular mission, be concerned for the spiritual and financial growth of the parish, and actively participate with their own particular perspective, gifts and talents. Employees of the parish, or members of their immediate family, are not

eligible for appointment to the Parish Finance Council. No relative of the pastor may serve on the Parish Finance Council.

The parish must retain meeting minutes, agendas, reports and materials reviewed during the meeting for future reference by either internal or external parties. This should be in accord with the Archdiocesan Records Retention Policy, see [204 - Records Retention Policy](#). Do not disclose to others any materials such as agendas, meeting minutes, and review materials designated as confidential.

Parish business administrators work with the Parish Finance Council to propose an overall budget, and then submits it to the parish pastoral council for review and recommendations. The recommended budget is then submitted to the pastor, who reviews the budget with the trustees. When the pastor and both trustees have approved the budget, the status of the budget is communicated to the parish.

The Parish Finance Council monitors the budget by reviewing monthly and quarterly financial statements for the parish to determine if the parish is operating within established targets. Likewise, the School Advisory Council would review the school finances, and the Cemetery Board would review the cemetery finances.

The pastor and trustees should consult the Parish Finance Council regarding changes to the budget, including any major purchases or expenditures not included in the budget.

The pastor, Parish Finance Council and trustees review the [Annual Parish Financial Report \(APFR\)](#), which has been prepared by the pastor's delegates. Upon acceptance, the APFR is signed by the pastor, trustees, Parish Finance Council chair and business administrator before it is submitted to the Archdiocese and presented to the parish.

4-6 Cemetery Boards

While Parish cemeteries may have their own boards or committees for operations, all properties and funds belong to the Parish. The Pastor must be a member of the cemetery Board, if one is formed, and must be a co-signer on all cemetery bank accounts. It is recommended that the cemetery Board operate in accord with the standards established for other Parish ministries and report to a designated Parish body, e.g. the Parish Pastoral Council or Parish Finance

Council. The cemetery Board should meet at least annually to review the budget and financial results of the fiscal year. It may be necessary to meet more frequently based on cemetery needs.³

4-7 Annual Representation Letter

The [Annual Representation Letter](#) was adopted by the Archbishop for fiscal year 2013 and thereafter upon the recommendation of the Accounting Practices Committee. The Annual Representation Letter Policy was updated in October 2019. The primary purpose of the Annual Representation Letter is for parish leaders to report on when they published financial results and [budgets](#) to parishioners and that regular Finance Council meetings took place.

Each Parish is required to submit an Annual Representation Letter to the Archbishop within 120 days after the end of the fiscal year in the general format of the template located on the Archdiocesan web site⁴.

1. The Annual Representation Letter must include:
 - a. A statement that the financial statements (statement of activities, statement of financial position, and cash flow statement) of the Parish for the most recently completed fiscal year were made available to parishioners, the specific date it was made available, and the manner in which it was made available.
 - b. A statement that the annual budget of the current fiscal year was made available to parishioners, the specific date it was made available, and the manner in which it was made available.
 - c. A statement that the Parish Finance Council regularly reviewed and discussed the budget and periodic financial statements.
 - d. A listing of the dates on which the Parish Finance Council has met during the preceding fiscal year and since the end of the fiscal year.
 - e. A statement that a 3-year cash flow projection was presented to the Parish Finance Council during the most recently completed fiscal year.

³ [Policy 213 - Administration - Parish Cemeteries and Columbaria](#)

⁴ [Policy 405 – Finance – Annual Representation Letter](#)

- f. The names and professional titles of the members of the Parish Finance Council.
2. If during the most recently completed fiscal year the Parish had an AUP, Audit, or Review completed, the Annual Representation Letter must include a statement that the report was presented, reviewed, and discussed by the Parish Finance Council at one of its meetings. Attendance of the Pastor, Trustees, and Parish business administrator (or equivalent position) at such meeting is required and the date of such meeting must be disclosed in the Annual Representation Letter.

See [Policy 405 – Finance – Annual Representation Letter](#) for additional information and Template Download.

4-8 Annual Parish Financial Report (APFR)

The [Annual Parish Financial Report](#) (APFR) contains the financial results from general parish operations, ministry programming, capital activities, and special collections. This report also contains the calculation of Archdiocesan assessment dollars owed to the diocese.

While Cemetery funds are not included in the calculation of the parish assessment, cemetery funds must be reported on the Annual Parish Financial Report to the Archdiocese.⁵

Each year, the Annual Representation Letter and Annual Parish Financial Report (APFR) must be submitted in accordance with appropriate filing deadlines.

Assessable income guidelines, general instructions, frequently asked questions, and ParishSOFT Accounting specific instructions for filing can be found at [Annual Parish Financial Report \(APFR\) Handbook – Quick Guide to the Archdiocesan Assessment](#).

4-9 Audit, Review, and Agreed Upon Procedure (AUP) Policy

Audits, Reviews, and Agreed Upon Procedures (AUPs) within the Archdiocese, provides the Pastor, Trustees and Parish Finance Council some assurances that the finances of the Parish are being handled appropriately.

⁵ [Policy 213 - Administration - Parish Cemeteries and Columbaria](#)

See [Policy 406 – Finance – Audit, Review, and Agreed Upon Procedure Policy](#) for additional information.

See sample [Internal Financial Controls Questionnaire](#) for Parishes in the Archdiocese of Saint Paul and Minneapolis.

4-10 Fraud Identification and Practical Measures

Fraud can occur at any organization, but parishes are extremely susceptible due to their trusting nature. Parish leaders are responsible to God and to their congregation to safeguard the ministry's assets. To do so, there are a few things every pastor should understand about fraud.

4-10-1 Fraud Triangle

Three elements are often needed for fraud to occur. This is called the fraud triangle.

Pressure - personal financial trouble such as medical bills, addiction problems, greed, excessive debt, and lavish lifestyles.

Rationalization - excuses to commit fraud. The money is really “owed” to them, or the money is just a “loan” that will be paid back.

Opportunity – poor internal controls, too much trust. This is the one area parishes can control.



FRAUD STATISTICS

Most frauds last 18 months before being caught

The average tenure of the perpetrator is over eight years

87% have never been charged with fraud or theft before

More frauds are caught by a tip (40%) than any other means

30% of all workers will steal

12% of nonprofits fall victim every year

One-third of all churches experience theft each year

\$120,000 per loss and growing every year

Church Mutual

4-10-2 Common Red Flags of Fraud⁶

- Shortages of cash or other assets
- Complaints from employees, members, or donors about financial issues
- Inaccurate financial reporting
- Untimely or non-existent financial statements (audited or un-audited)
- Altered or missing documents
- Unusual transactions
- Employees who appear to be living beyond their means
- Employee refuses to take a vacation, has excessive control issues, or an unwillingness to share duties
- Insufficient vendor information (missing address, no web presence) or payments to Cash
- Questionable Invoices
- Check numbers out of sequence
- High number of journal entries

4-10-3 What to do if you suspect theft or fraud at your parish?

1. Contact the [Archdiocesan Office of Financial Standards](#).
2. Review the concerns with the Parish Trustees.

⁶ [Association of Certified Fraud Examiners - Fraud in Ministries: Real Examples and Red Flags](#)

3. Contact and consult with [Catholic Mutual Group](#).
4. Consult with an employment law attorney.
5. Review the concerns with the Finance Committee.
6. Report to the local law enforcement if there appears to be a credible claim of theft.

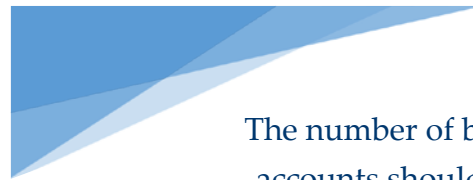
Per your certificate of coverage you must consult an employment law attorney prior to dismissing, terminating or discharging an employee.

Review the situation with Catholic Mutual prior to engaging a forensic auditor, as a full forensic audit may not be needed. Without consultation with Catholic Mutual about the type and cost of an audit; the audit expense may be the responsibility of the parish.

Section 5 Banking Internal Controls

A major [asset](#) of parishes is its [cash](#) and [cash equivalents](#), including [marketable securities](#) and other [highly liquid assets](#) readily convertible into cash. Cash is highly susceptible to loss or [misappropriation](#) due to its liquidity. This risk of appropriation is only heightened by the fact that many individuals handle the funds and that much of the money is collected on non-banking days or after banking hours. Therefore, it is very important for the pastor, trustees and the finance council to establish and enforce a strong system of [internal controls](#) for handling cash, conducting banking transactions and monitoring the controls.

This chapter will discuss procedures for receiving, recording, and accounting of [cash](#). It will describe a cash receipts system designed to meet the minimum requirements of good internal controls that are not unnecessarily burdensome to parish staff. Parishes should modify these best practice procedures only after careful consideration of all aspects of the cash receipts cycle.



The number of banks and bank accounts should be kept to the minimum necessary to accomplish the business of the parish. Multiple banks and bank accounts needlessly complicate the accounting process.

5-1 Banking

The number of banks and bank accounts should be kept to the minimum necessary to accomplish the business of the parish. The fewer the accounts, the greater the control and the smaller the opportunity for errors or wrongdoing. Multiple banks and bank accounts needlessly complicate the accounting process. Transactions are more likely to be recorded incorrectly, bank transfers become more frequent and finally, the financial activity of the parish becomes more difficult to monitor.

Each parish should have one general checking account to handle the operations of the parish and school. The pastor shall be the primary check signer on this account. Parish programs, such as Religious Education or Social Concerns, *should not* have separate checking accounts. Program activities, along with school receipts i.e. tuition, fees and donations should be deposited into the

parish checking account from which ministry, including schools, bills will be paid. This policy ensures that the pastor is aware of and has final approval over all the financial activity in the parish and school.

Exceptions to this procedure are Cemetery (required, see 5-1-3 Cemetery Bank Accounts on page 39) and Capital Campaign (optional) bank accounts as financial processes for these activities are tracked in their own unique fund.

5-1-1 Bank Account Signatures

In a good control environment, the pastor maintains control over the [cash](#) and investment assets of the parish. [Only pastors, parochial administrators or their designees may sign checks on parish accounts and, whenever possible, the pastor should sign the checks himself.](#) Allowing a designee to sign checks on the pastor's behalf does not relinquish the pastor of his fiduciary duty. Proper internal controls must be in place if allowing a designee to sign checks.

The same protocol for bank access and signing authority should be applied for parish savings and investment accounts. In cases where another signature is required for expenditures above \$5,000, a trustee is a good alternate signatory on the bank accounts. As a note, after consultation with the finance council, the pastor may determine a lower limit is acceptable for a dual signature limit.

Under no circumstances should the bookkeeper, accountant, or anyone else who has regular access to the accounting records of the parish or school, be an authorized signer on a bank account. Segregating access to [cash](#) from access to the accounting records is an important required element in the [internal control](#) structure of the parish.



A documented process should be put into place when a signer needs to be added or deleted from the bank accounts. This process should be designed after consultation with the bank representative to determine the bank's own requirements for this action.

5-1-2 Endorsement Stamps

It is recommended that pastors are encouraged to use an endorsement stamp for depositing checks. Utilization of the endorsement stamp will mitigate the risk of account number errors and improper or unauthorized deposit transactions. Additionally, to further secure that the check is deposited into the proper account, it is recommended that the endorsement stamp always include the following language:

"FOR DEPOSIT ONLY
CHURCH OF XYZ
ACCOUNT #"



PAY TO THE ORDER
YOUR BANK NAME
FOR DEPOSIT ONLY
CHURCH OF XYZ
1234567890

Internal Control Tip

The endorsement stamp should be stored in a fireproof drop-safe or vault. Additionally, any endorsement stamp that does not include this language should be immediately destroyed.

5-1-3 Cemetery Bank Accounts

There should be two separate Cemetery accounts: the Perpetual Care account and the general maintenance account. Both the Perpetual Care account and the general maintenance account are to be accounts separate from each other and separate from all other church accounts. [Policy 213 - Administration - Parish Cemeteries and Columbaria](#)

Cemetery funds must not be comingled with other Parish funds. Cemetery funds may not, under any circumstances, be transferred, loaned or used for any purpose unrelated to the Cemetery.

All cemetery transactions must be documented and receipted, including the sale of burial rights, and the acceptance of funds for any related cemetery service. The financial activities of the

Cemetery must be recorded separately in the parish accounting records under the Cemetery Operations Entity Code.

All processes as described in the Section 6 Cash Receipts Best Practices on page 59 and Section 7 Cash Disbursements Best Practices on page 69 would be the same.

All policies in this manual relating to reporting, internal control, [cash](#) management, investments, contributions, and employees also apply to parish cemeteries.

5-1-4 Affiliate Group Bank Accounts

All parish [affiliate](#) groups, including Ladies Auxiliary, Men's Group, Home & School, Athletics, fundraising committee, etc. must conduct their business through the parish operating account.

The financial activities of these groups would then be recorded separately in the parish accounting records by using the appropriate Ministry and Project Codes in order to segregate the group's activity. If the parish is not using ParishSOFT Accounting, a subsidiary ledger must be utilized. See 10-3-3 Subsidiary Ledgers, Project Groups and Project Codes on page 189.

All processes as described in the Section 6 Cash Receipts Best Practices on page 59 and Section 7 Cash Disbursements Best Practices on page 69 would be the same. Checks for payment must be drawn on the general operating account and the pastor must be the signer.

Only after consultation and approval of the finance council and *with the pastor's permission*, after demonstrating a specific need an affiliate group may be allowed to open/maintain a bank account separate from parish general operations checking. For operations and internal controls, it is highly discouraged for affiliate groups to have separate bank accounts.



Keeping in mind the legal structure of the parish under [MN Statute §315.15](#), and the fact that parish affiliate groups are a part of the parish and not separate legal entities, the bank account must conform with the following:

- All bank accounts for the parish and for parish affiliate groups must use the parish Federal Employer Identification Number (EIN) as the taxpayer identification number on the account. This is required to ensure the pastor maintains control over the financial assets of the parish and to reduce confusion about ownership of accounts.
- All bank accounts are opened/maintained in the name of the parish and uses the parish mailing address.
- Checks are stored in the parish office in a locked, fire-proof cabinet. Under no circumstances are affiliate group's checks allowed to be stored in the home of a staff/volunteer member of the affiliate group.
- Periodic confirmations on the EIN should be initiated to identify all parish assets. This confirmation should also be completed upon appointment of a new pastor, which can be incorporated with the required audit or Agreed Upon Procedures (AUP).
- Pastors must be a signatory on all bank accounts including those for any parish affiliate group that is operating as a ministry or program of the parish corporation.
- Authorization for non-pastor staff/volunteer to sign checks drawn on all parish and parish affiliate group accounts will require the action of the majority of the Corporate Board members. For good management, the number of those so authorized should be strictly limited.
- The Book of Minutes for the parish corporation should record the resolution with the names, title, and contact information of those authorized to sign checks along with the name of the bank where the parish funds are to be deposited.

- Signatory authorization must recognize sound [segregation of duties](#) and other common internal measures including prohibiting signature by those processing the payment. Signatures by stamp or electronic methods should be controlled by the signer. See Check Signatures on page 306 for more information.

Parish Affiliate Groups are determined by reliance on the parish for their tax-exempt status. Funds received by such groups must be reported to the finance council and be included in the annual finance report to the Archdiocese. The pastor or his [designee](#) should review bank

reconciliations, canceled checks, and accounting records of parish and parish affiliate groups to determine if receipts and [disbursements](#) have been properly recorded. This will assist the pastor and finance council in monitoring parish activities.

Parish affiliate groups must present a budget to the pastor and finance council which includes a line item for income and expense. The affiliate group activity must be treated like all income and expenses for the parish. There is a budget set for the fiscal year, the subsequent income and expense balance (debit or credit balance) shall close out to Unrestricted Net Assets at the end of the fiscal year.

The exception to this would be a multi-year initiative where funds raised have been donor restricted for its purpose (for example, raising enough money for playground equipment). These funds should be appropriately recorded in restricted income account and a project code assigned to track a fund balance. Restricted funds spent should be recorded appropriately in the accounting software



Parish affiliate groups must present a budget to the pastor and finance council that includes a line item for income and expense, and the subsequent income and expense balance (debit or credit balance) shall close out to Unrestricted Net Assets at the end of the fiscal year.

and tracked using either project codes in ParishSOFT Accounting or a subsidiary ledger for those not using ParishSOFT Accounting.

Additionally, the finance council reviews financial reports and [internal controls](#) for all parish affiliate groups. See [Policy 208 - Parish Finance Council - Template for Constitution and By-Laws](#) for more information.

Parish affiliate groups may use two-signature checks as an added control over payments. The pastor's signature must be present on all checks. An authorized signer from The Book of Minutes may be the additional, secondary signature. A two-signature check control is recommended by the Archdiocese, particularly when the dollar amount crosses a \$5,000 threshold. Internal controls should be documented to support this process.

Parish affiliate groups that do not adhere to these standards may be subject discontinuation of the parish affiliate group by the pastor.

5-1-5 Electronic Financial Process

All forms of electronic payments are appropriate **only with strict adherence to internal control policies**. Such payments are difficult to initiate while maintaining appropriate segregation of duties. See Authorization for Electronic Funds Transfer on page 432.

Electronic payments are permissible only as follows:

- Utility payments for bills reviewed and approved, and accompanied by an EFT pre-authorization form signed by the Pastor/Administrator or Principal authorizing the Business Manager/Accountant to make the payment electronically.
- Credit Card payments (particularly when necessary to avoid fees for late payment) with a reviewed and coded statement attached to appropriate preapproved support documentation that shows charges to be reasonable and necessary

business expenses and meet IRS substantiation requirements in accordance with Archdiocesan Policy.

- Other forms of electronic payments including but not limited to wire transfers, EFTs, ACHs, online recurring credit card payments and account direct debits must be approved in writing by the Pastor/Administrator or Principal prior to the transaction taking place.

5-1-5a Wire Transfer

Wire transfer, bank transfer or credit transfer is a method of electronic funds transfer from one person or entity to another. A wire transfer can be made from one bank account to another bank account.

A bank wire transfer is effected as follows:

- The entity (Parish) wishing to do a transfer approaches a bank and gives the bank the order to transfer a certain amount of money.
- The sending bank transmits a message, via a secure system to the receiving bank, requesting that it effect payment according to the instructions given.
- The message also includes settlement instructions. The actual transfer is not instantaneous: funds may take several hours or even days to move from the sender's account to the receiver's account.



All forms of
electronic payments are
appropriate **ONLY WITH**
STRICT ADHERENCE
TO INTERNAL
CONTROL POLICIES.

- Either the banks involved must hold a reciprocal account with each other, or the payment must be sent to a bank with such an account, a correspondent bank, for further benefit to the ultimate recipient.

Banks collect payment for the service from the sender as well as from the recipient. The sending bank typically collects a fee separate from the funds being transferred, while the receiving bank and intermediary banks through which the transfer travels deduct fees from the money being transferred so that the recipient receives less than what the sender sent.

5-1-5b Other Types of Electronic Transfers

ACH/EFT transfers: An ACH transfer is an electronic, bank-to-bank transfer processed through the Automated Clearing House. ACH payments are created when a parish/school creates an ACH payment to send or receive money from a savings or checking account. ACH transfers are processed two ways, which vary in delivery speed and cost:

- **ACH debit:** This involves having money pulled from an account. For example, when setting up a recurring bill payment, the recipient can pull what is owed from the sender's bank account each month.
- **ACH credit:** Allowing funds to be pushed to an account at different banks.

The transfer cost is set by the network participants (financial institution). Each file includes its own effective entry date and the ACH operator determines the settlement date.

[ParishSOFT Giving](#), [Vanco Services](#), [OSV Online Giving](#), and participating banks are common examples of providers offering ACH debits services for parishes/schools.

Payroll payments processed through ACH is a good example of ACH credit services.

Apps and P2P payment tools: Several payment tools allow the parish/school to send/receive money by tapping into the bank account indirectly. [ParishSOFT Giving](#), [PayPal](#), [Square Cash](#), and others complete electronic transfers. These services are typically easy and inexpensive.

5-1-6 Positive Pay

Positive Pay is an automated fraud detection tool offered by the Cash Management Department of most banks. In its simplest form, it is a service that matches the account number, check number and dollar amount of each check presented for payment against a list of checks previously authorized and issued by the company.



Refer to your bank and accounting application manufacturer to verify Positive Pay capabilities. ParishSOFT Accounting does provide Positive Pay capabilities as a standard function in Ledger & Payables. Refer to [ParishSOFT Ledger & Payables - Positive Pay: How to Enable and Set Up](#) for more information

5-1-7 Petty Cash

Many parishes maintain a [petty cash fund](#) to pay for small parish and school incidental expenses. The amount designated for the petty cash drawer should be established in consultation with the finance committee and approved by the pastor. The number of petty cash requests should be limited. If used appropriately the petty cash drawer should need replenishment no more than once a month. The petty cash fund shall **not** be used for expenses that should be reimbursed on a personal expense report such as lunches, mileage, etc.

The following controls should be in place for petty cash management:

- Set a reasonable amount for Petty Cash. Estimate how much the Parish would need to cover small office expenses for about a month. You want the amount to be as small as possible, without having to replenish too often. A typical small-medium parish may choose \$100, a medium-large size parish may choose \$250.



The petty cash fund shall **NOT** be used for expenses that should be reimbursed on a personal expense report such as lunches, mileage, etc.

- Have a set of rules on how petty cash can be spent. Put the policy in writing and give some good examples of what petty cash can be used for – making change, small office supplies, postage, etc. It is recommended the parish establish a ceiling on the amount of a receipt that can be reimbursed from petty cash, such as \$25, so that employees know ahead of time what will be allowed.
- Only one person should be responsible for the petty cash fund. Designate one employee to have responsibility for the petty cash fund. If every employee has access and funds are missing, it will be hard to know who might be responsible for the lack of documentation or even theft. The Pastor or his designee is responsible for overseeing this employee.
- **Require everyone to provide receipts.** The designated employee should require employees to fill out a voucher or provide a receipt for the expenses paid from petty cash. A running log should be kept.
- **The petty cash drawer/box should be locked in the parish's fireproof drop-safe.** Paid vouchers are kept in the petty cash drawer/box to support reimbursement. Access to the

parish's fireproof drop-safe should align with the overall best practices and [internal controls](#).

- [Balance and replenish petty cash](#). When petty cash is replenished, the actual cash should be counted. Adding the cash total to the total expense receipts in petty cash should total to the original amount put into petty cash. Once petty cash is "balanced", write a company check to the Parish (as follows) for the amount of the receipts contained in petty cash. Each submitted receipt should be stamped "paid".

A check is drawn on the general checking account to replenish petty cash. The check is recorded in the appropriate expense accounts, indicated on the vouchers. The check to replenish petty cash **is not** recorded in general ledger directly to the Petty Cash Asset account. An unplanned audit of the petty cash drawer should be performed periodically to ensure that the cash on hand and the total vouchers equal the petty cash balance.

5-1-7a Example Petty Cash Replenishment

<i>Chart of Account #</i>	<i>Description</i>	<i>Debit</i>	<i>Credit</i>
The parish issues a check to replenish petty cash after reconciling and balancing Petty Cash. Check issued using Vendor and Check Name "Parish Name Petty Cash" i.e. Sacred Heart Petty Cash with Parish address.			
6180	Supplies Exp	24	
6140	Postage Exp	55	
1000	Cash		79
Journal Entry Comment Example: "To replenish petty cash; receipts on hand totaled \$79 related to office supplies (\$24) and a roll of stamps (\$55) Remaining cash in the fund was \$21, bringing the total to \$100 (\$79+\$21)."			

5-1-8 Start Up Cash/Cash Box

Fundraising events are often held by parishes and schools to promote the mission of the organization and raise funds to support the organization and its programs. Such events can often generate a significant amount of revenue for the organization. Revenue generated may include donations, ticket sales, table sponsorships, auction revenue, and concession sales. While many donations and event sales are made using credit cards and checks, [cash](#) remains a popular form of payment at these events.



5-1-8a Example Start Up Cash/Cash Box

Chart of Account #	Description	Debit	Credit	Project
The parish reviews event history, budget, and electronic alternatives to determine the amount of cash required for the event. Check issued using Vendor and Check Name "Parish Name Start Up Cash Box" i.e. Sacred Heart Start Up Cash Box with Parish address. Bill Comment Example: "To fund cash box for <event name>" and a Project Code is applied for project balance tracking. Check is issued				
2240	Clearing Account	200		
1000	Cash		200	
Event has concluded and cash is deposited into the bank.				
1000	Cash	1,000		
2240	Clearing Account		200	
4235	Program Income		800	X

To better ensure the proper handling of cash receipts during events and activities, parishes should provide staff and/or volunteers with a detailed list of cash collection and deposit procedures in advance of the event. Each staff and/or volunteer should acknowledge in

writing that they received and understand the cash collections and deposit procedures. Additionally, a list of these procedures should be kept in the cash box as a reminder.

Such procedures may consist of the following and should help mitigate the risk of improper collection processes:

- Upon start up, utilize a log to document which individual staff and/or volunteers were given a cash box and the amount of the startup change/currency.
- Keep a standard amount of startup change/currency in each cash box.
- Require the individual checking out the cash to sign the log indicating his/her agreement with the startup amount.
- Each event's collections should be documented via standardized forms.
- The completed forms should be remitted to the Parish Office, along with the physical cash collections, immediately following the event.
- The designated person should immediately

All parish festivals should implement a ticketing system.

This limits the only cash changing hands for tickets.

A typical, small sized parish festival utilizing a ticketing system should limit the start-up cashbox to \$500-1,000.

A typical, medium sized festival utilizing a ticketing system should limit the start-up cashbox to \$1,000-1,500.

Larger festivals utilizing a ticketing system with excellent internal controls may choose up to \$5,000 for their start-up cash box.

- Catholic Mutual

Basic rules for cash box/drawers:

DO NOT allow co-mingling of personal money with donations.

NEVER utilize cash collections for last minute purchase the day of an event.

NEVER make change unless a patron has made a purchase or donation.

NEVER accept a check unless it is made out to the Parish Name or Event Name.

endorse the checks with a [restrictive endorsement](#) payable to the organization.

Groups of three or more volunteers or employees, preferably one of them is an officer, should collect the cash in tamper proof bags from the stand/ticket booth at alternating times and routes. Then independently count the [cash](#) immediately after the event, ideally counted at the bank. The two cash counts should be compared to make sure the checks, currency and coins are counted properly.



- a. [Assign pre-numbered security bank bags](#). Do not use lockable bank bags, as they are susceptible to fraud.
- b. For concession-type activities, reconcile inventory to cash receipts.

Consider tracking the average cash receipts per individual per event and investigate anything not meeting your expectation based on the average receipts per event.

For events with ticket income:

- Use pre-numbered tickets.
- Document all volunteers who were issued tickets and which numbers.
- Reconcile tickets sold to cash received.

For events taking place over several days:

- Collect funds daily and deposit to Parish Office.

Other considerations include encouraging the "responsible party" (Program Director / Athletic Director / Principal) to be present at all events and to transport the cash box with another person to and from the fundraising event. [Cash should be safeguarded when not](#)

in use and maintained in the parish's fireproof drop-safe in a secure location at the organization.

Additionally, limit, as much as possible, the number of volunteers who have access to the cash box during the event. In advance of the event, the organization should establish a limit regarding the acceptance of larger bills, such as \$50 or \$100.

Adopting good controls will better ensure the safe and appropriate handling of cash at fundraising events and activities.

5-1-8b Festival Money Recommendations

If your parish festival is successful, large amounts of cash will accumulate throughout the day and evening. The parish should have a predetermined plan to deal with cash as it flows through the festival. A good plan should accomplish the following:

- A credit and background check should be conducted on all individuals handling money of \$250 or more.
- Cash should be collected from festival stands at regular intervals.
- Tamper-proof bags should be used.
- Groups of three or more individuals should be responsible for the transfer of cash from festival stands to a centralized location.
- Cash should always be counted by multiple teams consisting of at least two people who trade off. Ideally, cash should be counted at the bank.
- Cash should not be allowed to accumulate in the safe until completion of the festival.
- Accumulated cash should be safeguarded when not in use and maintained in the parish's fireproof drop-safe or a secure location at the organization which is guarded by

security until a bank deposit can be made. Bank deposits should be run at intervals during the festival. Both the times and routes of the collections or deposits should be varied to eliminate a pattern from developing.

- It is highly recommended to use a “ticket system” at parish festivals. A ticket system allows festival participants to purchase tickets at ticket booths that can be exchanged for rides, food, beverages, or other items for sale at the parish festival. The purpose of the ticket system is to reduce the amount of cash flowing through the parish festival at various booths. Instead of having each individual booth handle cash, monies are handled at centrally located ticket booths. The use of a ticket system will reduce the risk of loss associated with theft or the mysterious disappearance of festival revenues. In addition to reducing the possibility of theft, the ticket system provides an excellent internal control to monitor cash flows at parish festivals.

Catholic Mutual offers comprehensive Parish Festival Guidelines, Parish Festival Checklist, and Safe and Successful Parish Festival online training for Festival Risk Management. These resources can be found on the [Catholic Mutual Group](#) website under *Archdiocese of St Paul & Minneapolis Forms & Guidelines*. These resources will require a username/password to access. Please see [CMGConnect Support](#) for assistance.

5-2 Recording and Reporting

All parish bank accounts must be reported on the Annual Parish Financial Report (APFR) and be recorded in the general ledger of the parish (including [petty cash funds](#)). All [cash](#) receipt and disbursement transactions for the parish are to be processed through general checking accounts to ensure proper entry into the financial records of the parish.

Investments and investment accounts will be reported on the annual financial reports and the general ledger. In the case where an investment account contains both [marketable securities](#) and [cash-type instruments](#), the [market value](#) of investment is recorded. It is important to have an amount that agrees with the

statement from the financial institution so the balance can be tied to a third party document.

The activities of parish and school organizations, such as the Home and School Association or the St. Vincent de Paul Society, should be incorporated into the parish balance sheet and transactional data managed by utilizing the Archdiocesan [standardized Chart of Accounts](#) and ministry codes designed for those specific programs.

Merchant credit cards (i.e. Visa, MasterCard, and Discover) should be entered as individual receipts against each credit card liability account. Use a sub-account of [2100 Accounts Payable](#) to track credit card charges. Most accounting software packages have the ability to enter credit card transactions in this manner. Transactions should be dated in the month the charge was [incurred](#), and ensure the proper entry to the correct general ledger account. Payments made to the merchant credit card are to use the credit card liability account. In the ParishSOFT Accounting application, it is advisable to use the credit card feature that allows you to track vendors through which the credit card purchase was made. See [ParishSOFT How to Use Credit Cards](#) Training Video.

5-3 Bank Reconciliation

[All parish bank accounts should be reconciled to the general ledger on a monthly basis.](#) The reconciliation process helps identify errors and omissions in the accounting records, making the financial reports more accurate. Most financial software packages have a built-in bank reconciliation function that automatically produces a report of outstanding checks and deposits based on the information entered into the general ledger. The reconciliation compares the general ledger account balance and the reconciled account balance, so differences can be more easily identified and corrected.

Whenever possible, bookkeepers and accountants should use a financial software package for reconciliation.

[The pastor or his designee should review all bank statements and account reconciliations monthly, and sign and date the document when this is performed.](#) The finance council should conduct a periodic review (at least quarterly) of the

Internal Control Tip



financial reports, balance sheets, income statements and comparisons to [budget](#) as well as prior year's results and cash flow analysis.

5-3-1 Bank Statements

Due to staff size limitations at many parishes, the parish accountants and bookkeepers often make deposits, record [cash](#) receipts, record cash disbursements, open the bank statements, reconcile accounts, prepare and mail checks, etc. However, when accounting personnel perform any combination of the above tasks, the [internal control](#) structure of the parish may be impaired. To counteract this weakness, [the pastor or his designee should receive the bank statements for all parish accounts unopened when they arrive in the mail. He or she should review the statements and canceled checks, including endorsements, for propriety before the accountant or bookkeeper reconcile the account.](#)

5-4 Credit Card Reconciliation

[All parish merchant credit card accounts should be reconciled to the general ledger on a monthly basis.](#) The reconciliation process helps identify errors and omissions in the accounting records, making the financial reports more accurate. Most financial software packages have a built-in credit card reconciliation function that automatically produces a report of outstanding charges and payments based on the information entered into the general ledger. The reconciliation compares the general ledger account balance and the reconciled account balance, so differences can be more easily identified and corrected. Whenever possible, bookkeepers and accountants should use a financial software package for reconciliation. See [ParishSOFT Credit Card Reconciliation](#) for more information.

5-4-1 Credit Card Statements

Due to staff size limitations at many parishes, the parish accountants and bookkeepers often make deposits, record cash receipts, record cash disbursements, open the credit card statements, reconcile accounts, prepare and mail checks, etc. However, when accounting personnel perform any combination of the above tasks, the [internal control](#) structure of the parish may be impaired. [To counteract this weakness, the pastor or his designee should receive the credit card statements for all parish accounts](#)

unopened when they arrive in the mail. He should review the statements and charges for propriety before the accountant or bookkeeper reconcile the account. The finance council should conduct a periodic review (at least quarterly) of the financial reports, balance sheets, income statements and comparisons to budget as well as prior year's results and cash flow analysis.

5-4-1a Example Credit Card Transactions and Payment

Chart of Account #	Description	Debit	Credit	Project
Parish has two Visa credit cards; one assigned to Pastor, the other is assigned to general parish, kept locked in a fireproof drop safe, and is checked out only when needed with pre-approval from supervisor, and receipts are returned immediately upon check-in of credit card after purchases are made. Pastor makes purchases on credit card. Transactions are entered in sub-account specified as Pastor's Credit Card under 2100 Accounts Payable. Entries are made in Credit Card Transaction Entry in accounting software package.				
2100.01P*	Accounts Payable – Pastor's Credit Card Sub-Account		1,000	
6180	Supplies Exp	1,000		
General parish credit card transaction(s) are entered when receipts are received upon check-in of credit card and/or when credit card statement is received.				
2100.02P*	Accounts Payable – General Parish Credit Card		500	
6130	Hospitality Exp	100		
6175	Program Exp	200		X
6250	Maintenance & Repair Exp	200		
Credit card statement is received and reconciled against charges made on each credit card. Payment is made to credit card company.				
2100.01P	Accounts Payable – Pastor's Credit Card Sub-Account	1,000		
2100.02P	Accounts Payable – General Parish Credit Card	500		
1000	Cash		1,500	
*Sub-account shortcut numbers are examples only.				

NOTE: As of the December 18, 2019 ParishSOFT Update, the Credit Card Transaction Entry process includes an automated release of restriction journal entry when the Account Restriction of With Donor Restrictions (Temp) is selected.

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Section 6 Cash Receipts Best Practices

A major [asset](#) of parishes is its [cash](#) and [cash equivalents](#), including [marketable securities](#) and other [highly liquid assets](#) readily convertible into cash. Cash is highly susceptible to loss or [misappropriation](#) due to its liquidity. This risk of fraud is only heightened by the fact that many individuals handle the funds and that much of the money is collected on non-banking days or after banking hours.

Therefore, it is very important for the pastor, trustees and the finance council to establish and enforce a strong system of [internal controls](#) for handling cash, conducting banking transactions and monitoring the controls.



Parishes should modify these best practice procedures only after careful consideration of all aspects of the cash receipts cycle.

This chapter, along with Section 5 Banking Internal Controls on page 37, discusses procedures for receiving, recording, and accounting of cash. It will describe a cash receipts system designed to meet the minimum requirements of good internal controls that are not unnecessarily burdensome to parish staff. Parishes should modify these best practice procedures only after careful consideration of all aspects of the cash receipts cycle.

6-1 Offertory

The largest single source of cash and coin in parishes is through offertory giving. The following sections will discuss at length the safeguarding and recording of the offertory collection.

6-1-1 Cash Collection and Deposit – Offertory

In addition to being the largest source of [cash](#) and coin, the offertory is often the most difficult to safeguard effectively. Until the offertory is secured in a fireproof drop-safe, it is highly



susceptible to loss or theft. Until the offertory is counted and the amount recorded on a cash count sheet, losses would very likely remain undetected. However, the role offertory plays in the Mass and the manner in which it is collected may make imposing more stringent controls undesirable.

Pastors should consider the following guidelines in handling offertory from the time it is collected until it is locked in a safe:

- **No one person should be left alone with money, especially in an out-of-the-way location, such as an ushers' room or sacristy.** A thief, who has been studying the normal method for handling offertory, may decide to "surprise" a lone usher who has left the main church with a basket or bag full of money. A thief may be reluctant to confront two or more people.
- If the ushers consolidate collections into one basket before they are brought to the altar, they should do so in full view of the church membership, and not in the vestibule or ushers' room. If the ushers put the offertory into bank bags before it is locked in the safe, at least two people should be present.
- **The number of people who handle the offertory should be minimal.** Ushers should place the offertory in a tamper evident bag in full view of others and then places the bag in the parish's fireproof drop-safe under an established, controlled process.
- Ushers that are related should be scheduled for assignment on alternative Masses.

6-1-2 Procedures for Counting and Recording Offertory

1. As soon as possible after the Mass has ended, the offertory should be locked in a fireproof drop-safe. Access to the parish's fireproof drop-safe should be limited to authorized personnel.
2. **Money should always be counted on the parish premises or in the bank where the parish checking account has been established.** In most cases, the weekend offertory should be counted no later than Monday following collection. Persons related should be scheduled for alternative counting days for this process.
3. If feasible, the parish should have at least four (4) teams that are made up of at least four (4) unrelated counters who count on a rotating basis. One member of each team should be designated as a lead counter

who has the responsibility to view the counting process and prepare the deposit slip after all the money has been sorted, counted and recorded on the worksheet. This person would never actually count the cash or coin. It is also a good idea to replace or rotate cash counters every few years. Additionally, all related counters should be scheduled on alternating counting times, days or weeks. As a note: The parish business administrators, accountants and bookkeepers should **never** participate in counting cash.

4. The counters should restrictively endorse all checks immediately. Additionally, to further secure that the check is deposited into the proper account, it is strongly recommended that the endorsement stamp always include the following language:

c. "FOR DEPOSIT ONLY
CHURCH OF XYZ
ACCOUNT #"



PAY TO THE ORDER
YOUR BANK NAME
FOR DEPOSIT ONLY
CHURCH OF XYZ
1234567890

5. The counters should prepare a cash count sheet that shows the amount received for each collection. This count sheet should be prepared in ink, dated and signed by each of the counters. See 20-9 Example Counter's Collection Report Form A on page 440 and 20-10 Example Counter's Summary Report Form B on page 441.
6. The Lead Counter should prepare the bank deposit. All money should be deposited intact, that is, the entire amount collected should be deposited at the same time. The total deposit should equal the total on the count sheet.
7. Money should be deposited as soon as possible after it has been counted. Best practice directs that two unrelated pastor's designee or trustees will take the deposit to the bank. If a collection must be kept for a limited amount of time in the church, it should be locked in a safe, not in a mail slot, file cabinet, employee's desk drawer or any open area.
 - d. Separation of duties dictates that someone **not** involved in recording cash receipts to take the deposit to the bank. Therefore, the accountant or bookkeeper should not make the deposit. It is recognized that parish staffing does not always allow for separation of processes. In these instances, there should always be two unrelated individuals taking the deposit to the bank.

8. [The bookkeeper or accountant should receive the count sheet and the validated bank deposit slip.](#) He or she should compare the amounts on the count sheet and deposit slip to make sure they are the same. Any significant differences should be investigated and reported immediately.
9. The accountant or bookkeeper enters cash receipts in the accounting records from the information on the cash count sheets. The total of each cash receipts entry should equal the deposit amount and the total on the corresponding cash count sheet.
 - e. To conform to generally accepted accounting principles, adhere to the following standards when entering deposits into the general ledger:
 - a. Utilize only Income Accounts (4000-4899) to recognize revenue.
 - b. Liability Accounts (2160-2180) to record funds raised to be remitted in full to an outside [501\(c\)\(3\)](#) not for profit organization, or where the parish is functioning as an [agent](#)⁷.
 - c. Expense Accounts (6000-6999) to be used **only** to record refunds received in check form from a vendor.
10. Cash count sheets and bank deposit records should be kept on file according to the Archdiocesan Records Retention schedule after which they may be destroyed.

6-2 Cash Collection and Deposit - Other Receipts

Parishes may receive other miscellaneous [cash](#) during the week, such as bingo, fund raising income, pledge payments, and donations. The basic controls described above also apply to other cash the parish receives. The safeguards begin with a controlled mail opening process. If possible, there should be two persons sorting and identifying cash and checks. The accountant or bookkeeping staff should not be involved in this process. The procedures to handle mail may vary, depending on parish staffing and volume of mail.

⁷ [FASB Standards No. 136 - Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others](#)



When mail has been sorted into cash or checks, the cash should be recorded on a cash count worksheet. The worksheet can be then used as the source document from which to enter cash receipt information into the accounting records. The same process should be enlisted for the miscellaneous checks.

If amounts collected are small, the parish may choose to include them in the weekend cash count. The counters should add these amounts to the count sheets and include them in the bank deposit. Cash held during the week must be locked in the parish's fireproof drop-safe to protect it from theft or destruction. Cash and checks should never be kept in a mail slot, file cabinet, employee's desk drawer or any open area. It is always best to deposit all funds as soon as possible after collection. This provides the best protection against loss.

6-3 Cash Collection and Deposit – School and Preschool

Tuition is the major source of income for parish schools. It is important that tuition and accounting records give accurate and timely information about tuition income in order to facilitate informed decision-making.

For schools and preschools who have not/cannot establish such a policy and must accept tuition and fees in house, the following rules should be applied:

6-3-1 Tuition and Fees Collected In-House

- A person who is **not** involved in billing or recording tuition should collect tuition payments and record them on a daily receipts list. The employee who collects tuition will restrictively endorse checks as soon as they are received then give one copy of the receipts list to the school administrator, and one copy to the parish bookkeeper.
- Other school income, such as fees and fund raising income, is collected and recorded in the same way. The daily receipts list should show how much and what type of income was collected by family name.
- For internal control purposes, another person who is not involved in billing and recording securely delivers the checks to a fireproof drop-safe (or other locked fireproof environment). Cash and checks should never be kept in a mail slot, file cabinet, employee's desk drawer or any open area.
- A counting team will process the miscellaneous cash receipts on a daily or weekly basis depending on the volume. A deposit slip is created and each check is endorsed restrictively. The processed deposit is delivered to the bank by two



Schools and Preschools are encouraged to establish a policy of **not** accepting payments directly to the school, and to set up a kiosk to allow parents to make payments through the third party tuition applications (TADS, Smart Tuition, etc.). Payments made directly to the third party tuition application streamline the tuition tracking and collection process, as well as reduces the instances of error or misappropriation of cash.

persons that have not been involved in the collection, counting or recording processes. A copy of the deposit slip, along with bank receipt and supporting materials are delivered to the bookkeeper.

- The bookkeeper compares the deposit slip and bank deposit receipt, to ensure the total collected and the total deposited match. Any differences must be investigated and reported immediately.
- If all totals agree, the bookkeeper records and posts the payments to the accounting system based on the supporting materials. Additionally, the school administrator posts the payments to the appropriate family and updates the student tuition or fee account.
- At the end of each month or at the end of each quarter, the school administrator and the parish bookkeeper should reconcile the general ledger and the tuition summary account. Comparing the two accounts will help identify recording errors and ensure the amounts in the general ledger and financial reports are accurate.



In summary, the following minimum requirements should be met:

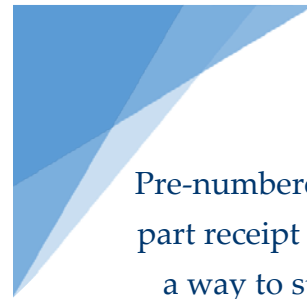
- To provide adequate internal control over school receipts, different people should collect, record, and deposit school tuition and other receipts.
- A daily or weekly deposit list should be prepared and should be used to post to family tuition records, tuition summary accounts, and parish accounting records.
- All school receipts should be deposited into the parish operating account. It is an Archdiocesan recommendation that schools use the general operating account for all regular school transactions.

(Note: Parishes may have a separate checking account for government milk programs because these programs have outside audit and reporting requirements.)

- The tuition receipts, receivables and general ledger should be reconciled on a monthly basis.

6-4 Cash Collection and Deposit – Latchkey and Daycare

- To prevent losses and errors in recording Latchkey (a.k.a. extended care) and Daycare (a.k.a. nursery) income, it is better to collect fees during regular school hours or along with school tuition.
- Establish a Registrar who is responsible for collection of fees from parents only during scheduled times and utilize pre-numbered receipts.



Pre-numbered, multi-part receipt forms are a way to strengthen internal control over cash receipts. These forms can be purchased at most office supply stores.

Access to pre-numbered, multi-part receipt forms must be limited to an established Registrar, preferably one to two employees who also accept cash receipts and have significant physical control in order to satisfy its integrity. They must be issued in strict numerical order.

- The number of people who have access to cash must be limited. If a number of different caregivers work in the program, they should not all be authorized to collect fees. Establish policies and practices that instruct students and parents to visit the registrar and obtain a receipt.
- Many parents will need a statement of Latchkey and/or Daycare payments when they file their individual income tax returns. Latchkey and/or Daycare records should be available to give calendar year totals by family name.
- Parents that participate in employer reimbursement programs will require a contemporaneous receipt. Latchkey and/or Daycare programs should make provision to comply with these requirements.



When latchkey and/or daycare fees are not part of the regular tuition records, the program's financial activity, i.e. attendance, billing and collections should be tracked through the parish accounting or tuition system utilizing the appropriate Ministry Code. The parish shall incorporate the latchkey and/or daycare records into the parish accounting system, and the program activity should be reconciled monthly to the parish accounting records.

It is recommended that the Parish utilize a third-party tuition and billing application for all Daycare and Latchkey activity, including billing, collection and receipts. Establish a policy that discourages cash payments made directly at the Parish location. Provide parents with envelopes addressed to the third-party tuition location, and/or provide a kiosk for electronic payments made through the third-party tuition application at the parish location.

In order to track daily cash receipts for latchkey and/or daycare, a process should be put into place to record and summarize the receipt of fees and tuition. When the school is not tracking latchkey and/or daycare as a part of school tuition, separate Cash Count Worksheets should be prepared to record, summarize daily receipts, and reconcile against the deposit of monies. In the instances where daily receipts are recorded as part of school tuition then school tuition procedures apply.

Parishes are encouraged to issue multi-part, pre-numbered receipt forms for latchkey and/or daycare collections. The copies of the receipts can be used as a cash receipts book. The total of all cash receipts received each day should be recorded. This amount should match the corresponding bank deposit.

6-5 Federal Income, Estate and Gift Tax

The United States Conference of Catholic Bishops (“USCCB”) is the central organization holding a group exemption letter for Catholic religious, charitable, and educational organizations in the United States. The group ruling’s IRS Group Exemption Number, or GEN, is 0928. The USCCB group ruling establishes that Catholic organizations in the U.S. that are listed in the current edition of the Official Catholic Directory are recognized as public charities and exempt from federal income tax and described in section 501(c)(3) of the Internal Revenue Code.

Contributions to organizations included in the USCCB group ruling are deductible as charitable contributions for federal income, estate, and gift tax purposes.



What’s the Difference?

501(c)(3) = Governs
federal tax-exempt status
of a Parish

MN Statute §315.15 =
Governs the corporate
structure of a Parish

Section 7 Cash Disbursements Best Practices

A major [asset](#) of parishes is its [cash](#) and [cash equivalents](#), including [marketable securities](#) and other [highly liquid assets](#) readily convertible into cash. Cash is highly susceptible to loss or [misappropriation](#) due to its liquidity. Therefore, it is very important for the pastor, in consultation with the Parish Finance Council, to establish and enforce a strong system of [internal control](#) over cash and the disbursement of it. Prudent management of parish expenses and cash outflows is a part of the fiduciary responsibility of the pastor. The pastor and the Parish Finance Council are accountable to the parish community for their stewardship of their parish finances. Good control over cash [disbursements](#) will help ensure resources are used as effectively as possible to meet the needs of the parish and community.

Three basic functions make up a cash disbursements system:

1. Requesting Disbursement
2. Authorizing Payment
3. Recording Expenses

In a good system of [internal control](#), each of these functions will be performed by [separate individuals](#). In addition, the system for making purchases and contracting for services will be separate from the cash disbursement system. An effective control environment will have [segregation](#) of the three main cash disbursement functions as well as purchasing and disbursement. Some Parishes in the Archdiocese of St. Paul and Minneapolis may not have staff adequate to separate the purchasing and disbursing functions. This chapter will discuss the cash disbursement system and make suggestions to strengthen internal control over cash disbursements.

7-1 Requesting Disbursement

7-1-1 Budget Control

General disbursements should be made in accordance with the parish [budget](#).

Following an approved budget is an important aspect of parish financial planning. It is also an important tool in the day-

to-day management of parish expenses. The pastor and the parish finance council should make every effort to prepare a budget that realistically projects income and expenses for the year, and it is expected that the parish work within the approved budget. The budgeting process is discussed in greater detail in Section 11 Budgeting on page 192.



General disbursements should be made in accordance with the parish budget. Following an approved budget is an important aspect of parish financial planning.

The pastor and the finance council should monitor the expenditures of each office, program, or cost center to ensure that spending is in line with expectations. Major purchases should be planned during the budget process. Offices should be required to justify in writing all expenditures significantly beyond their approved budgets.

Directors and supervisors have the responsibility to monitor their specific program expenditures and approve purchases that will be charged to their budgets. Additionally, directors and supervisors should be consulted in the budgeting process and conduct their programs within budgeted amounts.

7-2 Recommended Cash Disbursement Procedures

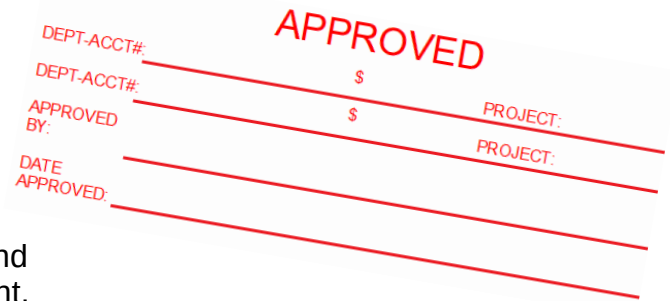
The following system for [cash](#) disbursements will provide adequate separation of duties to ensure the integrity of the internal control system.

1. Before placing an order for goods or services, the Parish business administrator should review and approve the back-office operations, operations and services budget, to ensure sufficient funds remain in the budget to cover the purchase.

- a. Parishes with various ministries shall have the program director to review the program budget, to ensure sufficient funds remain in the budget to cover the purchase. *We have used the term "[program director](#)" to identify whoever oversees or supervises a program or activity.*
- b. When the anticipated cost is significantly higher than the approved budget, advanced approval from the Pastor and Finance Council must be obtained.



2. When goods are received, a stamp is applied to the invoice containing space for the following information, and is forwarded to the person who placed the order.
3. The invoice is reviewed to determine if the charges are correct, to verify the goods have been received in good order, the quantity is correct, and to certify that the invoice should be paid. If there is a discrepancy, then it is the vendor's responsibility to resolve the issue before payment of the invoice.
4. When the invoice billing has been verified for goods received and appropriate charges, the person who ordered the goods on behalf of an office or program, applies the proper coding for the expenditure on the face of the invoice in the stamped area. If there is not an invoice and only a receipt of purchase is present, then a check reimbursement request should be prepared, coded and processed as the "invoice" for payment.



- a. Coding for invoices must utilize the appropriate Expense account (5000-6999) or Liability Account (2000-2999) to reflect the items purchased. Income accounts are not to be used on bill entry in accordance with generally accepted accounting principles.
5. The business administrator or [program director](#) reviews the invoice or check request and if the prepared document appears to be in order, approval for payment should be applied by initialing next to the coding. The invoice or check request is presented to the parish office for processing of payment.

6. An important internal control for the payment of expenses is to only pay from original invoices. In order to prevent duplicate payments, the invoice number and date provided by the vendor should be used when entering the transactions into the parish accounting system. If creating a check request for your payable document, a unique invoice number should be issued using a repeatable methodology. For reference purposes, make a photocopy of the invoice which is to be included in the program director's purchasing file. The original invoice or check request is then processed and moved forward for payment.
 - a. **Copies** of invoices, emails, PDF's, fax transmissions, and summary account statements should be paid by exception only. That means these documents are subject to special scrutiny and review. There should be a notation on the face of the presented document indicating that an original has not been presented and that verification has been made in order to process for payment.
7. The bookkeeper or accountant conducts a final review and if all is correct, begins payment processing.
8. The bookkeeper or accountant enters the payment as an accounts payable transaction in the accounting system. The bookkeeper must ensure that all of the approvals are indicated on the invoice before preparing the check in order to prevent payments made in error and to reduce the number of voided checks.
9. The check is prepared and the bookkeeper or accountant forwards the check, invoice, and check request to the pastor for signature.
10. If all is in order, the pastor signs the check. In the pastor's absence, another authorized person may sign the check, usually another priest or trustee. See 5-1-1 Bank Account Signatures on page 38 further reference on signers for parish banking.

Section 8 Investments

8-1 Purpose

Investments are financial products/monetary [assets](#) purchased by a parish with expectations of favorable future returns. Investments are typically expected to provide income in the future or appreciate and to be sold at a higher price. Typical categories of investments include [money market funds](#), [certificates of deposit](#), [stocks](#), [bonds](#), and [mutual funds](#). For purposes of this policy, savings and deposit accounts are also included within the scope of investments.



Anytime money is invested, there is a risk, whether large or small, that the parish may not get all of its money back. As a result, the parish expects a return, which compensates for bearing investment risk. In theory the higher the risk, the more the parish should receive for holding an investment and the lower the risk, the less the parish should receive. Parishes and schools within the Archdiocese of Saint Paul and Minneapolis are directed to use cautious investment strategies to minimize **investment risk**.

Parishes may invest in “safe and proper investments” as outlined in Archdiocesan [206 Parish Administration - Part III Administration and Finances – Item 4. Investment Policy](#)

The purpose of this policy is to supplement and promote a consistent methodology for categorizing, recording and reporting parish and school investments on appropriate financial statements.

Please see Section 16 Net Assets / Equity on page 348 for additional information.

8-2 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted the [accrual method of accounting](#) as well as investment accounting guidelines contained in [Generally Accepted Accounting Principles \(GAAP\)](#). GAAP requires investments to be recorded at fair value. Investments should be recorded at initial cost or donation value and updated during ownership for both realized and [unrealized gains and losses](#). Appropriate [realized gains and losses](#) should be recognized when investments are sold.

The Archdiocese of Saint Paul and Minneapolis has defined a [standardized chart of accounts](#) for use by all parishes and schools. Separate accounts are established for parish and school investments across operating, cemetery and capital funds. See Chart of Accounts on page 125.

8-3 Scope

All parish investing activities should be made within Archdiocesan and parish policy guidelines, as found in [206 Parish Administration - Part III Administration And Finances – Item 4. Investment Policy](#). Parish financial statements should contain balances of all parish-owned investments as well as activities from investment income, fees, gains and losses.

8-3-1 Parish Investment Policy

Any parish that invests assets should follow a written parish investment policy. The purpose of a parish-level investment policy is to outline a parish's overall strategy for investing, define short and long-term investment goals and outline the process by which investment decisions are made. The policy should also include procedures for acceptance of donated investments, asset allocation (diversification) and spending guidelines.

Care should be taken to ensure parish-level investment policies do not contradict Archdiocesan rules outlined in the Archdiocesan [206 Parish Administration - Part Iii Administration and Finances – Item 4. Investment Policy](#).

8-3-2 Investment Categories

Below are some common types of investments that parishes may utilize. It is beyond the scope of this manual to evaluate the

attributes, risk levels or propriety of any given type of investment. Before making any investment decisions, the pastor should consult with Parish Finance Council members, trustees or investment advisors.

8-3-2a Cash or Near Cash Equivalent Investments



[Cash](#) or near-cash equivalent investments are instruments such as checking accounts, [money market savings accounts](#) or [certificates of deposit](#), which can be easily converted to cash. Deposits held in [FDIC](#) member financial institutions provide deposit insurance. This insurance coverage is limited to \$250,000 per bank per parish. The parish investment policy should address balances that exceed this limitation. [206 Parish Administration - Part Iii Administration and Finances – Item 4. Investment Policy.](#)

8-3-2b Debt Securities

[Debt securities](#) are a creditor relationship with another entity. They include [bonds](#), [commercial paper](#), and [US Treasury Bonds](#).

8-3-2c Equity Securities

[Equity securities](#) are an ownership interest in another entity. They include [common stock](#), [preferred stock](#) and [mutual funds](#). Typically, these types of investments cannot be converted into cash without the aid of a broker or without the process of selling the investments on the open market.

8-4 Financial Planning Accounts Used by Parishes

[Endowments](#), [brokerage accounts](#) and other [agency funds](#) are not “investments” in the same sense as debt or equity securities. They are the types of accounts that can be setup by parishes/schools to facilitate long term financial planning. See Section 11 Budgeting on page 192 for more information.

If the endowment funds were raised by the parish/school and the parish/school is the sole beneficiary of the endowment, then the parish/school must include this

[asset](#) on its [statement of financial position](#), regardless if the parish/school has retained ownership or legal title to the endowment. This requires that both the parish and the financial institution record the asset on their books. Note: this is an unusual requirement of [GAAP](#).

An [agency fund](#) is similar to a long-term savings account. The fiduciary institution does not legally own these funds, rather the fiduciary institution manages and invests these funds as an agent for parishes, schools, and other Catholic service organizations.

8-5 Purchased Investments

Investments are recorded at fair value. The initial fair value is the purchase price.

Once an investment's value is initially established and recorded, this figure becomes known as the investment's [cost basis](#). The cost basis is used in gain and loss calculations and subsequent financial disclosures. On occasion, a parish may learn of its ownership of an unrecorded investment. When this occurs, parish personnel should make every effort to locate original purchase or donation documentation. If documentation is not available, the parish may recalculate the investment's fair value or [appraised value](#) with as much accuracy as possible. This can be accomplished by consulting a broker, investment company, issuing company, or appropriate government agency.

8-6 Donated Investments

If a parish receives a stock donation, this donation is recorded at fair [market value](#) at the date it was donated. In order to honor the donor's intent, it is recommended that parishes dispose of stock donations as soon as possible. Procedures regarding receipt of donated investments should be included in parish investment policies.

Please see 12-7-1 Financial Statements on page 222 for additional guidance related to donor contribution statement disclosures.

8-7 Life Insurance

Donors may decide that gifting life insurance to the parish/school is a good way for them to meet their charitable objectives.

8-7-1 Parish is Beneficiary

A donor may designate a parish/school as the beneficiary of a permanent policy, such as whole life. This type of policy covers a person for their entire life, provided the premiums are paid.

A whole life policy differs from term insurance, which covers a person for a defined period of time.

When the donor makes the parish/school a beneficiary of a permanent policy, the donor retains ownership of the permanent policy and, therefore, retains continued access to the policy's cash value.



In the instance where the parish/school is a revocable beneficiary, the designation can be changed should the policyowner's charitable goals or financial priority changes.

Because of these terms, the parish/school does not record the life insurance policy in their accounting records until the death benefit has been paid.

8-7-2 Parish is Policy Owner

Donor may choose to gift an existing whole life insurance policy to a parish/school. The donor can change the ownership and beneficiary to the parish/school.

The parish/school can elect to continue to make monthly premiums, place the policy on reduced paid up status; surrender the policy immediately; or take a loan against its cash values.

If future premiums are needed to continue the policy until the death

benefit is received, the parish/school is responsible for the payment of the premiums.

- **NOTE:** The donor may choose to contribute to the parish/school the amount of the monthly premiums. These contributions could be eligible for a tax deduction for the current year. The donor and parish should consult with their tax professional.

8-7-2a Accounting Policy

Donor Contribution: The donor is simply making an unrestricted contribution to the parish and this must be recorded as income to the parish. Issue a Contribution Statement to the donor at the end of the calendar year to include the contribution.

Parish must manually exclude the contribution from the Annual Parish Financial Report (APFR) unless the parish surrenders the life insurance policy immediately for cash.

Cash Value of Policy: The cash value of the life insurance policy must be recorded as an asset to the parish. Use a sub-account under 1200 Investments – Long Term in the Parish Operations Entity called “Life Insurance Policy XXXX⁸”.

Payment to Life Insurance Company: The parish issues the check to the life insurance company using an expense account. Use a sub-account under 6185 Other Exp under General Operations called “Life Insurance Premium Expense”.

Annual Statement from Life Insurance Company: Upon receipt of the annual statement from the life insurance company regarding this policy, the parish must enter any changes to the policy, which is typically an increase to the cash value of the policy.

⁸ XXXX = last four digits of the policy number

8-7-3 Example of Life Insurance where Parish is Policy Owner

Chart of Account #	Description	Debit	Credit
Donor changes ownership and beneficiary of existing life insurance policy to Parish. Parish creates and records to the new Asset. Parish makes note of the contribution to exclude from Annual Parish Financial Report.			
1200.XXP	Life Insurance Policy XXXX	100,000	
4050	Contributions Revenue		100,000
Donor makes unrestricted contributions to the parish that may equal amount of monthly premiums.			
1000	Cash	5,000	
4050	Contributions Revenue		5,000
Parish issues a check to Life Insurance Company for monthly premiums.			
6185.XXP	Life Insurance Premium Expense	5,000	
1000	Cash		5,000
Annual Statement from Life Insurance company arrives and the change in value is recorded in the accounting system:			
1200.XXP	Life Insurance Policy XXXX	1,000	
4120	Dividend/Interest Revenue		100
6185.XXP	Life Insurance Premium Expense		900
Activity will close out to 3000 Unrestricted Net Assets automatically at end of fiscal year			

Please contact one of the AUP/Accounting firms for any specific questions that may be unique to your parish's situation.

8-8 Investment Income

Investment income, such as interest and dividends from cash and savings accounts should be recognized as it is earned and should generally be reported as operating income on the [Statement of Activities](#). The effect of income on the [Statement of Financial Position](#) is an increase in Net Assets Without Donor Restrictions.

If donors have placed restrictions upon the use of investment income, income should correspondingly be reported as restricted income on the Statement of Activities. The effect on the Statement of Financial Position is an increase in Net Assets with Donor Restrictions. See Section 16 Net Assets / Equity on page 348 and 12-7-1 Financial Statements on page 222 for additional guidance on income restrictions and disclosures.

8-9 Realized Gains and Losses

A realized gain or loss is calculated and reported upon when an investment is sold. A realized gain occurs when the value of an investment on its sale date is higher than the original purchase price or donation value. A realized loss occurs when the value of an investment on its sale date is lower than the original purchase price or donation value. The parish may not need to actually sell an investment to have “realized” gains and losses. There may be [realized gains](#) and losses within [mutual funds](#) or other pooled investments.

If the investment is not restricted by the donor, realized gains and losses should be



Donor restricted endowment contributions, the donor should be explicit and in writing) about whether the investment income is restricted or not. Investment income includes dividends, interest income, realized and unrealized gains. Some donors allow all investment income to be spent without restriction, some want it specifically restricted and some even want part of the investment income to go back into the original corpus of the contribution with only excess returns spent.

In any case, the donor intent needs to be well documented. You should understand the restriction by simply reviewing the agreement with the donor. If there is no mention in the agreement, then the parish needs to go back to the donor to clarify their intent.

CliftonLarsonAllen

recorded in operating accounts on the Statement of Activities. The corresponding effect on the [Statement of Financial Position](#) is an increase or decrease in Net Assets without Donor Restrictions.

If restrictions have been placed upon the investment, realized investment gains and losses are reported on the Statement of Activities as restricted investment gains or losses. The corresponding effect on the Statement of Financial Position is an increase or decrease in Net Assets with Donor Restrictions.

8-10 Unrealized Gains and Losses

8-10-1 What is an 'Unrealized Gain'

An unrealized gain is a profit that exists on paper, resulting from an investment. It is a profitable position that has yet to be sold in return for cash, such as a stock position that has increased in capital gains but still remains open. A gain becomes realized once the position is closed for a profit.⁹

8-10-2 What is an 'Unrealized Loss'

An unrealized loss is a loss that results from holding onto an [asset](#) after it has decreased in price, rather than selling it and realizing the loss. An investor may prefer to let a loss go unrealized in the hope that the asset will eventually recover in price, thereby at least breaking even or posting a marginal profit. For tax purposes, a loss needs to be realized before it can be used to offset capital gains.¹⁰

Investments should be disclosed on the Statement of Financial Position at their fair market values that include effects of unrealized gains and losses. Investment values should be updated on a regular basis – preferably monthly or quarterly – depending on the nature and [materiality](#) of parish investments.

Investment income/loss attributable solely to changes in market value should be recorded in a separate subaccount so the parish can easily distinguish actual

⁹ <https://www.investopedia.com/terms/u/unrealizedgain.asp>

¹⁰ <https://www.investopedia.com/terms/u/unrealizedloss.asp>

investment income [realized gains/losses](#) from unrealized gains/losses associated with changes in investment market value.

Please see the Implementation Guide and Journal Entries at the end of this chapter for samples of journal entries regarding changes in investment values/unrealized gains and losses.

8-11 Investment Expense

Investment expenses consist of custodial fees, transaction fees, advisory costs and other similar charges. Investment expenses should be reflected on the [Statement of Activities](#) as they occur. Parishes should pay close attention to investment fees and expenses because they reduce overall investment performance.

8-12 Recordkeeping

Proper record keeping is essential for parishes to accurately record, disclose and manage investments. Donor intentions and other terms and conditions affect how investments are recorded and used.

It is important to keep complete records of investment and investment account activity including purchase acknowledgments or other receipts which show the investment original [cost basis](#) in a permanent file. When a parish liquidates all or a portion of an investment, the parish must also keep a record of what was sold, when the sale took place, and any realized gains or losses related to the sale.

Each savings/money market, CD, and short-term investment account should be reported as separate line items in the asset section of the Statement of Financial Position.



Sub-Accounts should be created/edited to include bank name and account numbers of each [1020 Savings/Money Market Investment](#), [1040 Certificates of Deposit](#), [1050 Investments – Short Term](#) Accounts.

Certificate of deposit account numbers, rates of interest, authorized signers, and renewal date information should be maintained for each certificate of deposit. Updates to signatures on each CD, or master CD contract, must be completed upon new pastor assignment or other authorized signatory termination and/or installation.

Investment records such as broker or foundation statements should be reconciled to corresponding general ledger account balances on a timely basis, preferably monthly but at least on a quarterly basis. The purpose of this reconciliation is to ensure parish financial statements accurately reflect the value of investments held by the parish.

8-12-1 Recording Investment Activity under GAAP Compliance

There are typically three different categories of investment accounts . Review the various investment accounts to determine which category is appropriate for each account. These accounts may be held at Catholic Community Foundation (CCF) or another financial institution.

8-12-1a Agency Fund

This is an investment account where funds can be deposited and withdrawn by the parish at any time, and functions much like a standard savings account. This account may be used as parish reserves. The parish has complete control of these funds, including the corpus/principle, and while parish leadership may have designated the funds, which are recorded and reported as Without Donor Restrictions (Unrestricted).

Board Designated Reserves held in Agency Funds are NOT Endowments and are NOT subject to enhanced endowment disclosures, but they ARE REQUIRED to be considered for the impact of liquidity

8-12-1b Example Agency Fund Activity

Chart of Account #	Description	Debit	Credit
Contributions Without Donor Restrictions are received at the parish.			
1000	Cash	10,000	
4000-4799	Income Accounts (without donor restrictions)		10,000
Parish Leadership decides to designate/transfer \$10,000 into their Money Market Account.			
1210	CCF Foundation Investment	10,000	
1000	Cash		10,000
Money Market Account Statement arrives and the activity is recorded in the accounting system:			
1210	CCF Foundation Investment	1,000	
4120	Dividend/Interest Revenue		200
4130	Realized Gains/Losses on Investment		100
4140	Unrealized Gains/Losses on Investment		700
Activity will close out to 3000 Unrestricted Net Assets automatically at end of fiscal year			



Board Designated Reserves held in Agency Funds are NOT Endowments and are NOT subject to enhanced endowment disclosures, but they ARE REQUIRED to be considered for the impact of liquidity.

8-12-1c Permanently Restricted Endowment

Permanently Restricted Endowment funds have donor-imposed restrictions that prohibit the parish from accessing the corpus/principle of the fund. Donor's wishes and/or Parish Policy determines if, when and how the parish can spend the fund's earnings.



**Catholic Community
FOUNDATION**
OF MINNESOTA

If the account is held at Catholic Community Foundation, the phrase "PERMANENTLY RESTRICTED" will be stamped on the face of the CCF Statement of those accounts where the corpus/principle of the funds cannot be accessed.

Those CCF accounts that do not have the phrase "PERMANENTLY RESTRICTED" on the face of the statement may have access to the corpus of the funds and may make withdrawals from the account at any time. If the parish has control over corpus/principle of the funds, and can make withdrawals at any time, then it is reported as Without Donor Restrictions. See 8-12-1a Agency Fund on page 84 and 8-12-1a Board Designated (Quasi) Endowment Fund on page 91 for additional information.

Parishes with endowments from other financial institutions must review their statement carefully or contact that financial institution to determine if the corpus/principle of the account is available to the parish for withdrawal.

If the parish has no control over the corpus/principal of the account, it is Permanently Restricted. If the parish has control over the corpus/principle of the fund, and can make withdrawals at any time, it is an Agency Fund. See 8-12-1a Agency Fund on page 84.

In general, endowments are comprised of donor imposed restricted funds that are permanent in nature. Earnings, such as Un/Realized Gains/Losses and Dividends/Interest, may be recorded as With Donor Restrictions (Temp) or Without Donor Restrictions.

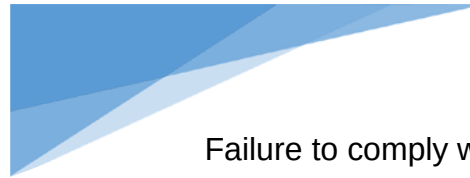
Due to the long-term nature of endowment funds, parishes shall retain records of all donor documentation. Complying with each donor's wishes as to the purpose of the endowment fund and allocation of its earnings is required by law. Failure to comply with donor wishes can result litigation from the donor and/or the Minnesota State Attorney General.

Review of original donor documents and parish policies regarding endowment funds will be required to determine when and under what circumstances earnings may be released from restriction and spent.

Typically, there are three scenarios in which endowment fund earnings are spent:

- Earnings are Restricted by Parish Policy
- Earnings are Restricted for Purpose
- Earnings are NOT Restricted

Follow the instructions below to properly record contributions, earnings, and distributions based on the endowment fund situation(s) at your parish.



Failure to comply with donor wishes can result litigation from the donor and/or the Minnesota State Attorney General.

8-12-1a Example Earnings are Restricted by Parish Policy

Chart of Account #	Description	Debit	Credit
An endowment fund is established without particular donor restrictions of how the earnings are to be spent. However, the Parish has a policy that says they can spend a percentage of the average 3 years' balance, which is communicated to donors. While the corpus/principle is still permanently restricted, GAAP rules say that earnings go through the classification of With Donor Restrictions (Temp) until appropriated to be spent. At which time they would be released from restriction and show as unrestricted until actually spent. Those funds would then be reclassified to Without Donor Restrictions at that time until it is spent. Contributions are received With Donor Restrictions under Parish Policy:			
1000	Cash	50,000	
4820	Restricted Income (Perm)		50,000
Check issued to Financial Institution (i.e. CCF) in the amount of the Endowment contributions received in the month:			
1230	Catholic Community Foundation Endowment Investment	50,000	
1000	Cash		50,000
Statement received from Financial Institution (i.e. CCF):			
1230	CCF Endowment Investment	2,850	
4810.00NO	Dividend/Interest Revenue		500
4810.00NO	Realized Gains (Losses) on Investment		150
4810.00NO	Unrealized Gains (Losses) on Investment		3,000
4810.00NO	Financial Institution Charge/Fee Exp	800	
To record distributions from an Endowment Fund:			
1000	Cash	5,000	
1230	CCF Endowment Investment		5,000
4910	GAAP Release – With Donor Restrictions (Temp)	5,000	
4900	GAAP Release – Without Donor Restrictions		5,000
Check is issued from parish spending Endowment fund earnings.			
5000-6999	Expense Account	5,000	
1000	Cash		5,000

8-12-1b Example Earnings are Restricted for Donor's Purpose

Chart of Account #	Description	Debit	Credit
A Parish Policy and the donor's wishes established an endowment fund where the earnings would provide scholarships for tuition. While the corpus/principle is permanently restricted, the earnings are temporarily restricted until they are distributed to the church/school and spent on scholarships. In this scenario, the donor has restricted how the endowment earnings are to be spent. The earnings must be recorded as With Donor Restrictions (Temp) until they are spent. Contributions are received With Donor Restrictions for a Purpose:			
1000	Cash	50,000	
4820	Restricted Income (Perm)		50,000
Check issued to Financial Institution (i.e. CCF) in the amount of the Endowment contributions received in the month:			
1230	Catholic Community Foundation Endowment Investment	50,000	
1000	Cash		50,000
Statement received from Financial Institution (i.e. CCF):			
1230	Catholic Community Foundation Endowment Investment	2,850	
4810.00NO	Dividend/Interest Revenue		500
4810.00NO	Realized Gains (Losses) on Investment		150
4810.00NO	Unrealized Gains (Losses) on Investment		3,000
4810.00NO	Financial Institution Charge/Fee Exp	800	
<i>To record distributions from an Endowment Fund:</i>			
1000	Cash	5,000	
1230	Catholic Community Foundation Endowment Investment		5,000
Check is issued from parish for scholarship:			
6320	Scholarship Expense	5,000	
1000	Cash		5,000
4910	GAAP Release – With Donor Restrictions (Temp)	5,000	
4900	GAAP Release – Without Donor Restrictions		5,000

8-12-1c Example #3 Earnings are NOT Restricted

Chart of Account #	Description	Debit	Credit
A Parish sets a Parish policy that the earnings are considered appropriated or available to be spent as they are earned, and there are no donor restrictions on earnings. In this case, cumulative earnings are recorded as Without Donor Restrictions until spent.			
1000	Cash	50,000	
4820	Restricted Income (Perm) ¹¹		50,000
<i>Check issued to Financial Institution (i.e. CCF) in the amount of the Endowment contributions received in the month:</i>			
1230	Catholic Community Foundation Endowment Investment	50,000	
1000	Cash		50,000
<i>Statement received from Financial Institution (i.e. CCF):</i>			
1230	Catholic Community Foundation Endowment Investment	2,850	
4120.00NO	Dividend/Interest Revenue		500
4130.00NO	Realized Gains (Losses) on Investment		150
4140.00NO	Unrealized Gains (Losses) on Investment		3,000
6240.00NO	Financial Institution Charge/Fee Exp	800	
<i>To record distributions from an Endowment Fund:</i>			
1000	Cash	5,000	
1230	Catholic Community Foundation Endowment Investment		5,000
<i>Check is issued from parish spending Endowment fund earnings.</i>			
5000-6999	Expense Account	5,000	
1000	Cash		5,000

¹¹ NOTE: Most accounting software applications apply indicators on Income Accounts denoting With Donor Restrictions or Without Donor Restrictions. Check with your software provider to ensure your system is properly set up.

8-12-1a Board Designated (Quasi) Endowment Fund

Parish Leadership may earmark a portion of its unrestricted net assets as a board-designated endowment (sometimes called “funds functioning as endowment” or “quasi- endowment”) to be invested to provide income for a long but unspecified period. Since there is no gift instrument, these funds are classified as Without Donor Restrictions.

Quasi-endowments, which are also known as “board designated endowments” and “funds functioning as endowments”, are established by the parish/school itself, not by specific donor intent. Under a quasi-endowment, principal and income may be utilized at the discretion of the parish/school.

Unlike permanent and term endowments, parish leadership can end its restriction for any reason and remove any funds from the quasi-endowment at any time it chooses. Quasi-endowments are established using either unrestricted donor, or other parish, funds typically excess operating support and revenue or unrestricted bequests.

FASB AUS 2016-14 requires enhanced disclosures regarding Quasi Endowments to include Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.



Best Practices dictate that parishes DO NOT comeingle Permanently Restricted Endowment funds with Board Designated Quasi Endowment Funds.

If Permanently Restricted Endowment Funds and Board Designated Quasi Endowment Funds are comingled, please contact the parish CPA firm for advice on recording and reporting these rare circumstances.

Qualitative and quantitative information that communicates how an parish manages its liquid resources available to meet cash needs for general expenditures within one year of the balance sheet date. This availability of a financial asset may be affected by internal limits imposed by parish leadership decisions, particularly in regards to establishing a new or adding to an existing Quasi Endowment.

8-12-1b Example Board Designated (Quasi) Endowment Fund

Chart of Account #	Description	Debit	Credit
Contributions Without Donor Restrictions are received and recorded at the parish.			
1000	Cash	10,000	
4000-4799	Income Accounts (without donor restrictions)		10,000
Parish Leadership decides to open a long-term investment account with \$10,000, outlining the amounts and purpose of parish leadership's designation that results in self-imposed limits on the use of these resources (i.e. contingencies, purchase of fixed asset, future programs).			
1200	Investment – Long Term	10,000	
1000	Cash		10,000
Investment statement arrives and the activity is recorded in the accounting system:			
1200	Investment – Long Term	1,000	
4120	Dividend/Interest Revenue		200
4130	Realized Gains/Losses on Investment		100
4140	Unrealized Gains/Losses on Investment		700
Activity will close out to 3000 Unrestricted Net Assets automatically at end of fiscal year. Auditor entries moving Board Designated Quasi Endowment Funds to a sub-account under 3000 Unrestricted Net Assets may be required.			

8-12-1c Cemetery Perpetual Care Fund

Perpetual care is a portion of income derived from the sales of all cemetery lots and burial space in a mausoleum or columbarium. Additional income or funds of the cemetery, in excess of liabilities, may be added to the fund by two-thirds vote of the members of its board of trustees.

The purpose of the Perpetual Care Fund is keeping up forever the necessary care of the individual lots and graves, and the maintenance, repair and future renewal of the borders, drives, water and sewer systems, enclosures and necessary buildings. See [Policy 213 - Administration – Parish Cemeteries and Columbaria](#):

- All parish cemeteries must maintain a perpetual care fund.
- Cemetery funds must not be comingled with other Parish Funds.
- Cemetery funds may not under any circumstances be used or borrowed by the Parish for any purpose unrelated to the Cemetery.

In cooperation with Catholic Cemeteries regarding the perpetual care fund contributions, the recommended amounts should be at least 20% of lot sales and 10% of columbarium sales. This amount aligns with [MN Statute 306.37](#) for a Perpetual Care Fund.

However, if a Parish establishes that they are underfunded for this important aspect of Cemetery management, a Parish should catch up by applying a straight 25% or more of all sales.



Perpetual Care is not the same as Permanently Restricted.

Perpetual Care funds typically result from sales, which are not donations. Only donations can be restricted.

Perpetual Care funds report under Unrestricted Net Assets.



8-12-1d Example of Perpetual Care Fund

Chart of Account #	Description	Debit	Credit
Sales of burial lots, columbarium niches, monument setting and internment charges are recorded as deposits in the general ledger under the Cemetery Entity. In accordance with MN Statute 306.37, 20% of burial lots, and 10% of columbarium sales are allocated for transfer to the Perpetual Care Fund.			
1000.XXC	Cash	5,500	
4321.XXC	Internment Charges \$500 x 20% \$400 recognized revenue \$100 deferred revenue		400
4322.XXC	Monument Setting \$500 x 20% \$400 recognized revenue \$100 deferred revenue		400
4355.XXC	Grave Sales (burial lots) \$3500 x 20% \$2800 recognized revenue \$700 deferred revenue		2,800
4355.XXC	Grave Sales (columbarium) \$1000 x 10% \$900 recognized revenue \$100 deferred revenue		900
2600.XXC	Perpetual Care Fund (deferred revenue)		1,000

A check is issued to the financial institution to transfer the funds quarterly.			
1200.XXC	Investments – Long Term	1,000	
1000.XXC	Cash		1,000
Statement arrives from the financial institution and the activity is recorded in the accounting system:			
1200.XXC	Investments – Long Term	100	
4120.XXCNO	Dividend/Interest Revenue		20
4130.XXCNO	Realized Gains/Losses		10
4140.XXCNO	Unrealized Gains/Losses		70
Parish Cemetery receives a distribution check from Perpetual Care Fund to cover the costs of repair and maintenance.			
1000.XXC	Cash	1,000	
1200.XXC	Investments – Long Term		1,000
Payments are made to vendor for repair and maintenance costs.			
5000-6999.XXC	Expense Account	1,000	
1000.XXC	Cash		1,000
A Journal Entry is created recognizing the deferred revenue.			
2600.XXC	Perpetual Care Fund (deferred revenue)	1,000	
4325.XXC	Perpetual Care Maintenance Rev		1,000
Activity will close out to 3000 Unrestricted Net Assets automatically at end of fiscal year			

8-12-1e Donor Advised Account

A donor-advised fund is a charitable giving vehicle administered by a public charity created to manage charitable donations on behalf of organizations, families, or individuals. To participate in a donor-advised fund, a donating individual or organization opens an account in the fund and deposits cash, securities, or other financial instruments. They surrender ownership of anything they put in the fund, but retain advisory privileges over how their account is invested, and how it distributes money to charities.

These funds should **NOT** be recorded or reported as Assets of the Parish.



However, distributions may be made to the parish from the Donor Advised Fund. When the distribution(s) are received by parish, the funds are recognized as income:

- The funds may be considered Restricted if restrictions are imposed by the donor on the distribution. In this case, use 4810 Restricted Income (Temp) and utilize a Project Code to track fund balances.
- If no restrictions are imposed by the donor on the distribution, the distribution should be recorded as unrestricted income [4050 Contribution Revenue](#) in Parish Operating Entity.

8-13 Budgeting

Investment income is generally difficult to project and is not a primary source of operating income. Parishes should exercise caution when they include their investment income in their [budget](#).

For example, interest income from a fixed income investment, large operating reserve savings accounts or [certificates of deposits](#) may be included in an operating budget. Conversely, projected earnings from a [mutual fund](#) would generally not be included in the budget because of the uncertainty of anticipated rates of return. See Section 11 Budgeting on page 192 for more information.

8-14 Reporting

8-14-1 Statement of Financial Position

The fair [market value](#) of parish investment holdings should be reported on the [Statement of Financial Position](#).

Investments that should generally be categorized as Current Assets include:

- Operating savings/reserve accounts
- [Money Market Funds](#)
- Other accounts that may be readily sold and/or converted to [cash](#)

Investments that are generally categorized as Long-Term Assets include:

- [Agency Funds](#)
- Long-term investment accounts
- [Certificates of Deposit](#) or other investments with maturity dates more than one year into the future
- [Endowment Funds](#)

Net Assets may be categorized as either With Donor Restrictions or Without Donor Restrictions.

8-15 Ownership

Only investments legally owned by the parish should be included on the Statement of Financial Position. When considering endowment accounts or other donor-restricted accounts, parishes should review appropriate documentation to be sure of ownership before disclosing balance(s) on the Statement of Financial Position.

[GAAP](#) requires an exception to this rule¹². If the parish/school establishes an endowment fund to which the same parish/school is the sole beneficiary, then that parish/school is required to retain the value of that asset on its own [Statement of Financial Position](#) even though legal right to this fund has been transferred.

[Statement of Activities](#) – The following types of transactions should be disclosed on the Statement of Activities in the Non-Operating Activity Ministry Code:

- Changes in investment fair [market values](#) of assets on hand (both realized and [unrealized gains/losses](#))
- Investment income and expenses related to investments on hand
- Contribution income from receipt of a donated investments
- Realized investment gains or losses upon sale of investments

Please note that transactions recorded on the Statement of Activities should be categorized as Without Donor Restrictions and With Donor Restrictions based on the classification of related investment balances and/or instructions from investment governing documents.

[Cash Flow Statement](#) – The effects of gains & losses and the cash effects of income & expenses and other inflows and outflows related to investments are recorded on the Cash Flow Statement. Typically, gains and losses are shown in the operating sections and income and expenses and other inflows and outflows are included in the Cash Flow from Investments section.

[Supplemental Disclosures/Notes to the Financial Statements](#) – Parishes need to provide supplemental investment information in periodic financial

¹² [FASB ASU 2016-14](#) Reporting Endowment Funds

communications with parishioners, lay leaders, bankers and other key stakeholders.

The following items should be considered when preparing supplemental investment disclosures:

- Listing of investment types/risk categories
- Investment dollar value by category
- Time horizon for investment maturities (long/short-term)
- Investment policy [206 Parish Administration - Part III Administration and Finances – Item 4. Investment Policy.](#)

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Section 9 Debt

Parishes and schools may borrow funds from banks or other institutions in order to pay for capital improvements, finance building projects and/or to accomplish operational goals.

Decisions regarding debt typically have significant effects on the financial position and cash flow of a parish and or school over an extended period of time.

For the purposes of this chapter, any time a parish/school enters into an arrangement of borrowing from another entity (or borrowing from funds within its own structure) a parish/school must quantify and record the transaction(s) as debt.



This chapter is closely related to the following chapters – Section 17 Fixed Assets on page 368, Chapter 13: Fundraising & Capital Campaigns, Section 14 Payables and on page 284, Section 16 Net Assets / Equity on page 348. Please refer to these chapters for additional information.

9-1 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted the [accrual method of accounting](#) for debt transactions. The accrual method requires tracking and disclosing current balances due for all debt obligations on the [Statement of Financial Position](#). Debt related expenses such as interest and other fees shall be disclosed on the [Statement of Activities](#).

In order to properly account for debt, the parish must have a good understanding of whether the debt it holds is short-term or long-term. Debt scheduled to be paid off within a year is classified as short-term. Debt to be paid off over a time period of greater than one year is classified as long-term.

9-2 Scope

9-2-1 Initial Borrowing Considerations

When parish/school leaders are considering borrowing money or entering into a lease agreement, the pastor, along with finance council members and other key stakeholders should assess whether borrowing is the best course of action.

Several key questions to consider include the following:

- What is the purpose of the loan?
- How will borrowing these funds strengthen the mission of the parish/school?
- How will this loan fit into the strategic plan and/or long-term capital plans for the parish/school?
- Is this a one-time need or ongoing demand for loan funds?
- Is debt being considered as an alternative to solving underlying operational challenges?
- What funds do the parish/school already have on hand?
- How much will the parish/school need to borrow?
- How much time will the parish need to repay the loan?
- Will loan payments be affordable?
- Will the parish/school repay the loan from operating activities or will additional sources of revenue be required?
- When will the parish/school need access to loan funds?
- Does the parish/school already have debt outstanding?
- Which type(s) of debt is appropriate for this purpose?
- Will an Archdiocesan proxy be required?

- Which kind of financial advisory, banking, capital consulting and other professional services will be necessary during the borrowing process?

Based on answers to questions above and other initial discussions, parish/school leaders and Corporate Board will typically agree on whether or not to move forward with plans for borrowing.

The following policy sections include samples of typical types of debt as well as policy guidance for communication protocols, approval processes, debt accounting and financial reporting.

9-3 Typical Debt Arrangements

9-3-1a Capital Improvement/Construction Loan:

When a parish/school plans to build a new facility or substantially modify an existing building, [leadership](#) may consider borrowing funds. A [construction loan](#) is borrowing secured by a lien on property to finance a building project until completion and issuance of the long-term mortgage.

9-3-1b Capital/Technology Asset Purchase:

When a parish/school purchases assets for use in operations or ministry, it may borrow funds at the time of initial cash outlay. Loan principal and interest payments are made from operating funds.

9-3-1c Lease:

On February 25, 2016, the [FASB issued Accounting Standards Update No. 2016-02, Leases \(Topic 842\)](#), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions.

Entities currently are required to adopt the new leases standard using a modified retrospective transition method. For the Archdiocese of Saint Paul and Minneapolis, parishes/schools must adopt these standards for Fiscal Year 2020.

While there is little impact for lessors, lessee's will see significant changes.

Under the current (pre FY2020) approach to lease accounting, leases are classified as either [operating leases](#) or [capital leases](#).

With an operating lease, such as those for office space and vehicles, the entity was only paying a fee for temporary use of an item. Thus, they were not recorded on the Statement of Financial Position. With a capital lease, such as those for office equipment, the entity is in effect purchasing a capital asset. This type of lease is recorded on the Statement of Financial Position as a debt and related lease asset.

Currently, operating leases are considered to be off-balance-sheet, and nonprofits are only required to disclose them in the footnotes of their financial statements. Moving forward, parishes/schools will need to recognize operating leases on the Statement of Financial Position.

Starting FY2020, the new lease accounting rules still require classifications of either finance lease or operating lease. The key difference is that lease assets and liabilities from operating leases will now be reflected on the Statement of Financial Position.

This means recognizing both an asset (representing the right to use the leased asset) and a liability (representing the obligation to pay the rent, calculated at the present value of the expected lease payments).

There is no grandfathering of existing leases. Starting FY2020, all existing leases must be recorded and reported under the new guidance, not just those leases entered into after the effective date.

Parishes/Schools are not required to recognize assets and liabilities for leases of 12 months or less.

Under the new standard, a lease is a finance lease if any of the following conditions is met at inception:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise.
- The lease term is for the major part of the remaining economic life of the underlying asset, unless the commencement date of the lease falls at or near the end of the economic life of the underlying asset.



Are the rewards and risks transferred to the lessee?

Yes = Finance Lease

No = Operating Lease

- The present value of the sum of lease payments and any residual value guaranteed by the lessee not already reflected in lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

9-3-1d Lessee Accounting for Finance and Operating Leases

Accounting for finance leases is generally consistent with the current guidance for capital leases. The lessee's Statement of Financial Position must show a right-of-use asset and a lease liability initially recorded at the present value of the lease

payments (plus other payments, including variable lease payments and “amounts probable of being owed by the lessee under residual value guarantees”). The discount rate is the lessor’s implicit rate or, if not determinable, the lessee’s incremental borrowing rate for a similar collateralized loan in a similar economic environment. On its Statement of Activities, the lessee must recognize interest expense on the lease liability calculated using the effective interest method. The interest expense should be reported separately from the amortization of the right-of-use asset. Finally, interest payments and variable lease payments are shown in the operating activities section on the Statement of Cash Flows, while principal payments on the lease liability should appear in the financing activities section.

For operating leases with a term greater than 12 months, lessees must show a right-of-use asset and a lease liability on their balance sheets, initially recorded at the present value of the lease payments calculated the same way as required for finance leases. On its Statement of Activities, the lessee does not record interest expense and amortization expense for the right-of-use asset separately. Rather, the lessee must recognize a single lease expense (which includes both interest and amortization) allocated over the lease term on a straight-line basis (or other rational and systematic basis if more representative of benefits received from the leased asset). All [cash](#) payments must appear in the operations section of the lessee’s statement of cash flows.



9-3-1e Example Lessee Accounting for Finance Lease¹³

Parish leases a piece of equipment for five years on July 1st of year 1. The equipment has a five-year economic life. The lease calls for annual payments of \$25,000 on 6/30 of each year, and the implicit interest rate known to the parish is 5%. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because the lease agreement is for the underlying asset's entire five-year life, it is classified as a finance lease under the new standard. The parish depreciates similar assets on a straight-line basis.

Present value factor for ordinary annuity for 5 years at 5%:		4.32948		
Known implicit interest rate:		5%		
The present value of the lease payments is calculated as follows:				
Annual Lease Payment:		25,000		
Present value factor for an ordinary annuity for 5 years at 5%:		x 4.32948		
Present value of the lease payments:		108,237		
Date	Lease Payment	Interest Expense at 5%	Amortization of Finance Lease Liability	Finance Lease Liability
7/1 year 1	25,000			108,237
6/30 year 1	25,000	5,412	19,588	88,649
6/30 year 2	25,000	4,432	20,568	68,081
6/30 year 3	25,000	3,404	21,596	46,485
6/30 year 4	25,000	2,324	22,676	23,809
6/30 year 5	25,000	1,191	23,809	-
Totals:	125,000	16,763	108,237	
Account #	Description	Debit	Credit	
First Year Journal Entry 7/1 – to record finance right-of-use (ROU) asset and related liability at the present value of the lease payments.				
1370	Finance Lease Right-of-Use Asset	108,237		
2450	Finance Lease Liability		108,237	
First Year Journal Entry 6/30 – to record interest expense, the annual lease payment and amortization of the lease liability				
6230	Interest Expense	5,412		
2450	Finance Lease Liability	19,588		
1000	Cash		25,000	
To record straight-line depreciation of the right-of-use asset (108,238 / 5 years)				
6280	Depreciation Expense	21,647		
1365	Accum Dep – Finance Lease ROU		21,647	

¹³ [CPA Journal - Practical Illustrations of the New Leasing Standard for Lessees](#)

9-3-1f Example Lessee Accounting for Operating Lease¹⁴

Parish leases a piece of machine for three years on July 1 st of year 1. The machine has fair value of \$75,000, a 10-year economic life, and alternative expected uses to the lessor after the lease term. The lease calls for annual lease payments of \$10,000 on 6/30 of each year, and he implicit interest rate known to the parish is 5%. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. Because the lease does not meet any of the five criteria for a finance lease it is an operating lease under the new standard, but the lease term is greater than 12 months so the new standard requires balance sheet presentation.					
Present <u>value factor for ordinary annuity</u> for 5 years at 5%:				2.72325	
Known implicit interest rate:				5%	
The present value of the lease payments is calculated as follows:					
Annual Lease Payment:				10,000	
Present value factor for an ordinary annuity for 3 years at 5%:				x 2.72325	
Present value of the lease payments:				27,233	
Date	Lease Payment	“Interest” on the Operating Liability at 5%	Amortization of Operating Lease ROU Asset and Lease Liability	Account Balances for the Operating Lease Right-of-Use (ROU):	
				Asset	Liability
7/1 year 1				\$27,233	\$27,233
6/30 year 1	10,000	=	\$1,362 + \$8,638	18,595	18,595
6/30 year 2	10,000	=	930 + 9,070	9,525	9,525
6/30 year 3	10,000	=	475 + 9,525	-	-
Totals:	30,000	=	\$2,767 + \$27,233		
Lease expense includes both interest and amortization of the right-of-use asset; thus, the operating lease shows lease expense on a straight-line basis, similar to operating leases under the current standard.			The amortization amounts for the right-of-use asset and the lease liability offset one another; therefore, each account has the same year-end balance.		
Account #	Description		Debit	Credit	
First Year Journal Entry 7/1 – to record operating right-of-use (ROU) asset and related liability at the present value of the lease payments.					
1375	Operating Lease Right-of-Use Asset		27,233		
2455	Operating Lease Liability			27,233	
To record annual lease payment and expense, and the amortization of the operating lease liability offset against the operating right-of-use asset.					
6215	Lease Expense		10,000		
2455	Operating Lease Liability		8,638		
1000	Cash			10,000	
1375	Operating Lease Right-of-Use Asset			8,638	

¹⁴ [CPA Journal - Practical Illustrations of the New Leasing Standard for Lessees](#)

9-3-1g Operating Line of Credit:

A parish/school may arrange for a line of credit with a lender to ensure availability of operating [cash](#), if a need arises. Typically, a bank will commit to make loans to a parish/school up to a specified maximum for a specified period, typically renewable every year. Proper use and transparent reporting of lines of credit is essential to prevent financial dependency on this type of debt.

Advances against the line of credit should be taken to address the issue of cash management such as the timing of revenue receipts and not revenue shortfalls. For example, use of a line of credit during summer months for school payroll would be appropriate if Fall receipts allow for repayment of the loan balance. It is best practice that any line of credit should be paid in full at least once during each [fiscal year](#).

9-3-1h Bonds:

A bond is a fixed interest financial asset issued by governments, companies, banks, public utilities and other large entities. Bonds pay the bearer a fixed amount on a specified end date. A discount bond pays the bearer only at the ending date, while a coupon bond pays the bearer a fixed amount over a specified interval (month, year, etc.) as well as paying a fixed amount at the end date.

In all cases, a parish should consult with specialists to determine feasibility, analyze cost-benefit information and navigate bond financing arrangements if securing this type of financing is considered.

9-3-1i Tax Exempt Bonds:

Various federal and state laws permit certain types of debt financing for a variety of construction and capital improvements on a tax-exempt basis. The principal advantage of this financing method is the potential for lower interest cost in comparison to interest rates on conventional debt.

Although 501(c)(3) organizations can utilize tax-exempt financing for capital improvements, federal tax law only allows 501(c)(3) organizations to borrow on a tax-exempt basis by involving a state or local government unit. The advantages and disadvantages of utilizing potential state and local governmental issuers should be carefully analyzed very early in the process.

In determining whether certain assets should be financed from the proceeds of tax exempt bonds, careful consideration should be given to the expected use of the assets during the term of the bonds as well as the terms available compared to traditional financing.

In all cases, when pursuing tax exempt financing, a parish/school should consider consulting with specialists to determine feasibility, analyze cost-benefit information and navigate tax exempt bond financing arrangements.

9-4 Loan Affordability Analysis

Financial analysis and adequate planning should be performed prior to entering into any debt arrangements or making a proxy request to the Archdiocese of Saint Paul and Minneapolis for a debt transaction. The level of financial analysis and investigation required will vary depending on the size and nature of debt being considered.

Among typical items to include in the analysis are as follows:

- Amount of debt transaction
- Interest rate & timing of estimated debt payments
- Types of debt available to parish/school
- Repayment time horizon
- Source of funds to be used for debt repayment
- Contingency/reserve funds available
- Effects of debt on general parish/school financial health

- Attitudes of the parish/school community regarding borrowing (i.e. campaign fatigue)

9-5 Repayment Considerations

A critical part of debt planning is to determine how a potential loan would be repaid. Repayment plans play an important role in the ability to successfully manage a new debt obligation. There are several typical options for repayment. One or more of these may be factored into the parish/school financial plans.

Repayment from Operations: If a parish/school plans to repay loan or make lease payments from operating funds, the **interest** portion of the debt payment should be factored into the parish/school annual operating budget. The [principal debt](#) should be included in cash management plans.

Fundraising Dollars: When a parish/school plans to borrow a significant amount of money for [capital repairs](#), building renovation or new construction, special fundraising efforts may be required.

Current fiscal year funds raised for the sole purpose of third party lender debt reduction, and used for accelerated principal payments to prepay debt on existing loans are non-assessable up to the additional principal paid in same fiscal year. Please see Chapter 13: [Fundraising & Capital Campaign](#) for additional information.

Often, fundraising projects involve use of external consultants, formal feasibility studies, [proxy](#) requests and extensive planning regarding timing of pledged contributions. Parish/School [leadership](#) should allow appropriate lead times and approvals for large fundraising projects.



Funds raised for the sole purpose of third party lender debt reduction, and used for accelerated principal payments to prepay debt on existing loans, are non-assessable up to the additional principal paid in the same fiscal year.

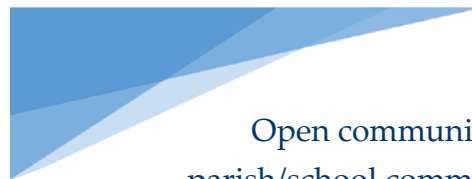
Extra Fee Revenue: If a parish/school plans to repay a loan using fee revenues, careful analysis should be performed to ensure timing of fee collections will occur before debt payments are due. Operating [reserves](#) should be adequate to absorb any unanticipated interruptions in operating revenue streams.

Endowment Income & Grant Revenue: This type of revenue may be appropriate to consider as a source of funds for debt repayment depending on the terms of each written endowment agreement. Please see Section 11 Budgeting on page 192 and Section 16 Net Assets / Equity on page 348 for detailed information of endowment and grant revenues.

Rental Income: If a parish/school incurs debt to make improvements to a building to be rented, future rental income is commonly considered an appropriate source of debt repayment funds. Careful attention should be paid to written lease and loan agreements to be sure the parish/school manages risks associated with early lease termination or loan default. Parishes/Schools must receive a proxy from the Archdiocese of Saint Paul and Minneapolis and is recommended to seek legal counsel before leasing facility space and/or incurring debt to be repaid by rental income. [206 Parish Administration - Part III Administration and Finances – Item 5. Lease Or Rental Agreement.](#)

Bequests/Special Gifts & Investment Income: Generally, investment income, special gifts and other unpredictable sources of revenue do not represent a reliable means for debt payment.

Only in rare instances when income is contractually guaranteed, or already received should these types of funds be relied upon to repay debt.



Open communication within a parish/school community and with the Archdiocese of Saint Paul and Minneapolis is important throughout any borrowing transaction.

9-6 Debt Transaction Process Overview

9-6-1 Communication Protocols

Open communication within a parish/school community and with the Archdiocese of Saint Paul and Minneapolis is important throughout any borrowing transaction. The proxy approval process works most effectively when the Archdiocese of Saint Paul and Minneapolis has been included in early phases of debt discussions and planning. Parish/School leaders are often more comfortable when they are involved in discussions before entering into a debt arrangement. Archdiocesan and parish/school [leadership](#) discussions should be completed in tandem to keep lines of communication open.

9-6-2 Proxy Appointment/Approval Process

A proxy is a written document executed by the Archbishop and Vicar General, as members of the parish corporation, to be used at a meeting which they are unable to attend, giving authority to the Pastor, a member of the corporation, to cast their votes in favor or against a specific corporate resolution stated in the proxy.

Specifically, as related to debt, proxies are currently required for the following situations:

- Leases and agreements for the use of any parish/school property for a term beyond one year
- Loans or mortgages from lending institutions
- Lines of credit from lending institutions
- Consolidation of loans or refinancing
- Revision of mortgages, loans, lines of credit
- Purchases over \$25,000

Archdiocesan [proxy](#) policies are outlined in the Archdiocese [206 – Parish Administration – Part I Corporate Structure Of Parish Under Minnesota Law – Item 7. Use Of Proxies For Corporate Action](#). For further guidance regarding the proxy process for various types of debt transactions, please see the References & Resources section of this chapter. When in doubt about whether a proxy is needed or debt agreement must be reviewed by insurance or legal professionals, parishes/schools should contact the Archdiocese of Saint Paul and Minneapolis for guidance.

After parish/school leadership has decided to borrow funds and discussed initial plans with the Archdiocese of Saint Paul and Minneapolis, the next steps of the lending process begin. The following section contains an overview of key steps involved in lender selection:

- **Choosing A Lender:** Care should be taken when evaluating and selecting a lender. Depending on the nature and magnitude of the

debt, parish/school personnel should consider evaluating at least two lenders. Personnel must also follow any parish/school level policies pertaining to the lender selection process.

- **Draft a Lender:** [Request for Proposal \(RFP\)](#) This document invites lenders to prepare a loan offer to a parish/school. An RFP outlines key elements required of the lender and provides a means for evaluating lenders using the same criteria. A well run RFP process has the potential to save the parish/school money and achieve the best possible debt terms. It is often beneficial to consider using an experienced, independent third party to conduct a parish lender RFP project.
- **Conducting Lender Evaluations:** parish/school personnel are advised to:
 - Allow sufficient time for lender research
 - Use a formal RFP (Request for Proposal process)
 - Consider an outside consulting firm to run the RFP process
 - Identify potential conflicts of interest between prospective lenders and members of parish/school staff or lay [leadership](#)
- **Evaluate Loan Offer(s):** Once loan offers have been received by a parish/school, the next critical step in the borrowing process is to evaluate proposed loan terms and conditions. Lender offers should be compared in an objective way to ensure the best offer is selected. Lender terms and conditions should be negotiated by parish/school personnel, legal counsel or an independent expert to be sure a parish/school is receiving competitive rates and avoiding any unusually risky or stringent terms.
- There are many types of loan conditions and terms. It is beyond the scope of this policy to attempt to list and define them all. Several common loan terms and conditions are included in this chapter's glossary and in the following list:
 - Loan principal amount



- o Interest rate-fixed, floating, reset period
- o Time period for repayment (term), amortization period
- o Monthly principal and interest payment amount
- o Lender fees
- o Prepayment penalty
- o Depository relationship required
- o Security/collateral
- o Loan covenants and debt reserve fund requirements

Archdiocesan policy requires all loan documents be evaluated by independent legal counsel and included in a [proxy](#) petition before a parish/school can formally accept loan terms and conditions. [206 – Parish Administration – Part I Corporate Structure Of Parish Under Minnesota Law – Item 7. Use Of Proxies For Corporate Action](#)

- Executing and Storing Loan Documents: Once the proxy appointment and lender negotiations have been completed, loan document signatures and funds transfers must take place. Loan documents typically require signatures from the pastor and trustees.
- The parish/school is required to obtain executed original loan documents. If the loan is guaranteed by the Archdiocese of Saint Paul and Minneapolis, a copy of the signed loan documents should be sent to the Archdiocese of Saint Paul and Minneapolis.

9-7 Accounting for Loans

All loan transactions must be properly recorded and tracked within the accounting system. Assets such as [cash](#) received at loan closing and [capital assets](#) related to borrowed funds also require proper financial statement disclosure.

Loan payments generally consist of two components – principal and interest. Interest expense appears on the [Statement of Activities](#) as an expense. Principal paid reduces the loan balance disclosed on the [Statement of Financial Position](#).



In the case of a loan to be repaid over a term longer than one [fiscal year](#), the total loan balance due is split into short-term and long-term portions. At the beginning of each fiscal year, the principal payments due within the upcoming fiscal year are classified as short-term liabilities. The long-term liability portion includes the rest of the outstanding loan balance. A parish/school may want to adjust short term and long-term debt, at least quarterly, so the liabilities are stated accurately. By doing this quarterly, it would facilitate accurate balance sheet account reconciliations.

Prepayments, interest-only payments and other events that may occur during the life of a loan require financial statement disclosure.

In addition to financial statement information, notes accompanying the financial statements should include explanations of debt arrangements including amounts borrowed, interest rates, repayment periods and reasons for borrowing. Transparency and open communication with the parish community is important when debt is involved.

It is good accounting and best practices to reconcile lender records for principal and interest payments against parish/school accounting records on a monthly basis.

9-7-1 Example Issuance of Debt – Cash Closing Costs

Chart of Account #	Description	Debit	Credit
A loan of \$500,000 is taken out from the parish's local bank over 10 years at 8.5% APR. The parish chooses to pay the loan <u>closing costs</u> of 2% out of their existing cash (closing costs are not financed):			
1000	Cash		10,000
6230	Interest Expense/ Discount Points	3,000	
6240	Bank Charge/Fee Exp Origination Fees	3,500	
6110	Professional Services Exp Appraisal Fee	500	
6270	Municipal Assessment/ Transfer Taxes & Property Tax Reserves	3,000	
1000	Cash	500,000	
2400	Note Payable – Long Term Loan Balance (Principal)		500,000
Purchase Capital: The proceeds of the loan are then used for a capital purchase.			
1300-1350	Fixed Asset	500,000	
1000	Cash		500,000

9-7-2 Example Issuance of Debt - Capitalizing Closing Costs

Chart of Account #	Description	Debit	Credit
A loan of \$500,000 is taken out from the parish's local bank over 10 years at 8.5% APR. The parish chooses to finance the loan's <u>closing costs</u> of 2%, and they are then capitalizing loan closing fees at the time of issuance. <i>In this case, an intangible asset (1100 Prepaid Expense) is set up on the balance sheet and <u>amortized</u> over the life of the loan.</i>			
1000	Cash	500,000	
1100	Prepaid Expense	10,000	
2400	Note Payable – Long Term Loan Balance (Principal)		510,000
6230	Interest Expense/ Discount Points	3,000	
6240	Bank Charge/Fee Exp Origination Fees	3,500	
6110	Professional Services Exp Appraisal Fee	500	
6270	Municipal Assessment/ Transfer Taxes & Property Tax Reserves	3,000	
1100	Prepaid Expense		10,000
Purchase Capital: The proceeds of the loan are used for a capital purchase			
1300-1350	Fixed Asset	500,000	
1000	Cash		500,000

9-7-3 Example Loan Payment – Standard Monthly

Chart of Account #	Description	Debit	Credit
Referring to the loan amortization schedule to determine the breakdown of the principal and interest amount for each payment, the parish makes a standard monthly payment:			
6230	Interest Expense	3,542	
2400	Note Payable – Long Term Loan Balance (Principal)	2,658	
1000	Cash		6,200

9-7-4 Example Loan Pre-Payment

Chart of Account #	Description	Debit	Credit
Referring to the loan amortization schedule to determine the breakdown of the principal and interest amount for each payment, the parish makes a pre-payment on the loan on June 30th:			
6230	Interest Expense (6/15/20XX – 6/30/20XX)	XXXX	
2400	Note Payable – Long Term Loan Balance (Principal)	XXXX	
1100	Prepaid Expense	XXXX	
1000	Cash		XXXX

9-7-5 Example Reclassify Loan Balance

Chart of Account #	Description	Debit	Credit
<i>Each year the current portion of the long-term debt should be reclassified for reporting purposes. Referring to the loan amortization schedule to determine the breakdown of the principal and interest amount for each payment, the parish calculates the next fiscal year's principal on the loan will be \$35,000. Entry made on the first day of the fiscal year.</i>			
2400	Note Payable – Long Term Loan Balance (Principal)	35,000	
2200	Note Payable – Short Term Loan Balance (Short Term Portion of Long Term Debt)		35,000

9-7-6 Example Paying Off Loan Balance

Chart of Account #	Description	Debit	Credit
<i>The parish chooses to pay off the loan five months early, contacts the bank to calculate the final principal and interest payment. Four months have already been moved to the Short Term Note Payable account. When the loan is paid off, the balance in the loan payable account(s) will be zero.</i>			
6230	Interest Expense	549	
2400	Note Payable – Long Term Loan Balance (Principal)	5,984	
2200	Note Payable – Short Term Loan Balance (Short Term Portion of Long Term Debt)	24,364	
1000	Cash		30,897

9-7-7 Example Refinance Existing Loan

Chart of Account #	Description	Debit	Credit
The parish can obtain a better interest rate at a competing bank and chooses the refinance the loan at the end of the fiscal year. A loan of \$250,000 is taken out from the parish's local bank over 5 years at 6.5% APR. The parish chooses to pay the loan closing costs of 2% out of their existing cash (closing costs are not financed):: At the time of establishing loan at the new bank:			
1000	Cash		10,000
6230	Interest Expense - <i>Discount Points</i>	3,000	
6240	<i>Bank Charge/Fee Exp -Origination Fees</i>	3,500	
6110	<i>Professional Services Exp -Appraisal Fee</i>	500	
6270	<i>Municipal Assessment - Transfer Taxes & Property Tax Reserves</i>	3,000	
1000	Cash	250,000	
2400	Note Payable – Long Term <i>Loan Balance (Principal) – NEW LOAN</i>		250,000
A check is issued to the old bank to pay off the old loan.			
2400	Note Payable – Long Term <i>Loan Balance (Principal) –OLD LOAN</i>	250,000	
1000	Cash		250,000

9-7-8 Financial Reporting for Loans

[Statement of Financial Position](#)

- Loan Balance
- Prepaid Loan Expenses
- [Capital Assets](#)
- Net Asset Effects

[Statement of Activities](#)

- Interest Expense
- Other Expense - other items included in payment such as insurance

- [Closing Costs](#) & Bank Fees
- Accrued Expenses

Note: Loan payments may not correspond with calendar month dates. For example, a payment made on February 15th may cover the period between January 4th and February 3rd. In this type of situation, it is generally acceptable to record the February loan payment to represent the total monthly activity without accrual adjustments for calendar day timing.

[Statement of Cash Flows](#) – Please see Section 18 Financial Statement on page 402 for more information.

- Interest expense and principal payments
- Receipt of loan funds from the lender are recorded as inflows
- Principal and interest payments are recorded as outflows
- Loan payment accruals (in cases when loan payments are owed but not made during a given period) are disclosed as inflows

[Notes to Financial Statements:](#)

- Purpose of the loan
- Loan balance
- Loan repayment plans
- Special loan terms and conditions such interest rate or repayment period

Please see Implementation Guidance and Journal Entries section in this chapter, for illustrations of how loan transactions should be disclosed on financial statements.

9-7-9 Budgeting for Loan Payments

Oftentimes, when parishes think of budgeting for loan payments, they will assume they need to utilize the standard budget entry process that is used for expenses. However, loan principal repayments are budgeted using the Cash Flow Statement (history) and Cash Flow Forecast Statement (future).



When a parish borrows money from its bank, the amount received is recorded with a debit to Cash and a credit to a liability account, such as Notes Payable or Loans Payable, which is reported on the parish's Statement of Financial Position. The cash received from the bank loan is referred to as the principal amount.

Operating Fund:

- Used for loan activity such as technology loans
- Budget loan interest and other payment expense items
- Budget loan principal payments via [cash flow forecast](#)
- Budget corresponding revenues such as technology fees

The principal amount received from the bank is **not** part of a parish's revenues and therefore will **not** be reported on the parish's Statement of Activities.

Similarly, any repayment of the principal amount will **not** be an expense and therefore will **not** be reported on the Statement of Activities.

Cemetery Fund:

- Used for loan activity related to cemetery improvements
- Budget loan interest and other payment expense items

The principal payment is recorded as a reduction of the liability Notes Payable or Loans Payable. Both the receipt of the loan principal amount and the repayment of the loan principal will be reported on the statement of cash flows.

The interest on the loan will be reported as expense on the Statement of Activities in the periods when the interest is incurred.

- Budget loan principal payments via [cash flow forecast](#)
- Budget corresponding cemetery revenues

Capital Fund:

- Used for capital loan activity
- Budget loan interest and other payment expense items
- Budget loan principal payments via [cash flow forecast](#)
- Budget corresponding revenues

9-8 Implementation Guidance

1. Reconciliation process to be done monthly or quarterly.
2. Reconcile loan balance on [Statement of Financial Position](#) against Bank loan statement.
3. Reclassify current portion of loan for upcoming [fiscal year](#) (annually).
4. Review [Statement of Activities](#) to reconcile interest expense with Bank loan statement.
5. Review compliance with loan covenants. Set aside funds as required.
6. Plan and complete required independent audit services as outlined in loan documents.

Section 10 Chart of Accounts

A chart of accounts (COA) is a financial organizational tool that provides a complete listing of every account in an accounting system. An account is a unique record for each type of asset, liability, net asset, income and expense.

To adequately maintain the financial records of a parish or other entity, it is necessary to track financial information and classify this information in meaningful categories. The Chart of Accounts is the method used to accomplish this objective. Parishes are required to use the Chart of Accounts as written.



A well-managed
Chart of Accounts
strengthens
accountability.

Components of the Chart of Accounts consists of:

- Account Type
- Entity
- Ministry
- Object
- Sub-Account
- Shortcut Number

10-1 Purpose

The chart of accounts was established for consistency purposes so all parishes had a single set of accounts.

The information below provides parishes with established statement of financial position (balance sheet) and [statement of activities](#) (income/expense) Object/Account numbers.

Standardized Use of Accounts column relates to the intention and use of the accounts for typical parish income or expenses.

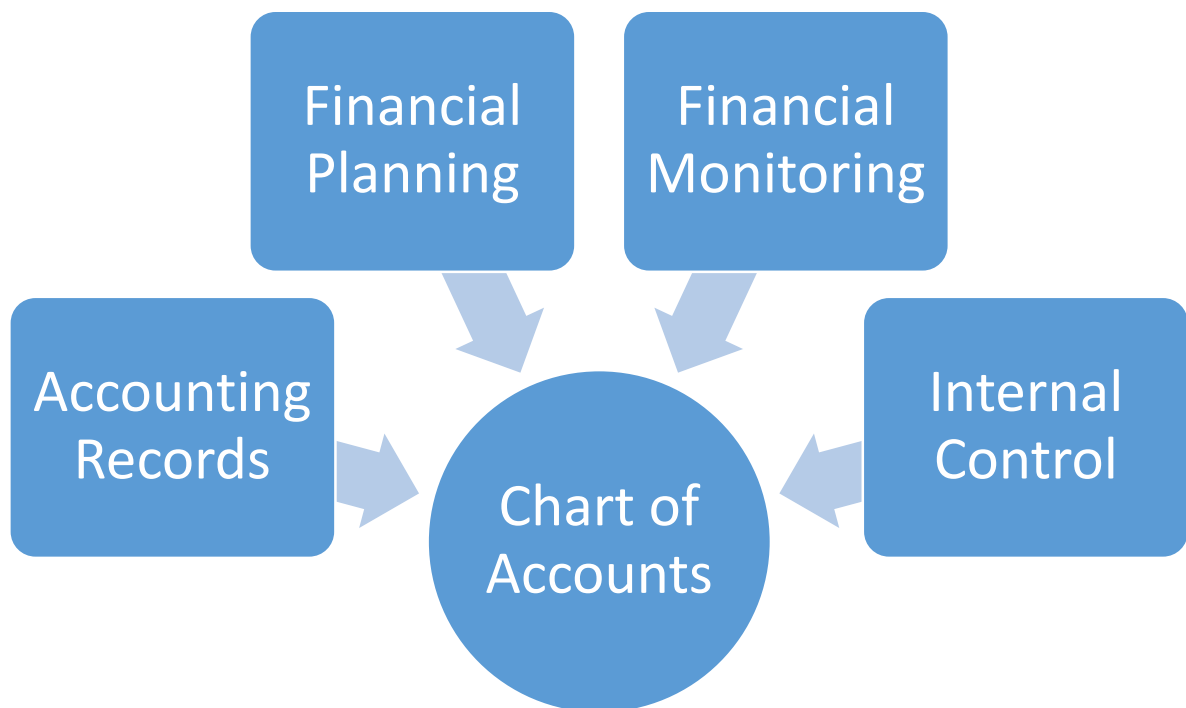
Information providing the structure of the full account numbers and important information on how to use alpha characters and properly build your easy-reference, important “shortcut” numbers.

10-2 Accounting Policy

To facilitate uniform accounting practices in the parishes of the Archdiocese, a Chart of Accounts was established in 2008. These charts look not only to an accounting system for the parish but also to the [Annual Parish Financial Report](#), which is required by the Chancery. While the chart will allow for certain adaptations to fit the local parish situations, we ask that it be followed in keeping the financial accounts and preparing reports.

10-3 Scope

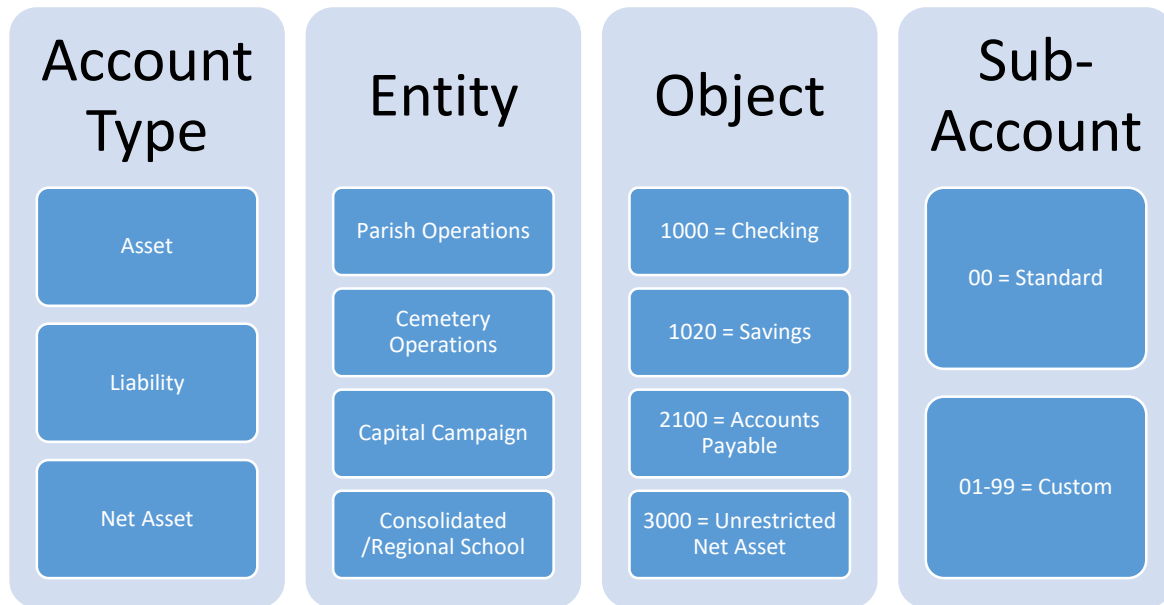
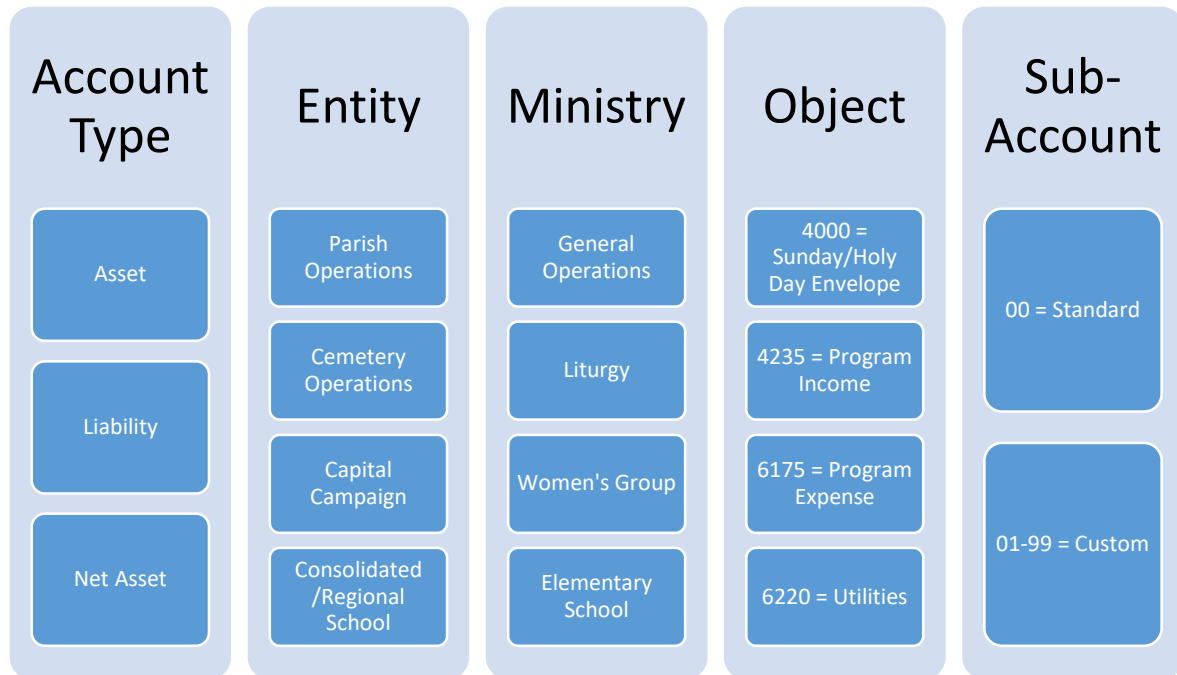
This Chart of Accounts can be used by parishes with smaller operations that prefer a limited number of accounts, and by larger parishes that may need more accounts for their requirements. It is designed to provide as much or as little detail as is desired by each parish, school or cemetery. The key factor is that whatever level of detail is used by a parish or school, in order to maintain consistency, the account numbers used to describe those accounts must be the account numbers established in this Chart of Accounts.



10-3-1 Parish/School Chart of Accounts Structure

10-3-1a Account Type

- A = [Asset](#) (what the parish has)
- L = [Liability](#) (what the parish owes)
- N = [Net Asset](#) (what is the parish's balance of Assets minus Liabilities)
- I = [Income](#) (what has the parish gained)
- E = [Expense](#) (what has the parish spent)

10-3-1b Asset, Liability and Net Asset**10-3-1c Income and Expense**

10-3-1d Entity Codes

Entities refer to the standalone groups that operate within the overall parish or school. Each entity will have its own chart of accounts, which will include [Asset](#) and Net Assets, and may include Liabilities, Income, and Expense. Utilize only the entities that are relevant to your parish.

P PARISH OPERATIONS Code - 1 An ecclesiastical community of the faithful that is established as a juridic person under the authority of the Archbishop, and that is incorporated as a church corporation under MN Statute §315.15	C CEMETERY OPERATIONS Code - 2 A place dedicated for the burial of the faithful and others for the religious and charitable purposes of the church including the grounds, facilities and personnel involved in the interment and memorialization of the dead.
F CAPITAL CAMPAIGN Code – 3 A highly organized effort on the part of an organization to raise significant dollars in a specified period of time, to fund specific needs for the organization.	S CONSOLIDATED/REGIONAL SCHOOL Code - 4 A Catholic school sponsored by parishes in a region of the Archdiocese. Sponsoring parishes exercise a stipulated role in support and governance of the school.

10-3-1e Ministry Codes

A department or other unit within an organization to which costs may be charged for accounting purposes, also known as Cost Center. Since each parish may operate a multitude of programs (e.g. Liturgy & Worship, Youth Formation, Elementary School), the financial records of the parish should reflect this diversity. Ministry Codes consist of a two-digit code that accompanies the account number for any given transaction.

Each ministry director should receive financial information for his/her program; in addition, this information is necessary for the Pastor, Pastoral Assistant for Administration and parish consultative bodies to responsibly administer the temporal goods of the parish. Ministry Codes are a means to classify financial information (revenue & expense) to fill this need.

General Operations 01-10		
GO <i>GENERAL OPERATIONS</i> Code - 01 Activities involved in the day-to-day functions of the business conducted for the purpose of parish or school operations. Example: copier, computer, office staff expenses.	BO <i>BUSINESS OFFICE</i> Code - 02 Activities involved in the planning and execution of strategies and systems to make a parish work properly. Example: executive staffing expenses.	ST <i>Stewardship</i> Code - 03 Transactional activities surrounding raising money, including pursuing and obtaining funds from foundations, corporations, individuals, and government sources through activities such as grant-writing, annual appeals, events and strategic campaigns.
DV <i>Development</i> Code - 04 Cultivation of relationships with donors and potential donors through education, stewardship and solicitation.	FS <i>Festivals</i> Code - 05 Financial activities involving a periodic celebration or program of events or entertainment having a specified focus.	CM <i>Communications</i> Code - 07 Activities involved in informing parishioners, school teachers, students and parents of important news, resources, events, policies and other relevant and timely information.

Buildings & Grounds 10-19

Use Buildings & Grounds Ministry Codes only when the parish maintains ownership of the building and uses the building, or a portion of the building, for parish purposes.

Record periodic rental income, contributions specific to the building, utilities, repairs & maintenance, and capital expenditures here. If the building is no longer a used for its stated purpose and instead an office or rental, then use the appropriate ministry code that aligns with that utilization.

If the parish uses a portion of a building and rent/leases out a portion of the same building, use the appropriate Buildings & Grounds 10-19 Ministry Codes to record parish use of building and Ministry Code 21 RM Room Rent/Lease to record rented/leased portion of the building.

CB Church Building Code – 10 A building used for Catholic religious' activities, particularly mass.	CT Parish Center Building Code – 11 A building, typically separate from the church building for the purpose of hosting lectures, faith formation, committee meetings, youth activities and more.	GR Grounds Code – 12 The land around the parish buildings. This would include parking lot, sidewalk, and landscaped areas, natural and manufactured features.
RB Rectory Building Code – 13 Parish owned or parish rented resident designated for occupancy by the pastor or other priests. Clergy living in the Parish Rectory shall record all clergy living expenses to the Rectory Building Ministry Code. This includes payment made directly to the vendor for	CV Convent Building Code – 14 A residential building for religious brothers, religious sisters or a religious community.	SH Social Hall Code – 15 A function hall, reception hall, or banquet hall that is typically located within the church building for the purpose of hosting parties, banquets, wedding receptions, or other social events.

utilities , telephone , cable TV , household help , food , etc.		
SB <i>School Building</i> Code – 16 A facility that provides learning spaces and environments for the teaching of students under the direction of teachers employed by a parish or a consolidation.	OB <i>Other Building</i> Code – 17 Any other building owned by the parish not listed above. May include buildings/homes bequeathed to the parish.	

Rental Operations 20-29

Use Rent/Lease Ministry Codes only when the parish maintains ownership of the building, but has a contracted rent/lease arrangement with a third party and no longer uses the building for parish purposes.

If the parish uses a portion of a building and rent/leases out a portion of the same building, use the appropriate Buildings & Grounds 10-19 Ministry Codes to record parish use of building and Ministry Code 21 RM Room Rent/Lease to record rented/leased portion of the building.

NOTE: Objects in these Ministry Codes could affect assessment.

HR <i>Social Hall Rent/Lease Code – 20</i> Rental or lease activity in a building that also serves for social hall. This is to be used for negotiated leases with contracts and not to track financial activity for banquets, parties or other events.	RM <i>Room Rent/Lease Code – 21</i> Rental or lease activity in a building that also serves for other purposes, i.e. church. This is to be used for negotiated leases with contracts and not to track financial activity for banquets, parties or other events.	RR <i>Rectory Rent/Lease Code – 22</i> Rental or lease activity in a building that also serves as a rectory. This is to be used for negotiated leases with contracts and not to track financial activity for banquets, parties or other events.
CR <i>Convent Rent/Lease Code – 23</i> Rental or Lease activity in a building that also serves as a convent. This is to be used for negotiated leases with contracts and not to track financial activity for banquets, parties or other events.	SR <i>School Rent/Lease Code – 24</i> Rental or lease activity in a building that also serves as a school. This is to be used for negotiated leases with contracts and not to track financial activity for banquets, parties or other events.	OR <i>Other Rent/Lease Code – 25</i> Rental or lease activity in a building not listed above. This is to be used for negotiated leases with contracts and not to track financial activity for banquets, parties or other events.

Liturgical Ministries 30-39		
LT <i>Liturgy & Worship</i> Code – 30 Activities involved in the planning, scheduling, staffing and supplies of all worship services for the parish.	MU <i>Music</i> Code – 31 Activities involved in the planning, scheduling and staffing for all music related activities in the parish.	EN <i>Liturgical Environment</i> Code – 33 Supplies, seasonal altar flowers, banners, decorations, and non-votive candles.
CS <i>Clergy Services</i> Code - 34 Regular salary, mileage, professional expenses, medical/dental benefits, living maintenance and housing allowance for parish priests not living in a parish owned Rectory, substitute priests, and visiting clergy serving in the Archdiocese of St Paul Minneapolis as outlined in the annual Compensation Schedule for Priests.		

Pastoral Ministries 40-49		
PC <i>Pastoral Care</i> Code – 40 Pastoral care includes spreading the Gospel, celebration of the sacraments, leading the parish community in prayer, encouraging active participation in the liturgy and developing community leadership. Examples: Wee Care, Prayer Cards, Homebound Ministry, Senior Transportation etc.	BR <i>Bereavement</i> Code – 41 Resources dedicated to period of grief and mourning after a death.	PN <i>Parish Nurse</i> Code – 42 Parish nursing program is the intentional integration of the practice of nursing with the beliefs of the Catholic Church. A parish nurse is a registered nurse (RN) specialist who encourages physical and spiritual health and wholeness by developing and leading programs within faith communities.
Social Ministries 50 - 59		
PO <i>Parish Outreach</i> Code – 50 Parish Outreach Program is a delivery of support and services for persons in need regardless of religion, race, or ethnic origin, within the context of the parish community life. It offers opportunity for ecumenical outreach to, and with, the neighbors of the parish community as well as within the parish itself.	SJ <i>Social Justice</i> Code – 51 Resources dedicated to address the dignity and rights of people who are socially, politically, or economically disadvantaged.	

Faith Formation 60-69		
YF Youth Formation Code – 60 Resources and education provided for children and youth's catechesis (religious instruction), i.e. Faith Formation	YM Youth Ministry Operations Code – 61 Activity associated with operational expenses of Youth Ministry staff or volunteers, which may include salaries and benefits for youth ministers or other allocations of non-clergy staffing expense, reimbursements, office supplies, etc.	SP Sacramental Preparation Code – 62 Resources associated with helping to prepare the hearts and minds of participants for the sacramental gifts of Baptism, Confirmation, First Eucharist, First Reconciliation, and Marriage.
RC RCIA Code – 63 Activity associated with the process where prospective converts to Catholicism who are above the age of infant baptism. Candidates are gradually introduced to aspects of Catholic beliefs and practices.	AF Adult Formation Code – 64 Financial activity involved with promoting and supporting active membership in the Christian community. Calling and preparing adults to act as disciples in mission to the world.	

Parish Organizations 70 - 79		
MG Men's Group Code – 70 Men's affiliate program of the parish that encourages men to live their faith deeply through the Catholic Church. These programs are not separate legal organizations; therefore, financial fundraising activity must be tracked through the parish COA.	WG Women's Group Code – 71 Women's affiliate program of the parish that encourages woman to live their faith deeply through the Catholic Church. These programs are not separate legal organizations; therefore, financial fundraising activity must be tracked through the parish COA. This would include CCW, Ladies Guild, Quilting Circles and other programs of the parish that include a woman gender specific participation.	YG Youth Group Activities Code – 72 Youth Group financial activities include fee-based activities such as mission trip fundraising and related expenses. Additionally, this ministry code can be used for national and local youth activities where participants are washing cars, selling t-shirts to cover the cost of the travel, lodging, admission fees, and others non-salary expenses.
OG Other Group Code – 73 Group, other than those listed above, whose primary function is to educate, minister, support or serve Christ, the church or society.	AG Adult Group Code – 74 Adult Group financial activities fundraising income and expenses for the express purpose of a Mission Trip. This ministry code can also be used for national activities where funds are raised to cover the cost of the travel, lodging and admission fees, i.e. Congress, Women's March, etc.	GS Gift Shop Code – 75 Record revenue and expenses for Parish Gift Shop, Thrift Shop and Kiosk Sales of religious articles or items that fit within your ministry. This does not include formation instructional materials or youth event sales. Examples are rosaries, faith based books, Fair Trade coffee etc.

School 80 - 89		
ES <i>Elementary School</i> Code – 80 This code is to be utilized for tuition, fee related income, instructional, classroom supplies, teacher salary, and benefit expenses for kindergarten through fifth or sixth grade.	MS <i>Middle School</i> Code – 81 This code is to be utilized for tuition, fee related income, instructional, classroom supplies, teacher salary, and benefit expenses for grades sixth or seventh through grade eight or nine.	HS <i>High School</i> Code – 82 This code is to be utilized for tuition, fee related income, instructional, classroom supplies, teacher salary, and benefit expenses for grades nine or ten through twelve.
PS <i>Pre-School</i> Code – 83 An educational establishment or learning space offering early childhood education to children (usually between the ages of 3 and 5) prior to the commencement of compulsory education at primary school.	LK <i>Latchkey</i> Code – 84 This code is to be utilized for supervised care with adult directed activities for children before and after regular school hours.	DC <i>Daycare</i> Code – 85 Daytime training, supervision, recreation, and often medical services for children of preschool age typically while their parents are at work.
GG <i>Government Grant</i> Code – 86 Activities related to the application /administration of federal or state programs that provide funds to a parish school in regards to nutrition (Hot Lunch), academic achievement of disadvantaged, recruiting teachers, language instruction for immigrants.	SA <i>School Administration</i> Code – 87 Financial activities associated with school back office management salaries, benefits for principal, office and maintenance staff. Also includes office supplies, copy rental, office furniture, etc.	SD <i>School Development</i> Code – 88 Cultivation of relationships of donors, parents, alumni and grantors through education, stewardship and solicitation.

AT <i>Athletics</i> Code – 89 An organized competitive sport sponsored by the parish school in which the child is enrolled.		
Non-Operating Activity 99		
NO <i>Non-Operating Activity</i> Code – 99 Non-operating gains or losses from investing sources.		

10-3-1f Object Codes

Object codes, often referred to as Account Codes, are the individual four-digit reference number to indicate a specific type of revenue, expenditure or transfer being recorded.

The combination of Account Codes and Ministry Codes are very powerful. You are able to record and report on a similar account across various departments within your parish or school.

Some Object Codes may have different meanings when combined with Ministry Codes. For example, Supplies Exp in Business Office may refer to paper and pens, while Supplies Exp in Church Building may reference cleaning supplies.

Object Code range:

- Assets - (1000 - 1999)
- Liabilities - (2100 - 2999)
- Net Assets - (3000)
- Revenue - (4000 - 4999)
- Expenses (Personnel) - (5000 - 5999)
- Expenses (Non-Personnel) - (6000 - 6999)

10-3-1g Asset

Debit has an Increasing effect; Credit has a Decreasing effect.

Something that a parish or school has acquired or purchased, and that has money value. An asset can be [cash](#), equipment, inventory, land and building, [tuition receivable](#) or accounts receivable. Assets are shown on the [Statement of Financial Position](#).

Code	Description	Standardized Use of Account	Add'l Notes
1000	Checking Account	Checking accounts for organization.	If there is more than one, subaccounts should be used to specifically identify them for bank reconciliation purposes. Another option is to use the subsidiary ledger functionality.
1010	Petty Cash Fund	Set up, increase or decrease petty cash .	Replenishment of petty cash should be done by crediting the operating account and debiting the appropriate expense accounts. This account should be reconciled on a monthly basis.
1020	Savings/Money Market Investment	A bank account that earns interest.	If there is more than one, subaccounts should be used to specifically identify them for bank reconciliation purposes. Another option is to use the subsidiary ledger functionality.
1040	Certificates of Deposit Investment	A savings certificate with a fixed maturity date and specified fixed interest rate, with restricted access to the funds until the maturity date.	If there is more than one, subaccounts should be used to specifically identify and tie to reports received from the bank for each CD.

Code	Description	Standardized Use of Account	Add'l Notes
1050	Investments - Short Term	Short-term investments such as Treasury bills, mutual funds or other investments easily converted to cash with a maturity of less than 12 months.	If there is more than one, subaccounts should be used to specifically correspond to each investment.
1060	Accounts Receivable	Tracking account for monies owed to the organization	Some examples are shared admin services, rental of a building for a charter school, land usage and more. Tuition Receivables are recorded in a unique account
1070	Accrued Receivable	Accrued Receivables - Receivables for which a parish has earned revenue, but for which it has not yet issued an invoice to their customer.	Used in rare instances where a receivable due to a parish which is an estimation perhaps due to the settlement of an estate or other legal matters. If the receipt of the monies will extend beyond 12 months, the receivable should be listed in the long-term asset section.
1080	Pledge Receivable	Donor commitments to contribute unconditionally a specified amount within a date range.	This is only used if there is verifiable documentation that the donor has made a binding pledge. Parish may take legal action if pledge is not fulfilled.

Code	Description	Standardized Use of Account	Add'l Notes
1090	Tuition Receivable	Tuition payments not yet paid to the organization.	Subaccounts should be used if there are different types of tuition receivables . A subaccount may also be established to record a Reserve for Doubtful Receivables. A review would be made at least annually and there would be a debit to Bad Debt Expense account and a credit to the Reserve account.
1100	Prepaid Expenses	Advanced payments for goods and services to be received in the next 12 months.	An example is an insurance premium paid for the upcoming 12 months. Another example are prepaid mission trip expenses for travel in a subsequent fiscal year .
1110	Inventory for Resale	Scrip inventory or gift shop inventory.	All purchases should be recorded in this account. Inventory should be taken on a regular basis and an adjustment made to the related expense account (debit the expense and credit the inventory account). The remaining balance should equal the inventory count taken.

Code	Description	Standardized Use of Account	Add'l Notes
1200	Investments - Long Term	Long-term investments such as stock or mutual funds with a maturity of greater than 12 months. Corpus/Principal of account is available for withdrawal.	If more than one investment, subaccounts should be used for each one.
1210	Catholic Community Foundation Invest	Unrestricted Agency Fund Balance held at the Catholic Community Foundation. Corpus/Principal of account is available for withdrawal.	If more than one fund held at CCF, subaccounts should be used for each fund.
1220	Endowment Investment	Perm Restricted Endowment Fund balance held at investment firms other than Catholic Community Foundation. Corpus/Principal of account is not available for withdrawal.	If more than one endowment , subaccounts should be used for each investment.
1230	Catholic Community Foundation Endow Invest	Perm Restricted Endowment funds held at Catholic Community Foundation. Corpus/Principal of account is not available for withdrawal.	If more than one endowment , subaccounts should be used for each investment.

Code	Description	Standardized Use of Account	Add'l Notes
1240	Accrued Interest	Interest earned but not yet received from investment accounts.	Most investment companies send monthly statements so this account may not be used.
1250	Note Receivable – Long Term	Amounts owed to a parish or school by individuals or corporations for goods or services that have been delivered or used but not yet paid. Amount is due over more than 12 months.	May be used for sale of land, property or building where payments span more than one year.
1300	Land	Represents cost of land owned by the parish or school.	Land is not included in depreciation. Do not record against Accumulated Depreciation .
1311	Buildings - Church	Purchase cost of the physical church building or construction costs to build physical church building. DO NOT use Insurance value.	Purchased for continued and long-term use for the current church building. Written off over the anticipated life by charging Depreciation Expense against Accumulated Depreciation (counter asset).
1312	Buildings - School	Purchase cost of the physical school building or construction costs to build physical school building. DO NOT use Insurance value.	Purchased for continued and long-term use for the current parish school. Written off over the anticipated life by charging Depreciation Expense against Accumulated Depreciation (counter asset).

Code	Description	Standardized Use of Account	Add'l Notes
1313	Buildings - Rectory	Purchase cost of the physical rectory building (building which functions residence for the priest(s) assigned to the parish) or construction costs to build physical rectory building. DO NOT use Insurance value.	Purchased for continued and long-term use for the current parish rectory (priest's residence). Written off over the anticipated life by charging Depreciation Expense against Accumulated Depreciation (counter asset). If the building is no longer used as a priest's residence, please use sub-account under 1317 Buildings - Other.
1314	Buildings - Convent	Purchase cost of the physical convent building (residential building for religious brothers, religious sisters or a religious community) or construction costs to build physical convent building. DO NOT use Insurance value.	Purchased for continued and long-term use the current parish convent. Written off over the anticipated life by charging Depreciation Expense against Accumulated Depreciation (counter asset). If the building is no longer used as a residence for nun/sister's, please use sub-account under 1317 Buildings - Other.

Code	Description	Standardized Use of Account	Add'l Notes
1315	Buildings - Parish Center	Purchase cost of the physical parish center building or construction costs to build physical parish center building. DO NOT use Insurance value.	Purchased for continued and long-term use for the current parish center. Written off over the anticipated life by charging Depreciation Expense against Accumulated Depreciation (counter asset). If the building is no longer used as a parish center, please use sub-account under 1317 Buildings - Other.
1316	Buildings - Social Hall	Purchase cost of the physical social hall building or addition, or construction costs to build physical social hall building or addition. DO NOT use Insurance value.	Purchased for continued and long-term use for the current parish social hall. Written off over the anticipated life by charging Depreciation Expense against Accumulated Depreciation (counter asset). If the building is no longer used as a social hall, please use sub-account under 1317 Buildings - Other.
1317	Buildings - Other	Purchase cost of the other physical buildings not specified above or construction costs to build other physical buildings not specified above. DO NOT use Insurance value.	Purchased for continued and long-term use for a parish/school building not otherwise specified. Written off against the anticipated life by charging Depreciation Expense against Accumulated Depreciation (counter asset).

Code	Description	Standardized Use of Account	Add'l Notes
1320	Equipment	Cost of tangible assets, generally in operation for over 12 months, which cannot be easily converted to cash.	Examples include pipe organ, commercial kitchen equipment, pews.
1330	Leasehold Improvements	Cost of leasehold improvements.	A leasehold improvement is an improvement made to a leased building by an entity that has the right to use this leasehold improvement over the term of the lease. This improvement will revert to the lessor at the expiration of the lease.
1340	Garage/Storage Buildings	Cost of physical garage or storage buildings.	Purchased for continued and long-term use for the current parish/school garage or storage building. Written off against the anticipated life by charging Depreciation Expense against Accumulated Depreciation (counter asset).
1350	Furniture and Fixtures	Cost of movable furniture, fixtures or other equipment that have no permanent connection to the structure of a building or utilities	Examples include desks, chairs, computers, electronic equipment, tables, bookcases and partitions.

Code	Description	Standardized Use of Account	Add'l Notes
1360	Accumulated Depreciation	Contra Asset - Accumulated balance of any depreciation expensed for the parish for parish owned fixed assets.	A useful life is determined for each fixed asset (except land) and the item is depreciated over that period. Debit depreciation expense and credit accumulated depreciation. If an asset is sold or written off, the value of the asset is removed from the accumulated balance.
1365	Accumulated Depreciation – Finance Lease	Contra Asset - Accumulated balance of any depreciation expensed for any parish financed lease.	Accounting Standards Update No. 2016-02, Leases (Topic 842)
1370	Finance Lease – Right of Use	The right-of-use asset is a lessee's right to use an asset over the life of a lease.	Accounting Standards Update No. 2016-02, Leases (Topic 842)

10-3-1h Liability

Debit has a Decreasing effect; Credit has an Increasing effect.

Obligations of a company or organization. Amounts owed to lenders and suppliers. Liabilities often have the word "payable" in the account title. Liabilities also include amounts received in advance for a future sale or for a future service to be performed. Liabilities are found on the [Statement of Financial Position](#).

Code	Description	Standardized Use of Account	Add'l Notes
2100	Accounts Payable	Amounts owed to others for goods or services received by the parish or school which are due to be paid within the next 12 months.	An accounting entry that represents an entity's obligation to pay off a short-term debt to its creditors. The accounts payable entry is found on a balance sheet under the heading current liabilities .
2110	Accrued Liabilities	Amounts owed for expenses other than goods and service that have been incurred but not yet paid and are due to be paid within the next 12 months.	An example would be for staff salaries or accrued vacation time accrued at fiscal year-end but not payable until the next fiscal year .
2115	Accrued Wages	Accrued wages refers to the amount of liability remaining at the end of a reporting period for wages that have been earned by employees but not yet paid to them.	

Code	Description	Standardized Use of Account	Add'l Notes
2116	Accrued Payroll Taxes	Accrued payroll taxes refers to the amount of liability remaining at the end of a reporting period for taxes that have been accrued by employees but not yet paid to a governing authority.	
2120	Sales Taxes Payable	Amount due to the State of MN for sale of goods or services that are taxable per the state laws.	This would include sales tax due from sales from parish or school gift shops or catering services provided regularly by parishes with social hall rentals.
2131	Federal Payroll Tax Withholding	Record federal tax withholdings from employees and payable to the Internal Revenue Service.	
2132	FICA - SS/Medicare Withholding	Record employee Medicare / social security tax withholdings, matching employer share and amounts payable to the Internal Revenue Service.	
2133	MN State Payroll Tax Withholding	Record employee Minnesota taxes withholdings and funds payable to the Minnesota Department of Revenue.	

Code	Description	Standardized Use of Account	Add'l Notes
2141	Medical Insurance Deduction	Record medical insurance premiums withheld from employee pay and corresponding amounts payable to benefits provider.	
2142	Dental Insurance Deduction	Record dental insurance premiums withheld from employee pay and corresponding amounts payable to benefits provider.	
2143	Daycare Deduction	Record daycare deduction withheld from employee pay and corresponding amounts payable to benefits provider.	
2144	Flexible Reimbursement Deduction	Record flexible reimbursement deductions withheld from employee pay and corresponding amounts payable to benefits provider.	An account funded by employee payments via payroll deduction used to pay for certain out-of-pocket health care costs.
2145	403(b) Deduction	Record 403(b) deductions withheld from employee pay and corresponding amounts payable to Third Party Provider.	A 403(b) is a retirement savings plan available to employees.

Code	Description	Standardized Use of Account	Add'l Notes
2146	Misc Benefit Deduction	Record Misc Benefit deductions withheld from employee pay and corresponding amounts payable to Third Party Provider.	
2147	Wage Garnishment Deduction	Record Wage Garnishment deductions withheld from the employee compensation and corresponding payments made to Third Party Provider.	A legal process whereby payments towards a debt owed by an individual can be paid by a third party - which holds money or property that is due to the individual - directly to the creditor. The third party in such a case is generally the individual's employer and is known as the garnishee. Garnishments are typically used for debts such as unpaid taxes, monetary fines and child support payments.
2148	Child Support Deduction	Record Child Support deductions withheld from employee pay and corresponding amounts payable to Third Party Provider.	
2149	HSA Deduction	Record Health Savings Account deductions withheld from employee pay and corresponding amounts payable to Third Party Provider.	Typically a savings account used in conjunction with a high-deductible health insurance policy that allows users to save money tax-free against medical expenses.

Code	Description	Standardized Use of Account	Add'l Notes
2150	Limited Flex (HSA Participants)	Record Limited Flex deductions withheld from employee pay and corresponding amounts payable to Third Party Provider.	A Limited Purpose FSA is specifically designed for participants also enrolled in an HSA. Reimbursements are limited to dental and vision care expenses.
2151	403(b) Loan Repayment Deduction	Record 403(b) Loan Repayment deductions withheld from employee pay and corresponding amounts payable to Third Party Provider.	In plans where loans are permitted, employees can typically borrow up to 50% of vested account balance up to \$50k.
2152	Group Legal Payroll Deduction	Record Group Legal deductions withheld from employee pay and corresponding amounts payable to Third Party Provider.	Sometimes referred to as legal insurance, plans function much like medical insurance where employee pay premiums via payroll deduction. When employee has the need for services for an attorney, he/she uses the plan to access those services.
2153	Vision Deduction	Record Vision deductions withheld from employee pay and corresponding amounts payable to Third Party Provider.	

Code	Description	Standardized Use of Account	Add'l Notes
2160	Archdiocesan/National Collections	Represents collections authorized by the Archdiocese remitted in full to the Center for Mission on behalf of the local, national or international relief agency	This account is typically used for National or International disaster relief
2161	Operation Rice Bowl Collection	Represents collections for Operation Rice Bowl remitted in full to the Center for Mission on behalf of the USCCB	Typically corresponds with Lent
2162	Holy Land Collection	Represents collections for Holy Land Collection remitted in full to the Center for Mission on behalf of the USCCB	Good Friday
2163	Catholic Home Missions Appeal	Represents collections for Catholic Home Mission Appeal remitted in full to the Center for Mission on behalf of the USCCB	Last Sunday in April
2164	Global Solidarity Sunday Collection	Represents collections for Global Solidarity. These amounts will be remitted to the Center for Mission on behalf of the USCCB	4 th Sunday of Lent. Combined collection for Catholic Relief Services, Solidarity with Africa, Aid to the Church in Central & Eastern Europe, and the Church in Latin America

Code	Description	Standardized Use of Account	Add'l Notes
2165	Peter's Pence Collection	Represents collections for Peter's Pence remitted in full to the Center for Mission on behalf of the USCCB	Sunday nearest the Feast of Sts. Peter and Paul (June 29)
2166	World Mission Sunday Collection	Represents collections for World Mission Sunday remitted in full to the Center for Mission on behalf of the Propagation of the Faith.	Next-to-last Sunday in October
2167	Campaign For Human Development	Represents collections for Campaign for Human Development remitted in full to the Center for Mission on behalf of the USCCB	Sunday before Thanksgiving
2168	Retirement Fund for the Religious	Represents collections for Retirement Fund for the Religious remitted in full to the Archdiocese on behalf of the USCCB	Second Sunday in December
2169	Catholic Services Appeal	Represents collections for Catholic Services Appeal Foundation remitted in full to the CSAF	

Code	Description	Standardized Use of Account	Add'l Notes
2170	Archbishop Special Collections	Represents collections for Archbishop Special Collections remitted in full to the Archdiocese.	
2171	Military Services USA	Represents collections for Military Services that occurs every 3 years. Collections remitted in full to the Archdiocese on behalf of the USCCB	
2180	Parish Pass-through Collections	The parish or school is acting as an agent; the donor contributes to a parish/school that accepts the check from the donor and agrees or transfer those funds to an unaffiliated non-profit that is specified by the donor ¹⁵	This account should only be used for 501(c)(3) pass through activity. It <i>should not</i> be used for mission trips, pastor discretionary activities, affiliate activities, etc.

¹⁵ [FAS 136: Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others](#)

Code	Description	Standardized Use of Account	Add'l Notes
2190	Deferred Revenue	Record advanced payments collected, or unearned revenue in one fiscal year that is for an activity occurring in the following fiscal year or until services have been rendered.	This might be used for youth programs occurring in the summer (July or August) but the fees are collected in May or June, monies received in June for a parish festival occurring in August, such as raffle, etc.
2191	Deferred Tuition Revenue	Used to record advance payments of tuition revenue collected in one fiscal year that is for the next school year. Use sub accounts to track registration fees separately.	This may be used for school or faith formation tuition collected in June of one fiscal year, but the school year does not start until September of the following fiscal year.
2200	Note Payable - Short Term	Record the portion of debt due in the next 12 months and any amounts due on a line of credit that may have a term of 12 months or less.	
2210	Bond Payable - Short Term	Record portion of bond debt due in the next 12 months.	If payment arrangements have been made and the obligation will be paid over more than 12 months, record the amounts due over 12 months as a long-term liability.

Code	Description	Standardized Use of Account	Add'l Notes
2231	Accrued Assessment Obligation	Record the outstanding amounts owed to the Archdiocese for Assessment liability past due by 12 months or more.	
2232	Accrued General Insurance Obligation	Record the outstanding amounts owed to the Archdiocese for General Insurance liability past due by 12 months or more.	
2233	Accrued Lay Pension Obligation	Record the outstanding amounts owed to the benefit trust plan for Lay Pension liability past due by 12 months or more.	
2234	Accrued Priest Pension Obligation	Record the outstanding amounts owed to the benefit trust plan for Priest Pension liability past due by 12 months or more.	
2235	Accrued Priest Benefit Obligation	Record the outstanding amounts owed to the benefit trust plan for Priest Benefit liability past due by 12 months or more.	

Code	Description	Standardized Use of Account	Add'l Notes
2236	Accrued PASC Obligation	Record the outstanding amounts owed to the Archdiocese for PASC liability past due by 12 months or more.	
2237	Accrued Sabbatical Obligation	Record the outstanding amounts owed to the Archdiocese for Sabbatical liability past due by 12 months or more.	
2238	Accrued AMBP Obligation	Record the outstanding amounts owed to the benefit trust plan for AMBP liability past due by 12 months or more.	
2239	Accrued Catholic Spirit Obligation	Record the outstanding amounts owed to the Archdiocese for Catholic Spirit liability past due by 12 months or more.	
2240	Clearing Account	Record asset to asset transfers via check, miscellaneous transactions that need more investigation	The clearing account should be reviewed monthly to make sure transactions are moved to an appropriate account.

Code	Description	Standardized Use of Account	Add'l Notes
2400	Note Payable - Long Term	Record debt that will be paid over a period that is longer than 12 months.	
2410	Bond Payable - Long Term	Record <u>bond</u> debt that will be paid over a period that is longer than 12 months.	
2430	Due To / (From) Operating Fund	Track balances due between the operating, cemetery and capital funds.	Note to PSA Users: Account used in ParishSOFT Accounting system when Due To/From feature is enabled. Direct transactions to this account is prohibited with feature enabled.
2450	Finance Lease	A type of lease in which a finance company is typically the legal owner of the asset for the duration of the lease, while the lessee not only has operating control over the asset, but also has a some share of the economic risks and returns from the change in the valuation of the underlying asset.	Accounting Standards Update No. 2016-02, Leases (Topic 842)

Code	Description	Standardized Use of Account	Add'l Notes
2600	Perpetual Care Fund – Cemetery		At least 20% of cemetery lots and 10% of all sales of burial space in mausoleum or columbarium, paid to the trustees of the fund quarterly MN Statute 306.37 Care and Improvement Fund

10-3-1i Net Assets

Debit has a Decreasing effect; Credit has an Increasing effect.

In a not-for-profit (NFP) organization the amount of total assets minus total liabilities is actually reported as net assets in its [statement of financial position](#). The net asset section for the NFP organization is divided into three classifications:

- Unrestricted Net Assets
- Net Assets – with Donor Restrictions (DR) (Temporary)
- Net Assets – with Donor Restrictions (DR) (Permanent)

Note to ParishSOFT Accounting Users: ParishSOFT Accounting will automatically update the Net Asset accounts. Manual transactions to 3000, 3100 & 3200 Net Asset Accounts must be submitted to Standards Department for approval and data entry.

Code	Description	Standardized Use of Account	Add'l Notes
3000	Unrestricted Net Assets	Tracks the balances of all unrestricted income and expenses (Equity).	4000-4799 Income minus 5000-6999 Expense close out to 3000 Unrestricted Net Asset at EOY
3100	Net Assets – With Donor Restrictions (Temp)	Tracks the balances of all income and expenses (Equity) that contain Donor Imposed Restrictions (Temporary).	4810 Income minus 4910 Income (contra) close out to 3100 Net Assets with DR Temp
3200	Net Assets – With Donor Restrictions (Perm)	Tracks the balances of all income and expenses (Equity) that contain Donor Imposed Restrictions (Temporary).	4820 Income minus 4920 Income (contra) close out to 3200 Net Assets with DR Temp

10-3-1j Income

Debit has a Decreasing effect; Credit has an Increasing effect.

Revenue is the gross income received by a parish or school from its normal business activities before any expenses have been deducted. Income may be received as [cash](#) or cash equivalent and it typically generated from contributions or the rendering of services.

Unless otherwise specified, income accounts are automatically assessed at:

- Parish Operations (1) Entity - 8% w/school or 9% w/o school
- Cemetery (2) Entity - Non Assessable
- Capital Campaign (3) Entity - 2%

NOTE: Remaining funds in Capital Campaign (3) Entity after completion of project used for Operating are fully assessable at 8% or 9%.

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4000	Sunday/Holy Day Envelope	Used to record all unrestricted monies collected during the weekend liturgies and Holy Day liturgies at which a collection is taken.	Record at gross. Weekly offerings in numbered envelopes or via checks that can be associated with a parishioner/visitor to the parish.	8% School 9% No School

¹⁶ Unless otherwise specified, income accounts are automatically assessed at:
Parish Operations (1) Entity - 8% w/school or 9% w/o school,
Cemetery (2) Entity - Non Assessable,
Capital Campaign (3) Entity - 2%

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4010	Sunday/Holy Day Plate	Unassigned plate collection currency/bills from Sundays and Holy Days for the <u>unrestricted</u> use of the parish.	Record at gross. Currency not included in an envelope and/or attributable to a parishioner. May use 4000 if Plate collection detail is not required by parish finance council.	8% School 9% No School
4020	Sunday/Holy Day Loose Change	Unassigned plate collection coins from Sundays and Holy Days for <u>unrestricted</u> use of the parish.	Record at gross. Coins not included in an envelope and/or attributable to a parishioner. May use 4010 if loose change detail is not required by parish finance council.	8% School 9% No School
4030	Sunday/Holy Day Special Parish Collection	Plate collections other than those described above which are available for <u>unrestricted</u> use of the parish.	Record at gross. May include second collection requests for additional/specific parish support.	8% School 9% No School
4040	Baptism Wedding & Funeral Stole Offering Revenue	Offerings given for the celebration of a sacrament, sacramental or mass.	Record at gross.	8% School 9% No School
4045	Funeral Lunch/Dinner Revenue	Offerings given for the reimbursement of funeral lunch or dinner expenses.	Record at gross. Expenditures to be recorded in 6425 in same ministry code.	Net of 4045 minus 6425 per ministry. Negatives do not offer credit.

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4050	Contributions Revenue	Money, other than plate collections, received for unrestricted use of the parish when used in Parish Operations, Cemetery and Consolidated School Entities. Defined by the ministry code in which it resides.	Record at gross. Contributions received not in conjunction with liturgy, may include checks, cash, credit cards, stocks & bond contributions.	8% School 9% No School 2% Capital Camp
4060	Memorials Revenue	Cash or checks received from individuals, families, and friends (survivors) to honor the memory of deceased person.	Record at gross.	8% School 9% No School 2% Capital Camp
4070	Bequests Revenue	Gifts of cash, life insurance, and trusts received from the estate of a deceased donor. Usually indicated in will of deceased.	Record at gross.	8% School 9% No School 2% Capital Camp
4080	Mass Stipend Revenue	Offerings given by the members of the faithful that are earmarked for the support of clergy and the works of the Church.	Record at gross.	8% School 9% No School

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4100	Votive Candle Revenue	Funds received as offerings left in receptacles at votive shrines, usually within the church building or on church property.	Record at gross. Record Expenses in 6423 with the same ministry code. Not for wedding, Easter, Vigil, etc. candles (see 4050 instead).	Net of 4100 minus 6423 per ministry. Negatives do not offer credit.
4110	Building Fund Revenue	Special collections taken or donations made for the purpose of additions to/or major maintenance of parish/school buildings.	Record at gross. Roof replacements, facility remodeling, and parking lot re-pavement, pew replacement, flooring, window replacement, HVAC system, building remodeling, etc.	8% School 9% No School 2% Capital Camp
4120	Dividend/Interest Revenue	Interest received from bank accounts and dividends received from investments.	Record at gross. Interest from bank statement. Utilize Ministry Code 99 Non-Operating Activity only to record activity from Investment accounts and Permanently Restricted Endowments.	8% School 9% No School 2% Capital Camp

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4130	Realized Gains (Losses) on Invest	Gains or losses realized when investments are actually sold.	Record at gross. Includes sales of assets including investments, property, land, buildings. Utilize Ministry Code 99 Non-Operating Activity only to record activity from Investment Accounts and Permanently Restricted Endowments.	8% School 9% No School 2% Capital Camp Non Assessable -Ministry Code 99
4140	Unrealized Gains (Losses) on Invest	Difference between cost and current market value of securities.	Record at gross. Not from sales transactions, (see 4130). Utilize Ministry Code 99 Non-Operating Activity only to record activity from Investment Accounts and Permanently Restricted Endowments.	Non Assessable
4160	Bulletin Revenue	Revenue derived from the sale of published advertising in parish Sunday bulletin.	Record at gross.	8% School 9% No School

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4170	Other Revenue	Revenue derived from sales/services provided, not otherwise categorized.	Record at gross. Limited use of this account - most income should be appropriately assigned to Object/Ministry codes.	8% School 9% No School 2% Capital Camp
4175	Reimbursed Shared Services	Reimbursements provided from a clustered parish where the services of your parish employee are shared.	Record at gross. Clustered parish using services of another parish employee to record expense in 6110 Professional Services Exp.	Non Assessable
4176	Reimbursed Shared Expenses	Reimbursements provided from a clustered parish where non-personnel expenses are shared.	Record at gross. Clustered parishes sharing non-personnel expenses such as utilities, office supplies, etc. See 4175 Reimbursed Shared Services for personnel expenses.	Non Assessable
4180	Rebates from CSAF	Funds from Catholic Services Appeal Foundation (CSAF) and other Archdiocesan rebates, returned to parish.	Record at gross. Catholic Services Appeal Foundation (CSAF) rebates.	Non Assessable

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4190	Sale of Property/ Equipment/Land	Sale or exchange of parish/school assets.	Record at gross. Land, buildings, machinery, office equipment, vehicles, furniture and fixtures.	8% School 9% No School 2% Capital Camp
4200	Building & Grounds Income	Special collections taken or donations made for the purpose of building and maintenance.	Record at gross. General maintenance, grounds upkeep, snow removal, utility bill assistance.	8% School 9% No School
4210	Rental Operations Income	Funds received as regular rental income for buildings or office space rented by the parish to some third party organization or individual. There should be contracts supporting this relationship.	Record at gross. Example: Family that rents out house owned by parish.	8% School 9% No School
4215	Reimbursement of Contracted Rental Expenses	Funds accompanying 4210 Rental Operations Income to offset utilities, grounds, maintenance specified in rent/lease contract.	Record at gross. Does not include Salary/Wages and Benefits of staff.	Non Assessable
4235	Program Income	Monies received for programmatic activity defined by ministry code. Subaccounts may be used for additional definition as needed.	Record at gross.	8% School 9% No School

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4310	Tuition Revenue	Revenue generated by providing training or instruction as defined by its ministry code. Subaccounts may be used for additional definition.	Record at gross.	8% School 9% No School
4315	Hot Lunch Revenue	Revenue generated by providing hot meals to students enrolled in the parish or consolidated school.	Record at gross. Payments by parents for students to be recorded in 4315.XX ES, MS, and HS. Reimbursements by agencies to be recorded in 4315.XXGG.	Non Assessable
4320	Fee Revenue	Payments made to a parish in exchange for products or services as defined by its ministry code. Subaccounts may be used for additional definition.	Record at gross.	8% School 9% No School Festival (05) Ministry - Net Assessable
4321	Interment Charges	Sale of services for grave opening and closing.	Record at gross.	Cemetery (2) Entity Only - Non Assessable
4322	Monument Setting	Sale of services for building foundation, squaring and setting cemetery monuments.	Record at gross.	Cemetery (2) Entity Only - Non Assessable

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4330	Fundraising Revenue	Funds generated by an event whose specific purpose is to raise revenue. Fundraising Revenue object (account) code defined by the ministry code in which it resides.	Record at gross. Raffle, auction, gala, fish fry, Record expenditures in 6115 in the same ministry code.	Net of 4330 minus 6115 per ministry. Negatives do not offer credit.
4340	Rental Revenue	Resources derived from the intermittent use of property owned by parish and related entities by individuals or third party organization. Sub-accounts can be created to separate out various rental properties, if desired.	Record at gross. Hall rental, gym rental, parking lot rental.	8% School 9% No School
4350	Sales	Funds received for selling tangible goods or services not otherwise defined.	Bibles, rosaries Record at gross.	8% School 9% No School
4353	Gift Shop Sales Rev	Revenue generated by the sale of goods in a parish/school gift shop.	Record at gross. Bibles, rosaries, statues, postcards, etc. Record expenditures in 6415 in same ministry code.	Net of 4353 minus 6415 per ministry. Negatives do not offer credit.

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4355	Grave Sales	Revenue generated by the sale of grave plots, crypts , niches, vaults, internment and funeral services. Sub-accounts can be created to separate income sources, if desired.	Grave plots, crypts, niches, vaults, internment, funeral services Record at gross.	Cemetery (2) Entity Only - Non Assessable
4370	Financial Aid/Scholarship Revenue	Any scholarship or contribution for the purposes of assistance to a student or to a school tuition fund to help offset tuition expense or overhead. Such aid may be provided by various sources such as parishioner contributions, foundations (such as CCF Agency Accounts), and corporations.	Record at gross. CCF Agency Accounts, philanthropic initiatives. May be used for school tuition, faith formation tuition, and some program fees (i.e. World Youth Day).	8% School 9% No School

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4380	Grant Revenue	Unrestricted award bestowed by an agency (called the grantor) for general purposes to an eligible recipient (called the grantee).	Record at gross. Use 4810 Restricted Income (Temp) and Project Code to track restricted grant monies where funds are conditional upon certain qualifications as to the use, maintenance of specified standards, or a proportional contribution (i.e. matching grant) by the grantee or other grantor(s).	8% School 9% No School
4390	Subsidy Revenue	Sum of money gifted by another parish/school or organization to assist a parish for the purposes of operations.	Record at gross. Record Reimbursed Shared Services in 4175.	8% School 9% No School
4410	Student Activity Income	Monies received for extracurricular clubs and programs at a parish school as defined by its school ministry code.	Field trips Record at gross. Record expenditures in 6310 or 6175 in same ministry code.	Net Assessable

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4450	3rd Party Lender Debt RD Fundraisers	Funds raised and recorded in the Capital Campaign Entity for the sole purposes of accelerated payments of principal to reduce/eliminate 3 rd party lender lender/bank debt.	Record at gross. Record and track accelerated/ additional principal payments. Assessment deduction is based on funds raised and accelerated payments made within the same fiscal year .	Capital Campaign (3) Entity – Non-Assessable based on funds raised and accelerated principal payments made in same fiscal year.
4810	Restricted Income (Temp) Donor Restricted	Contributions received from donors who have imposed a restriction on the use of the funds. This restriction may be resolved either by time or by purpose.		8% School 9% No School 2% Capital Camp
4820	Restricted Income (Perm) Donor Restricted	Contributions received from donors who have imposed a restriction on the use of the funds. This restriction may not be resolved either by time or by purpose.	Endowments	Non-Assessable

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact¹⁶
4900	GAAP Release – Without Donor restrictions	This account tracks balances due between Unrestricted, Temporarily and Permanently Restricted Income. Typically triggered when restricted funds are spent.	Note to PSA Users: Account used in ParishSOFT Accounting system when GAAP Compliance feature is enabled. Direct transactions to this account is discouraged with feature enabled.	Non-Assessable
4910	GAAP Release – With Donor Restrictions (Temp)	This account tracks balances due between Unrestricted, Temporarily and Permanently Restricted Income. Typically triggered when restricted funds are spent.	Note to PSA Users: Account used in ParishSOFT Accounting system when GAAP Compliance feature is enabled. Direct transactions to this account is discouraged with feature enabled.	Non-Assessable
4920	GAAP Release – With Donor Restrictions (Perm)	This account tracks balances due between Unrestricted, Temporarily and Permanently Restricted Income. Typically triggered when restricted funds are spent.	Note to PSA Users: Account used in ParishSOFT Accounting system when GAAP Compliance feature is enabled. Direct transactions to this account is discouraged with feature enabled.	Non-Assessable

10-3-1k Expense

Debit has an Increasing effect; Credit has a Decreasing effect.

Money a parish or school spends on administration, programs, fundraising. Typically these expenses are reported in the [Statement of Activities](#) by Function (Ministry Code) and Natural (Object Code) classification.

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
5000	Clergy Salary Exp	The Regular Salary for resident priest. This entire amount is taxable income and reported on IRS Form W-2. Salaries of priests with multiple assignments will be prorated among their assignments.	Priest Wages – See 404 – Compensation Schedule for Priests	
5005	Extra Clergy Salary Exp	Cost of extra clergy for additional assistance provided to the resident Priests.	See 404 – Compensation Schedule for Priests	
5010	Salary/Wages Exp	Total compensation company pays its non-clergy employees.	Business Administrator, Janitor, Secretary, Teacher Wages, etc.	
5020	FICA/ Medicare Exp	Parish portion of FICA and Medicare Taxes. Priests are considered self-employed for FICA and will not have FICA taxes withheld or paid by parish.	See IRS Social Security and Medicare Withholding Rates	
5025	Other Employee Benefit Exp	Parish portion to provide other benefits not listed for non-clergy employees.	Disability Insurance, Supplemental Life Insurance, Long Term Disability Insurance	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
5030	Clergy Insurance Exp	Medical, dental, and priest pension paid by the parish or institution to which the priest is assigned. The benefits will be provided by the Archdiocesan group plan for priests.	See 404 – Compensation Schedule for Priests	
5040	Lay Insurance Exp	Parish portion to provide health insurance for non-clergy employees.		
5050	Clergy Housing Allowance Exp	Housing allowance for clergy approved by Archbishop/Parish Corporate Board for Archdiocese Policy no. 316 (Alternate Residence Policy)	Housing allowance for pre-approved AP#316 living in alternate residence - See 404 – Compensation Schedule for Priests	
5055	Clergy Living Maintenance Exp	Reimbursements for food, laundry, internet, cable TV, household help, etc. for those priests not living in parish or institutional provided housing (see Compensation Schedule for Priest for annual rate).	Living expenses for clergy residing in Rectory to be recorded under appropriate object codes in Rectory Building (RB) ministry code. See 404 – Compensation Schedule for Priests	
5060	Clergy Pension Exp	Parish portion of Defined Benefit Obligation for clergy employees.	Active Priest Pension Plan. Rates are determined annually and billed quarterly for the Priest Pension.	
5065	Clergy 403(b) Employer Match Exp	Employer's (parish/school) portion of 403(b) for clergy employees.	PenServ calculates the employer match based on the payroll upload submitted.	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
5070	Lay Pension Exp	Parish portion of Defined Benefit Obligation (frozen pension) for non-clergy employees.	DBO is a parish-only expense (no employee contributions since 2012). Parish amount was determined in 2012. Quarterly billing to ADSPM – Lay Pension. Payments will continue until the frozen pension plan has been fully funded. This is a parish and cemetery only obligation, and should not be billed to specific ministries.	
5075	Lay 403(b) Employer Match Exp	Employer's (parish/school) portion of 403(b) for non-clergy employees.	PenServ calculates the employer match based on the payroll upload submitted.	
5080	Workers Comp Exp	Parish portion to provide Workers Compensation Insurance for employees.	ASPM General Insurance	
5090	Unemployment Comp Exp	Parish portion to provide Unemployment Compensation Insurance for non-priest employees.	Paid through Paycor, included in journal entry.	
6000	Staff Development Exp	Educational programs for employees (non-clergy) conducted by the parish or other institution; it includes orientation, dues, in-service training and continuing education.	Protecting God's Children trainings, retreats, reimbursed tuition, APBA dues, etc.	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6005	Clergy Professional Exp	Annual retreat fees, in addition to other professional or sabbatical expenses. Bi-annual Presbyteral Assembly fees are to be paid by the parish or institution.	Record in Clergy Services (CS), See 404 – Compensation Schedule for Priests	
6010	Recruitment Exp	Expenditures related to securing the services of a new employee, including interview related expenses, classified ads.	Classified ads, website advertising, Monster.com, Indeed.com, etc.	
6020	Background Check Exp	Expenditures for the investigation and compiling criminal and credit+D63 records of an individual to determine volunteer and/or employment eligibility.	101 – Background Check – Archdiocese	
6025	Capital Exp	Building improvements are capital events that materially extend the useful life of a building, or increase the value of a building, or both.	Roof replacement, elevator, etc. Capital Expenditures should result in an addition of an Asset account on the Statement of Financial Position.	If Capital Campaign Entity 3 not in use, auto calculation on APFR will adjust 6025 in Parish Entity only: w/ school 75% wo/ school 78%
6030	Office Equipment Exp	Cost incurred to purchase, maintain and operate office equipment (copier see 6210, computers see 6050).	Desks, chairs, portable light fixtures, etc.	
6035	Building Equipment Exp	Cost of equipment capable of being (re)moved from the building, used to repair and/or maintain parish buildings.	Tools, ladder, hardware, floor sander, floor polisher, etc.	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6040	Equipment Rental Exp	Payments made for equipment use provided by another company.	Backhoe, skid steer, etc.	
6050	Computer Hardware Exp	Cost incurred to purchase, maintain and operate computer hardware and its peripherals.	Computer, monitor, printer, scanner, etc.	
6060	Computer Software Exp	Cost incurred to purchase, maintain and operate computer software.	ParishSOFT, Microsoft Office, etc.	
6070	Computer Consulting Exp	Cost of procuring expert computer hardware or software knowledge or services from a third party for a fee.	Geek Squad, contracted IT consultant	
6080	Mileage/ Transportation Exp (Mileage/ Meetings Exp in CS)	Funds provided to an individual as reimbursement for mileage placed on their vehicle, costs of plane, train, or taxi for performing a duty for the parish/school.	Mileage, airfare, taxi, etc. Clergy - record in Clergy Services (CS) - See 404 – Compensation Schedule for Priests Non-Clergy - record in all other Ministry Codes	
6090	Professional Fees - Accounting	Expenditures incurred to obtain accounting advice and services, including AUP and Audits, related to issues and operation.	PASC, CPA, auditing firm	
6100	Professional Fees - Legal	Expenditures incurred to obtain legal advice and services related to issues and operation.		

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6110	Professional Services Exp	Purchased professional services.	Security company, pest control, architect, etc. May also record shared service expenses with clustered parish.	
6115	Fundraising Exp	Costs associated with fundraising activities including fundraising campaigns, mailings for funds from supporters, and other solicitations for contributions.	Record Income in 4330 in the same ministry code.	Net of 4330 minus 6115 per ministry. Negatives do not offer credit.
6120	Appreciation Exp	Costs associated with expressing gratitude or recognition to an individual or group.	Flowers, Lunch/Dinner, other non-cash or gift card gifts. Cash or Gift cards provided to employees must be recorded (i.e. Christmas Bonus) in 5010 and are subject to Federal/State Income taxes.	
6130	Hospitality Exp	Cost to provide food, beverages, activities, or events for the purpose of promoting and furthering the mission of the Parish/School.	Pizza, soda, donut Sunday, etc.	
6135	Marketing/ Advertising Exp	Expenses associated with promoting the parish, school or cemetery products or services in order to stimulate a desire to attend parish services or events, or buy the parish/school/cemetery products or services.	Catholic Spirit, news media advertising, advertising placed in 3rd party periodical/web site	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6140	Postage Exp	Expenses incurred for outside mailings and distribution.	US Post Office, FedEx, UPS, etc.	
6150	Printing/ Publishing Exp	Expenses incurred relating to document preparation including print setting, formatting and design. Also includes cost for outside copying charges.	Forms, brochures, business cards, etc.	
6160	Subscriptions/ Periodicals Exp	Books, magazines, periodicals, or any publications purchased for use as reference material in operations.	Newspaper, books for reference, pamphlets, etc.	
6170	Instructional Exp	Fixed and variable (non-salaried) costs associated with providing the personnel, equipment, and facilities necessary to support students in school and religious education programs.	Books, workbooks, overhead projector, etc.	
6175	Program Exp	Fixed and variable (non-salaried) costs associated with providing the personnel, equipment, and facilities necessary to support various ministry programs. Program Expense specific to Ministry Code used.	Based on ministry.	
6180	Supplies Exp	Cost of any supplies purchased to carry out normal operations of business. Supplies are based on its ministry code.	Based on ministry. Pens, paper, cleaning supplies, etc. Example: general operations supplies 6180.00GO includes pens and paper, while church building 6180.00CB includes cleaning supplies and winter salt.	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6185	Other Exp	Cost of other expenses (not listed) to carry out normal operations of business.	Based on ministry. Limited use of this account - most expenses should be appropriately assigned to Object/Ministry codes.	
6190	Vestments Exp	The costs of liturgical garments and articles generally worn by clergy, acolytes, altar servers, lectors, and other lay ministers.	Alb, chasuble, robe, surplice, etc.	
6195	Donation/ Tithing Exp	Costs of supplies and/or services used in obtaining donations.	Vanco Services, OSV, American Church Envelopes, etc.	
6200	Telephone Exp	Expenditures for telephone and communication services including equipment rental, cell phones, long distance services.	Verizon, T-Mobile, etc.	
6205	Internet/Cable TV Exp	Expenditures for internet, cable TV, and equipment rental through internet service provider.	Comcast internet	
6210	Copier Exp	Expenses related to leasing and maintaining office copy machines.	Copier lease, toner, drum, etc.	
6220	Utilities Exp	Payments for usage of electricity, water and natural gas.	Xcel Energy, city water/sewer bill, etc.	
6230	Interest Exp	Charge for borrowed money generally at a percentage of the amount borrowed or owed.	Bank loan interest, credit card interest, etc.	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6240	Bank Charge/ Fee Exp	Fees charged for all bank or credit card services related to existing accounts including check fees, wire transfer fees, etc.	Bank charges, ACH fees, ATM fees, payroll processing fees, Paycor, Vanco, etc. Utilize Ministry Code 99 Non-Operating Activity only to record activity from Investments and Permanently Restricted Endowments.	
6250	Maintenance & Repair Exp	Expenditures related to repair and maintenance of buildings and/or equipment used in operations. Types of M&R expenses based on Ministry Code.	Based on ministry. Ex: 6250.00CB = pothole and fence repair, floor polish and wax 6250.00MU = repair for musical instruments. Not to be confused with 6025 Capital Exp.	
6260	Property/ Liability Ins Exp	Expenditures related to obtaining and maintaining property and liability insurance for parish/school and buildings.		
6270	Municipal Assessment	Annual local governmental tax on real or personal property based on a tax rate. May be city, county or state assessed.	Property tax, vehicle license plates, temporary liquor license, etc.	
6280	Depreciation Exp	A decrease in the value of an asset over time.	ADSPM generally recognizes straight-line depreciation.	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6310	Student Activity Exp	Expenditures for extracurricular clubs and programs at parish/school as defined by its school ministry code.	Travel/lodging for school trip, payments to museum for field trip, etc. Record Income in 4410 with the same ministry code.	
6315	Hot Lunch Program Expense	Costs associated with providing meals and beverages for students enrolled in parish or consolidated school.	Milk, food costs, etc. Record Income in 4315 with the same ministry code.	
6320	Scholarship Exp	Payments made to a student or educational institution on behalf of a student.		
6330	Bad Debt Exp	Expense associated with writing off loans, accounts receivable, tuition receivable and delinquent accounts greater than 90 past due.	Prior year's tuition, default on promise to pay pledge campaign	
6380	Grant Expense	Funds expensed in accordance with a grant award letter, specifying purpose, time, and reporting requirements		
6400	Building & Grounds Exp	Supplies purchased, and services of non-employees, for upkeep of parish/school owned buildings.	Snow removal, landscaping, exterior paint, etc.	
6410	Rental Operations Exp	Supplies purchased, and services of nonemployees, for upkeep of parish/school owned buildings rented out to third parties.	Snow removal, landscaping, property management, exterior paint for rental properties, etc.	

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6415	Cost of Goods Sold Exp	Cost of goods sold at a parish gift shop or book kiosk.		Net of 4353 minus 6415 per ministry. Negatives do not offer credit.
6423	Votive Candle Expense	Purchase of small candles, typically white or beeswax yellow, intended to be burnt as a votive offering in an act of prayer.	Record Income in 4100 with the same ministry code.	Net of 4100 minus 6423 per ministry. Negatives do not offer credit.
6425	Funeral Lunch/Dinner Expense	Costs associated with providing meals for the families attending a funeral lunch or dinner.	Record Income in 4045 with same ministry code.	Net of 4045 minus 6425 per ministry. Negatives do not offer credit.
6500	Archdiocesan Assessment	Parish assessments are based on a canonical authority to afford monetary support to the Archbishop and his staff for essential works such as supervision of units of the local Church under his authority as well as acts of charity and good works.		
6510	Catholic Spirit Subscriptions	The cost of subscriptions to the official magazine of the Archdiocese of Saint Paul and Minneapolis.		
6600	Emergency Fund Exp	Charitable gifts to individuals or organizations.		

Code	Description	Standardized Use of Account	Add'l Notes	Assessment Impact
6620	Parish Investment in School Exp	Funds provided to supplement and support the parish's regional or consolidated school, generally 15% of the plate and envelope collections.	Account is used in automated calculation on APFR, determining assessment rate for parishes who support a parish/consolidated school.	
6630	Subsidy Expense to Other Parish	Funds provided to another parish where shared expenses, such as salaries, utilities, use of space are incurred.	Contributions to specific program held at another parish. Record shared service expenses with clustered parish in Professional Service Exp 6110.	
6640	Building Additions/ Repairs - Major	Building improvements that are <u>NOT</u> capital events but are major additions to the structure, building equipment or repairs of same. These major building additions and/or repairs would not serve to extend the life of the building or increase the value.		
6700	Expenditures of Restricted Donations	Expenditures that require allocation to restricted funds.	May be used if restricted fund expenses are not budgeted. Utilize Project Codes in conjunction with account.	

10-3-2 Sub-Accounts

The sub-account number of 00 is used for all standard ADSPM accounts within the Chart of Accounts.

However, some parishes may find they need additional detail to satisfy the reporting needs of their pastor and/or finance council.

To accomplish this, each parish has the ability to add up to 99 sub-accounts under each primary account. See [Selecting Accounts and Creating Sub-Accounts in ParishSOFT Accounting](#) for step-by-step instructions.

10-3-3 Subsidiary Ledgers, Project Groups and Project Codes

Parishes should limit the overall number of accounts selected from the full Standardized Chart of Accounts to only those accounts that are necessary for their parish. However, there may be instances where additional information is required for a small set of accounts. In these cases, a subsidiary ledger may be kept.

Parishes who use ParishSOFT Accounting shall utilize Project Groups and Project Codes as the subsidiary ledger.

Project Groups and Project Codes must also be utilized to track fund balances of Donor Restricted Income (Temp) and Donor Restricted Income (Perm).

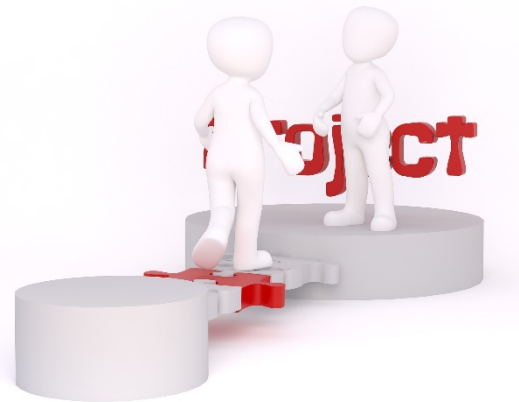
See [Projects - How to Setup, Use and Report](#) for more information.

10-3-4 Shortcut Numbers

While the purpose of the long Account Code is to give you flexibility and control over how each account is sorted and filtered on your financial statements, it can be quite cumbersome during transaction entry.

The shortcut number is an easy reference number for each of the accounts in your Chart of Accounts. Shortcut numbers are structured as follows:

Object Code + "." + Sub-Account Number + Ministry Code



Example:

6180.00GO = Supplies in General Operations

6180.00CB = Supplies in Church Building

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Section 11 Budgeting

11-1 Purpose



All organizations or entities, whether they are individuals, households, large corporations or nonprofit organizations, must become involved in financial management. Solid financial management begins with financial planning. The most basic tool in financial planning is the [budget](#). A budget is a plan presented in financial terms. All parishes must operate within a budgetary framework, which starts with the initial planning for the budget and ends with the actual implementation of the approved budget.

The primary purpose of the budget is to identify the financial resources needed to accomplish the mission of the parish and school, and maintain financial stability for the long term. A well-planned budget will provide financial control, allows the parish to focus on their goals and mission, and displays accountability and transparency to your donors.

The guidelines presented in this chapter are intended to describe the important elements of the budgeting process and to provide guidance on implementation.

11-2 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted the [accrual method of accounting](#) for recognition of parish and school expenses.

The Archdiocese of Saint Paul and Minneapolis has defined a standardized chart of accounts (COA) for use by all parishes and schools. See Section 10 Chart of Accounts on page 125 for the accounts listing and descriptive COA.

11-3 Scope

11-3-1 Leadership Involvement and Responsibility

In consultation with the trustees, parish and school [leadership](#), the pastor is responsible for the approval of a balanced budget. The creation of the budget includes the collaboration and input from many individuals including staff (pastor, parish administrator, ministry staff and principal), leadership (finance council and parish council) and other advisory councils (school advisory council and building and grounds committee).

The Archdiocesan [Policies 207 – Parish Finance Council Requirements](#) and [208 – Parish Finance Council – Template for Constitution and Bylaws](#), provide the pastor and Finance Council with the advisory requirements of the of the council as it relates to administrative responsibilities, including budgetary activities, [internal controls](#) and other matters as identified in the policy. Additionally, the Finance Council is responsible for signing the Annual Representation Letter¹⁷ which is submitted to the Archbishop. In signing the Representation Letter, the Finance Council is attesting to the review of the budget and financial statements on a periodic basis.

11-3-2 Balanced Budget

A balanced budget is expected by all parishes and schools within the Archdiocese. According to the [Policy 208 - Parish Finance Council Constitution and Bylaws](#), “any indebtedness resulting from operating [deficits](#) shall not exceed 5% of the prior year’s annual operating budget, without



Budgeting is the allocation of parish resources, in accordance with a plan, for the achievement of its objectives and goals.

The parish budget is one of the most effective tools available for the proper stewardship of parish assets.

¹⁷ [Policy 405 – Finance – Annual Representation Letter](#)

the unanimous consent of the Board.”

The budgeting process includes the consideration of the following activity: parish/school operations, capital purchases, capital income and principal

payments on debt. A deficit may arise from operating results which includes planned spending for capital purchases.

The intention may be to use reserves created from previous years' surpluses.

Likewise, a surplus from operating results

may exist as it is necessary to account for principal payments on debt. After the budget has been created, a cash forecast may be established to address the impact of cash flow throughout the year.



The Capital Improvement Budget is the portion of the parish/school budget reflecting Capital Improvement costs to be expensed during a fiscal year, adopted in conjunction with the operating budget for such fiscal year.

11-3-3 Long Range Planning

In addition to the annual budget, it is recommended to prepare a long range budget and cash flow projection which projects out 3 to 5 years. The annual budget is a good starting point for this planning. See 18-5-3 Cash Flow Projection/Forecast on page 416 for more information.

11-3-4 Reserves

Annual parish and school budgets should be prepared so that planned expenditures do not exceed expected revenues. Over the years, some parishes have been able to generate surpluses or revenues that exceed expenditures and have accumulated reserves. Conversely, some parishes have found themselves in a deficit situation and have had to use their reserves or borrow to meet their obligations. Deficit spending, if prolonged, will clearly lead to great financial difficulty for the parish/school. Parish leadership should be informed if deficit spending occurs.

11-3-5 Budgeting Process

It is important to begin the annual budgeting process early in order to have the necessary involvement from staff and leadership. The following should be gathered before the process begins:

- Past year(s) financial results, including trends
- Current year to date activity
- Previous year's budget
- Strategic plans, including any tactical plans
- Suggested changes resulting from consultation with staff and ministry leaders
- Demographic or enrollment changes



Directors responsible for the programs operated in the parish should prepare their own budgets. For example, the director of the religious education should develop a budget for their own program. The religious education program budget is then incorporated into the total parish budget before the consolidated budget can be approved. For parishes with a school, the principal and the school advisory committee prepares the school budget.

Review the current and prior year general ledger reports to confirm that generally accepted accounting principles were used.

If Income accounts were used on Bills/Checks, or Expense accounts on Deposits, correct analysis and budgeting for the next fiscal year can be very difficult. Make corrections in the current month journal entries to correct.

The parish administrator aggregates the administrative and facilities components along with the individual program budgets to create one consolidated budget. This is reviewed by the pastor and the Finance Council. After review, changes to the program budgets may be needed in order to balance and align the consolidated budget. Once the budget is final and approved by the pastor, these changes are communicated back to the respective program directors.

11-3-6 Methods of Budgeting

The budget is prepared by calculating estimates for both revenue and expense on a line by line basis. This method provides for scrutiny over all prior year and projected activities. This includes both parish/school activity and operating and non-operating activity. It is also prudent to be conservative and realistic in estimating both revenue and expense. This includes leaning toward underestimating revenues and overestimating expenses. This produces a slight buffer for unexpected events.

11-3-7 Key Operating Revenue Sources

11-3-7a Parish Ministries

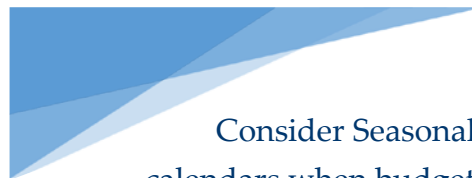
Parish Ministries are included in the Parish Operations Entity #1, and Ministry Codes 01-79. Utilize the proper Ministry Code when budgeting for specific account codes. Utilize the corresponding account code located next to each account listed below:

- [4000 Envelope](#) and [4010 Plate](#) giving is a large revenue source for a parish. Review the past giving trends for your parish and be realistic in projecting future increases. What efforts have been made to increase parishioner donations? What stewardship programs have been established and maintained at the parish? It is prudent to budget conservatively in this area. Conservative planning allows for fluctuation



due to unplanned external occurrences that may have an impact on giving patterns.

- [4235 Program Revenue](#) includes revenue for fees charged for parish programs such as Faith Formation, Sacramental Preparation, Bible Study and other parish sponsored events. What is the current projected enrollment for the upcoming program year and is this projection realistic? Other factors may be considered when preparing these budgets. Review past results and make adjustments for changes in enrollment and to the fee structure.
- [4330 Fundraising](#) includes revenue for parish sponsored fundraising events such as parish festivals, dinners, auctions, raffles, and bingo. Review past revenue and make adjustments for anticipated future scheduled events. For new events, be conservative in anticipated net revenue. This is part of parish life and should be budgeted realistically. Note, not all parish sponsored events are fundraisers but are hosted to help build community.
- [4060 Memorials](#) and [4070 bequests](#) represent income received from parishioners and estates for specific memorials and bequests. Since this varies from year to year, it is prudent to include a conservative estimate for memorials based upon historical averages. It is best to not budget for bequests unless the parish has received notification of pending gift.
- [4380 Grant revenue](#) includes unrestricted distributions from government agencies and foundations. This should be budgeted if there is certainty of the receipt and amount is known. Grants that include donor-imposed restrictions should use 4810 Restricted Income (Temp).
- [4340 Rental Revenue](#) includes the [intermittent](#) use of parish property, such as weddings, hall rentals, etc. Since this varies from year to year, it is prudent to include a conservative estimate for rental revenue based upon historical averages.



Consider Seasonal and Liturgical calendars when budgeting for specific income and budget appropriately for the affected month.

4000 Sunday/Holy Day Revenue will be higher in December versus August.

- [4210 Rental Operations income](#) includes income from a lease agreement with an outside entity. This agreement may also include reimbursement for facility expenses such as utilities and maintenance. This reimbursement should be classified separately on the [Statement of Activities](#) and labeled as [4215 Reimbursement of Contracted Rental Expenses](#).
- Other budgeted income includes any income not already listed. This may include [4080 mass stipends](#), [4100 votive candle revenue](#), [4160 bulletin revenue](#), [4045 funeral luncheons](#) and [4040 stole fees](#). This type of income varies between parishes and is based upon specific situations. Significant line items should be budgeted separately.

11-3-8 School Ministries

School Ministries are included in the Parish Operations Entity #1 (Parochial School) in Ministry Codes Ministry Codes 80-89. Independent schools shall use Regional School Entity #4 and Ministry Codes 01-89. Utilize the proper Ministry Code when budgeting for specific account codes. Utilize the corresponding account code located next to each account listed below:

- [4310 Tuition](#) and [4320 Fees](#) are large revenue sources for a school. What is the projected enrollment for the upcoming year? What is the [stated tuition](#), projected tuition discounts and financial aid?
- [4235 Program Revenue](#) includes revenue for programs such as hot lunch, extended day care, athletics, and student activities.
- [4330 Fundraising](#) includes events such as a marathon for nonpublic education, auctions, book fairs and candy sales. Estimate the corresponding expense for these activities.
- Funding from outside sources includes unrestricted revenue generated from [4380 grants](#) and other support outside of the school families. This includes tuition assistance from the Aim Higher Foundation, Catholic Service Appeal Foundation, and grant income from other



foundations. Grants that include donor-imposed restrictions should use 4810 Restricted Income (Temp).

11-3-9 Key Operating Expenditures

11-3-9a Parish Ministries

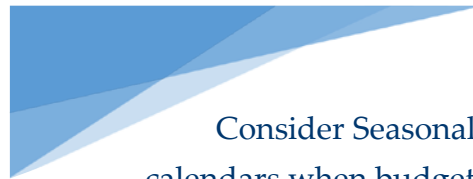
Parish Ministries are included in the Parish Operations Entity #1, and Ministry Codes 01-79. Utilize the proper Ministry Code when budgeting for specific account codes. Utilize the corresponding account code located next to each account listed below:

- Salaries and benefits are large expenses for the parish. When budgeting for these expenses, it is imperative to have a detailed supporting schedule including all of the staffing components. This schedule includes: [5010 salaries](#) and benefit expense, [5020 payroll taxes](#), [5040 health and dental benefits](#) provided by the employer, employer portion of the [5070 403\(b\) contributions](#), [5080 workers compensation](#) insurance expense, [5090 unemployment taxes](#) paid directly to the state fund or actual unemployment expense if a direct pay employer. This detailed information is confidential and should be reviewed only by a few select staff members and the pastor. Only summary information should be used in the budgeting process shared with the broader parish/school [leadership](#), and for reporting purposes.
- [5000 Clergy salaries](#) and benefits shall be budgeted in the established account code structure and in the Ministry/Department codes for Clergy Services. Clergy benefits include [5060 pension](#), [5065 403\(b\) Employer Match](#), [5030 health and dental](#). Clergy [6080 mileage reimbursement](#) and [6005 professional expenses](#), which includes institutes, seminars, workshops, sabbatical and annual retreat fees should also be budgeted. See [404- Compensation Schedule for Priests](#) for more information.



Clergy residence shall comply with [315 – Priestly Residence – Archdiocese Policy](#):

- o Clergy living in the Parish Rectory should budget all clergy living expenses to the [Rectory Building](#) Ministry Code. This includes payment made directly to the vendor for [6220 utilities](#), [6200 telephone](#), [6205 cable TV](#), [6110 household help](#), [6180 food](#), etc.
- o Clergy not living in the Parish Rectory should budget all clergy living expenses to the [Clergy Services](#) Ministry Code for [5050 Clergy Housing Allowance](#) and reimbursements for [5055 Clergy Living Maintenance](#).
- f. The Salary Schedule for Diocesan Priests is published at [404 – Compensation Schedule for Priests](#) and distributed annually.
- [6220 Utilities](#) and facility expenses include electricity, water, and natural gas, rubbish removal, [6110 contracted and janitorial service](#). Use current/prior year's actuals and adjust by the anticipated rate increase to arrive at a budget for the next year. This expense should be reviewed. If the parish has a school on the parish plant, an [allocation](#) method should be reviewed and adopted in which to address school ministries. If appropriate, allocations to parish ministries, such as [6250 Maintenance and Repairs](#), may also need to be reflected.



Consider Seasonal and Liturgical calendars when budgeting for specific expenses and budget appropriately for the affected month.

6220 Utilities may be higher in December versus April.

- [6230 Interest expense](#) is calculated from a loan [amortization schedule](#). The principal portion of a loan payment reduces the outstanding loan balance on the [Statement of Financial Position](#).
- [6500 Annual parish assessment](#) expense for the upcoming budget is based upon the parish income from the prior [fiscal year](#) end. The assessed rate varies upon the existence of a parish school or adequate support of a consolidated school. The assessment is

calculated from the [Annual Parish Financial Report \(APFR\)](#) submitted each year to Archdiocese of Saint Paul and Minneapolis, Office of Finance and Administration.

- Administrative expense includes [6180 office supplies](#), [6210 copier expenses](#), [6140 postage](#), [6150 printing](#), and [6195 stewardship](#) expenses. This includes expenses that support the operation of the parish.
- [6270 Insurance](#) expense includes property and liability insurance premiums.



11-3-9b School Ministries

School Ministries are included in the Parish Operations Entity #1 (Parochial School) in Ministry Codes Ministry Codes 80-89. Independent schools shall use Regional School Entity #4 and Ministry Codes 01-89. Utilize the proper Ministry Code when budgeting for specific account codes. Utilize the corresponding account code located next to each account listed below:



- Salaries and benefits are large expenses for the school. When budgeting for these expenses, it is imperative to have a detailed supporting schedule including all of the staffing components. This schedule includes: [5010 salaries](#) and benefit expense, [5020 payroll taxes](#), [5040 health and dental benefits](#) provided by the employer, employer portion of the [5070 403\(b\) contributions](#), [5080 workers compensation](#) insurance expense, [5090 unemployment taxes](#) paid directly to the state fund or actual unemployment expense if a direct pay employer. This detailed information is confidential and should be reviewed only by a few select staff members and the pastor. Only summary information should be used in the budgeting process shared with the broader parish/school [leadership](#).
- Administrative expense includes [6180 office supplies](#), [6210 copier expenses](#), [6140 postage](#), [6150 printing](#), and [6195 stewardship](#) expenses. This includes expenses that support the operation of the school.
- [6170 Instructional](#) expenses include expenses incurred while teaching students such as textbooks, supplies and materials.

- [6220 Utilities](#) and facility expenses include electricity, water, and natural gas, rubbish removal, [6110 contracted and janitorial service](#). Use current/prior year's actuals and adjust by the anticipated rate increase to arrive at a budget for the next year. Item to note, these expenses may be allocated from the parish administration budget.
- [6230 Interest expense](#) is calculated from a loan [amortization schedule](#). The principal portion of a loan payment reduces the outstanding loan balance on the [Statement of Financial Position](#). Item to note, these expenses may be allocated from the parish.
- Allocated parish expense includes those expenses [incurred](#) by the parish but represent school expenses. For example, facility and maintenance personnel expenses.
- [6270 Insurance](#) expense includes property and liability premiums related to the school.



Consider Seasonal and Liturgical calendars when budgeting for specific expenses and budget appropriately for the affected month.

6170 Instructional Expenses may be higher in September versus May.

11-3-10 Non-Operating Activity

In addition to budgeting operating activity as detailed above, the budget may also include non-operating activity such Investment activity and Permanently Restricted Endowment activity. Utilize [Ministry Code 99 Non-Operating Activity](#) for recording and reporting such activity.

11-3-11 Board Designated or Donor Restricted Activity

The budget may also include board designated or donor restricted activity if known. Due to the volatility of this activity, donor restricted contributions shall be budgeted and tracked using 4810 Donor Restricted Income (Temp), 4820 Donor Restricted Income (Perm), and utilize Project Codes for fund balance information. For more information, please see Section 16 Net Assets / Equity on page 348 for more information.

11-3-12 Capital Campaign Activity

Capital Campaign activity may include accounts such as [4050 capital campaign income](#), [6025 capital expense](#) purchases, [6135 Marketing & Advertising Exp](#), [6100 Professional Fees – Legal](#), and [6270 Municipal Assessment](#).

Capital campaigns may also be conducted to raise funds for accelerated payments of principal to reduce/eliminate existing [4450 third-party debt](#), for upcoming facility projects, or to raise funds for a specific purpose such as creating an [endowment](#). See Section 12 Fundraising and Capital Campaigns on page 208.

Capital expenses are estimated from the Capital Repair and Replacement schedule and the [Capital Improvement Plan \(CIP\)](#). For more information, please see Section 16 Net Assets / Equity on page 348.

The income and expense from capital campaign activity shall be budgeted in Capital Campaign Entity #3 under the General Operations Ministry Code #01.

Income is projected based upon pledges received during the campaign. Expenses are projected based on bids/contracts for products and/or services related to capital campaign goals, and/or estimated accelerated debt repayment.

NOTE: All processes as described in the Section 6 Cash Receipts Best Practices on page 59 and Section 7 Cash Disbursements Best Practices on page 69 would be the same. Checks for payment should be drawn on the parish general operating account and the pastor must be the signer.

11-3-13 Cemetery Operations Activity

The income and expense from [cemetery](#) activity shall be budgeted in Cemetery Operations Entity #2 under the General Operations Ministry Code #01. The budgeted income and expense should be estimated from previous activity in consideration with any known projects or other activity.

Budgeted income must allow for at least 20% of sales of burial lots and 10% of columbarium niches to be allocated to a Perpetual Care Fund. See [MN Statute 306.37](#) and Cemetery Perpetual Care Fund on page 93.

NOTE: All processes as described in the Section 6 Cash Receipts Best Practices on page 59 and Section 7 Cash Disbursements Best Practices on page 69 would be the same. Checks for payment must be drawn on the cemetery operating account and the pastor must be the signer.

11-3-14 Cash Flow vs. Expense

When budgeting, it is important to note that not all items affect the cash flow of the parish/school. For example, [depreciation](#) is a noncash expense. Another example includes debt payment. The payment includes the principal portion which reduces the debt balance on the [Statement of Financial Position](#) and is not included



Cash Flow Statement =
current/past activity

Cash Flow Forecast =
future activity

in the [Statement of Activities](#). In addition, capital purchases are typically funded outside of operating income.

The cash flow forecast is used to monitor the anticipated cash balance as determined from the budget. It also tracks the flow of transfers between investment asset accounts and operating asset accounts.

11-3-15 Budget Template

Parish accounting software packages typically include a budget worksheet for aiding the completion of the budget. These reports include revenue and expense accounts with prior period activity, the current year cumulative activity, the current year budget and a blank space for the upcoming budget year. These figures allow those preparing the budget to see which accounts have increased or decreased over the years. These variances should be investigated and the implication to the upcoming budget should be determined.

- [ParishSOFT Accounting Budgets: How to choose which Budget Entry method to use](#)
- [ParishSOFT Accounting Reports: Budget reports](#)
- [ParishSOFT Accounting Budget: About Budget Entry \(FAQ\)](#)
- [ParishSOFT Accounting Budget Entry – Part One: Enter, Export and Import](#)
- [ParishSOFT Accounting Budget Entry – Part Two: Enter, Export and Import](#)

11-3-16 Timing and Approval

All parishes and schools report on a June 30 [fiscal year](#). For those parishes with a school, it is vital that the budget process begins in December or January of each year. School registration usually begins in the first or second quarter of the calendar year. Because the registration process begins so early, it is essential that the budget is started early enough so that the tuition charges will be known at registration time. A detailed budget, including grants and credits, is necessary to determine the [stated tuition](#) rate.

For those parishes that do not have a school, the budget process should begin no later than mid-April. This schedule will allow ample time for completion, review and approval by the end of June.

After the budget has been recommended for approval by the Finance Council, and approved by the Pastor, the accountant/bookkeeper enters the budget figures into the accounting software.



Parishes with Schools should start budgeting in December/January for the next fiscal year.

Parishes without schools should start budgeting no later than mid-April for the next fiscal year.

11-3-17 Budget Implementation and Review

The final approved budget should be implemented from the first day of the new fiscal year. Each program director should be given a copy of the budget so that they can monitor their own activity.

The process of preparing a budget can be time consuming. In order to maximize the effectiveness of the budget, the actual financial results should be compared to the budget on a timely basis throughout the year. Each program director should be provided with reports that detail the activity associated with their programs. These reports should include GAAP Compliant Statement of Activities selecting on the appropriate Ministry Code, as well as Project Summary which may highlight donor restricted

fund balances. These reports should provide information concerning year to date revenues and expenses, compared to the corresponding budget for these revenues and expenses. Spending should not exceed the limits of the approved budget, without prior approval of the pastor. Spending should not be [incurred](#) for programs which have no approved budget. A properly implemented budget plan is essential for the financial well-being of the parish/school.

Section 12 Fundraising and Capital Campaigns

Primary sources of operating income for most parishes and schools come from parishioner contributions, school tuition fees, program income and grants. Most parishes and schools utilize fundraising and capital campaign income as secondary sources of income to supplement daily operations. Fundraising revenues supplement general operating income and pay for specific needs beyond the scope of the operating [budget](#).

[Fundraising events](#) take many forms, such as concert events, galas, marathons, golf tournaments, raffles, and charity auctions. These special events not only generate much-needed revenue for the parish/school but also raise awareness about the organization's mission. Some parishes/schools have these fundraising events annually; for others, these events are incidental to the parish's central activities and do not happen regularly.

This Fundraising and Capital Campaign section outlines several of the most common types of fundraisers and describes the processes for both in-house and outsourced capital campaigns. Policy sections include procedures and requirements for fundraising activities along with examples of common types of fundraisers.

12-1 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted the [accrual method of accounting](#) for recognition of parish and school revenue and



What's the difference?

Donations are a voluntary gift or contribution

Fundraising is the process of requesting donations and collecting money from individuals and businesses

Fundraising Campaign is an extended period of fundraising that highlights a parish/school's specific goal

Fundraising Events are typically social gatherings that generate publicity and raise money for the parish/school, request attendance for a fee or ticket charge, and offer some form of entertainment in exchange

expenses. For additional information, see also the Revenue Recognition, Expense Recognition and the Net Asset chapters.

The Archdiocese of Saint Paul and Minneapolis has defined a standardized chart of accounts for use by all parishes and schools. See Parish/School Chart of Accounts Structure chapter for the listing.

12-2 Scope

12-2-1 General Fundraising

Fundraising as a general source of revenue is included within a parish's annual budget process as income to fund regular operating expenses.

Fundraising activities should not be budgeted to fund regular operations without considerable planning and historical precedent. To fully understand the need for fundraising activities, parish [leadership](#) reviews historical financial statements, budgets, long range plans and pastoral or strategic plans.

12-2-2 Donor Restricted Fundraising

Fundraising as a restricted source of revenue for special events or projects may also be included in a parish's annual budget for items such as:

- Technology purchases
- Scholarships
- Equipment purchases
- Funding a specific ministry objective such as a mission trip

Fundraising is a natural fit for these types of activities because they occur outside daily operations.

12-2-3 Capital Campaign Fundraising

Fundraising for capital needs is a common practice for parishes. Many capital expenditures are not affordable in the context of

annual operating budgets. Regular maintenance (or awareness of required maintenance) and capital expenditure planning are essential for successful capital campaign fundraising efforts.

To ensure visibility into money required to care for existing facilities and [capital assets](#), parish personnel should maintain an [Asset Maintenance Repair and Replacement Schedule](#). This schedule is typically maintained by parish administrative personnel in consultation with maintenance employees and/or contractor and Buildings & Grounds committee members.



The Asset Maintenance Repair and Replacement schedule, see page 377, should also include future capital asset acquisitions and major projects. By tracking existing assets and viewing future capital needs on one schedule, parish personnel and volunteer leaders can adequately plan for the future. Proper use of the Asset Maintenance Repair and Replacement Schedule brings capital funding needs into view and allows parishes to minimize capital funding emergencies. Refer to the Section 17 Fixed Assets on page 368 for additional reference and policy information.

12-2-3a Fundraising Coordination

An important aspect of parish fundraising involves coordination of general, restricted and capital campaign fundraising initiatives across parish and school communities. Not only are all parish personnel involved in this coordination, parish organizations such as the women's and men's groups should also be included. All fundraising activities including one-time requests, second collections, festivals, capital campaigns and merchandise sales should be considered when planning any new fundraising effort.

A common way to coordinate fundraising efforts is by maintaining a master fundraising calendar. This calendar includes all local parish and school based fundraising activities

and communications. It also includes Archdiocesan designated collections as well as the Catholic Services Appeal Foundation. Mailing lists and donor databases should also be reconciled and/or consolidated when it is feasible to do so.

Poor coordination or an excess of fundraising events generally results in donor fatigue. While parishes may raise funds for many different causes, parishioner financial resources are limited. If parish community members become oversaturated by requests to give financial and material resources, overall fundraising success will be jeopardized.

12-2-3b Value Proposition

The Return on Investment (ROI) of any fundraising activity should be considered before committing to any endeavor. Factors to consider when deciding whether to engage in a fundraising activity include:

- Staff time
- Facility needs
- Volunteer hours
- Alignment with Parish/school mission
- Direct expenses



Parish personnel must analyze each potential fundraising activity to determine whether the probable end result is worth the estimated time (both staff and volunteer), expense and effort. A true in-depth analysis of the amount of time and effort needed in order to make the fundraising activity a success and minimize risk and exposure for the parish.

Financial return (profit) is not the only method to determine a potential fundraiser's value proposition. Community building

events and those that align with a parish's mission may provide benefits well beyond money raised. All of these factors are considered when planning fundraisers.

12-2-3c Fundraising Reliance

When planning for repeating fundraising events such as parish festivals, it is important to know that past results may not accurately predict future success. Parish personnel should review financial and program results and methods of similar fundraising activities conducted in previous years to gauge financial success of future planned events.

12-2-3d Contingency Funds

Parishes should maintain a reasonable balance in a savings or checking account to prevent financial stress if a particular fundraiser under performs for any reason. Annual evaluation and review of fundraisers and the outcome of each increases the likelihood of success of future events.

12-2-3e Exhibitors and Vendors

It is the responsibility of the sponsoring and hosting organizations to ensure that those who exhibit at an Archdiocesan, Parish or School Event, or who sell or distribute items at one of these events do not threaten the integrity of the Church's message. Therefore, Exhibitors or Vendors must not exhibit, sell, or distribute materials that are in contradiction to the teachings of the Church. Exhibitors or Vendors must comply with all local, state, and federal laws related to licensing and taxation.

The Archdiocese, a Parish, or a School may establish additional specific rules and guidelines for Exhibitors or Vendors that are not inconsistent with this policy and which must be followed by all Exhibitors and Vendors at that event.¹⁸



¹⁸ [205 – Qualifications for Selecting Speakers, Recipients of Award, Honors or Designations, and Exhibitors and Vendors](#)

12-3 Common Fundraising Events

12-3-1 Festivals

Parishes and schools may raise money by having a festival. This may be a relatively small event focused on parishioner families, or something much larger that involves an invitation to the larger community.

Due to the wide variety of activities in parish festivals, careful planning and consideration of logistics is required.

Important topics for consideration include but are not limited to:

- Volunteer training, safety and [background checks](#)
- [Internal controls](#) for handling [cash](#) and other valuables
- Liquor, gambling and municipal license requirements
- Insurance coverage limitations and insurance program requirements
- Parking and safety surrounding festival area
- Committee structure & coordination
- Budget, spending & reimbursement procedures

It is important to review festival procedures on a regular basis to ensure that none of the underlying assumptions or external considerations have changed.

12-3-1a Corporate Sponsorships or Advertising?

Corporate sponsorship represents a significant funding source for tax exempt organizations and an important business strategy for taxable corporations. Sponsorship creates corporation identification with charitable activity. This type of identification is valuable to corporations.



However, the IRS considers soliciting, selling, and publishing commercial advertising to constitute a trade or business that, if regularly carried on and not substantially related to the organization's exempt purpose, may produce income subject to UBIT. In contrast to advertising, however, qualified sponsorship payments are specifically excluded from the definition of unrelated trade or business. Accordingly, income generated from qualified sponsorship payments are not subject to UBIT.

A qualified sponsorship payment is any payment made to a parish/school without an arrangement or expectation that the payer will receive a substantial benefit in return other than an acknowledgement of the sponsorship by printing the name, logo and/or product lines in association with the event.

This does not include advertising the sponsor's products or services, including messages containing qualitative or comparative language, price information, or other indications of savings or value, an endorsement, or an inducement to purchase, sell, or use such products or services.

Review contracts for sponsorship payments to determine if:

- The "sponsor" received any substantial return benefit. Payments are contingent upon the level of attendance
- The payment entitles the payor to the use or acknowledgement of the name or logo (or product lines) of the payor's trade or business in periodicals
- The payment is made in connection with any qualified convention or trade show activity
- An exclusive provider arrangement exists



Unrelated Business Income Tax

- (1) a trade or business,
- (2) that is regularly carried on, and
- (3) is not substantially related to the furtherance of the organization's exempt purpose

Determine if the use or acknowledgement contains:

- qualitative or comparative language
- price information
- indications of savings or value
- an endorsement or an inducement to purchase, sell, or use such products or services

See [IRS - Advertising or Qualified Sponsorship Payments?](#) for more details.

12-3-2 Auctions

Parishes and schools may raise money by having an auction. Live, Silent and Online Auctions are a great way to engage donors and raise money for the parish/school. This may be a separate event or part of a larger event including a meal, entertainment and other activities. Typically items included in the auction are:



- Directly Donated (see 13-5-7d Auction Items Donated on page 246) such as gift baskets, collectibles, gift cards/certificates, or hand-crafted goods.
- Purchased Specifically to Sell at the Auction (see 13-5-7e Auction Items Purchased on page 246) such as travel packages, signed memorabilia, custom artwork, or golf lessons.
- Donations are Directly Received at the Auction (see 13-5-7f Auction Event Monetary Donations on page 246)

See Section 13-5-7d - 13-5-7f on pages 246 - 246 for guidance on deductible items Auction Items Donated, Auction Items Purchased and Auction Event Monetary Donations.

12-3-1 Gala and Concerts

Galas can bring large numbers of guests to grand venues, giving the donor the opportunity to dress formally and enjoy an evening of socializing, entertainment, food and drink, and raising funds for a worthy cause. Galas often involve concert performances, auctions, or other activities to gain donations for the parish/school.

12-3-2 Marathon

Many schools participate in the Minnesota Marathon for Nonpublic Education. The first Saturday in October is the generally the official start date for the state-wide event. Money is raised to support school programs as well as faith formation and other educational efforts. Participation may include a walk/run or a service project. Collections are recorded as direct contributions to the school.



12-3-3 Scrip

The term scrip refers to a program where parishes or schools purchase gift cards from a broker at a discounted price and re-sell the gift cards at full face value. The difference between purchase and sale price is retained by the parish or school as net profit. Note: this area has a high exposure for fraud.

To reduce risk of loss or theft of gift cards, parishes should keep inventory levels as low as possible. Gift cards should be treated with the same security levels as cash. Gift card inventory should be reconciled monthly by someone not involved in buying/selling the cards. Parishes should ensure that the people who handle Scrip have [background checks](#) on file.

12-3-3a Scrip Handling Guidelines

Since Scrip is an alternative form of currency, it should be treated as cash. Accordingly, parishes should practice safe procedures in the handling of Scrip. The following procedures should be followed:

1. Volunteers should not take Scrip home for delivery. Parishioners participating in the program should pick up Scrip at the parish in a centralized location. Scrip can be sent home from school with a person's son or daughter if the person signs a waiver providing the parish permission to do this (a sample waiver is attached).
2. Scrip should be stored in the parish's fireproof drop-safe, which is locked at all times. The parish's fireproof drop-safe should be kept in a non-obvious, secure area on the parish premises.
3. A large inventory of Scrip should not be maintained. Scrip can be received from the National Scrip Center (or other Scrip clearinghouses) in one day by airmail. Parishes should only order the amount of Scrip which has been requested by program participants.
4. Adequate bookkeeping that tracks the purchase and distribution of Scrip is required. At least two people should have dual responsibility for the maintenance of Scrip records. When a parish receives an order of Scrip, serial numbers should be recorded. In the event that Scrip would be lost or stolen, the recording of the serial numbers would allow the parish to quickly identify which Scrip was missing. Local stores could then be alerted to watch for the stolen Scrip.
5. Scrip records should be audited or reviewed by the parish finance committee on a regular basis. Additionally, the Scrip records should not be stored with the Scrip, but in a separate area.

12-3-4 Accounting for Scrip (Standard Monthly Entries)

Chart of Account #	Description	Debit	Credit	Project
Entry #1 - When scrip is purchased. Source documents: receipts from Great Lakes and local vendors				
1110	Scrip Inventory Account (at cost)	1,000		
1000	Cash		1,000	
Entry #2 - When scrip is sold and the cash/checks from scrip are deposited to the bank. Source documents: receipt book from sales and bank deposit receipts				
1000	Cash	1,300		
4350	Sales (Scrip Income at face value)		1,300	
Entry #3 - Adjusting Entry made at the end of the month (THIS ENTRY IS DONE EVERY MONTH. A monthly adjustment should be made to adjust scrip inventory per books to actual on hand. 1. Take a physical count of the scrip you have on hand. Record the value (cost x quantity) of scrip on hand. 2. The cost of Scrip on hand can only be determined by an inventory system. You should be able to run reports from the inventory system to determine the cost of Scrip on hand. 3. Make an entry to adjust the value of scrip per accounting records to the amount actually on hand (counted). 4. For example, at the end of September, you would take a count: • Inventory on hand September 30th 1110 Inventory for Resale on Statement of Financial Position • Inventory on hand September 30th (per physical count) • Difference				
6415	Cost of Goods Sold	10,000		
1110	Scrip Inventory Account		10,000	

12-3-5 Gaming and Gambling

Gaming is a recreational activity and, if conducted for a profit, a trade or business. Gaming includes bingo, beano, raffles, lotteries, pull-tabs, scratch-offs, pari-mutuel betting, Calcutta wagering, pickle jars, punchboards, tip boards, tip jars, certain video games, and other games of chance.¹⁹

Internal Control Tip

All gambling that is done as a part of a fundraising event must be done in accordance with federal, state and local laws. Common methods of gambling include but are not limited to raffles and bingo. Parishes must be sure to obtain the proper license(s) to conduct gambling well in advance of any event. Gambling permits require the approval of local municipalities before obtaining approval from the state. Submitting the application for a gambling license at least six weeks prior to an event is strongly encouraged.



In order to comply with gambling rules and requirements, consult with legal counsel for specific questions and situations.

Conducting gambling in Minnesota requires specific procedures for acquiring gambling equipment, recordkeeping before, during and after an event, requirements for signage and information, and criteria for which kind of variations of a raffle and other forms of gambling are legal. More information about how to conduct lawful gambling can be found at the [Minnesota Gambling Control Board](https://www.mn.gov/gambling) website. The website also contains the required forms for recordkeeping.

The Minnesota Gambling Control board also regulates “[Who May/May Not Play](#)” regarding pull-tabs, tip boards, raffles, paddlewheels and bingo. Your parish/school may also impose additional restrictions in your house rules.

¹⁹ https://www.irs.gov/pub/irs-tege/notice_1335.pdf

At the end of the calendar year certain information may need to be provided to winners for tax purposes. For more information, refer to the IRS website at: [IRS Form W-2G, Certain Gambling Winnings](#)

In order to comply with the gambling rules and requirements, consult with legal counsel for specific questions and situations.

Games of chance, including raffles, lottery and bing are not deductible to the participant. See 13-5-8 Non Deductible Items on page 248.

12-3-5a Raffles

A parish/school that sponsors raffles may be required to secure information about the winner(s) and file reports on the prizes with the Internal Revenue Service. The parish/school may also be required to withhold and remit federal income taxes on prizes.

Generally, the parish/school must report raffle prizes if:

1. The amount paid is \$600 or more; and
2. The payout is at least 300 times the amount of the wager.

The organization must use [Form W-2G](#) for this report. See [About Form W-2 G, Certain Gambling Winnings](#) for more information.

12-3-5b Mailing Raffle Tickets

Mailing raffle tickets may or may not be prohibited according to United States Postal Service regulations. [USPS Customer Support Ruling PS-307](#) revised in July 2014 states in part the following.



"Raffles that incorporate "prize," "chance," and "consideration" are considered lotteries under the statute and postal standards. "Tickets" for such raffles are considered unlawful mail matter and remain non-mailable.

When one or more of the three elements i.e., prize, chance, consideration, are eliminated from a raffle, the arrangement does not constitute a lottery for postal purposes. For instance, "consideration" is eliminated if persons may enter without payment of a fee. Thus, a nonprofit organization that designs a raffle where it is clear that a donation is not required (e.g. via a check box, " Please enter my name in the drawing. I do not wish to make a donation at this time") to participate in the raffle may use the mail to distribute the tickets for that raffle."

12-3-5c Bingo

Due to the handling of [cash](#), conducting Bingo games requires careful attention and strong [internal controls](#) over cash and cards. Parishes must comply with all Minnesota regulations regarding the documentation of money during the conduct of bingo. For more information, see [Minnesota Charitable Gambling – Bingo](#).



A parish should establish written bingo procedures which include the number of workers required to run a bingo game, detailed procedures for collecting, counting and depositing cash, and preparation of bingo activity reports. Those supervising bingo should be trained in the proper procedures. Bingo procedures should be reviewed on a periodic basis to ensure the parish is conducting bingo within its stated guidelines.

Some general tips to successful Bingo events include:

- Staff event with enough workers to run the bingo game and adequately monitor door and floor sales

- People collecting admissions and selling cards cannot also be counting money and preparing reports
- Rotate bingo workers to different parts of the hall or to other tasks during the course of a game

Internal Control Tip

12-4 Internal controls

The procedures for [cash](#) receipts and disbursements outlined in the Section 6 Cash Receipt on page 59 apply to parish fundraising activities in general. [Assuring proper control over tickets and monies for the fundraising activity is vital.](#) Fundraising activities increase the likelihood that other people outside of the parish's normal flow of internal controls will handle tickets, cash, checks, and credit cards.

12-5 Accounting

When the money is raised for a specific item or project, the income generated may be classified as Without Donor Restrictions or With Donor Restrictions. Please see Section 16 Net Assets / Equity on page 348 to learn more about how to properly classify the monies received for these types of activities.

12-6 Budgeting

Fundraising income and expense may be difficult to project and the parish be cautious when including fundraising income in their budgets. Historical performance may be a good indicator for long established fundraising activities, but cannot be used as a guarantee of future results.

12-7 Reporting

12-7-1 Financial Statements

[Statement of Financial Position](#) – There may be an accrual including [prepaid expenses](#) and deferred revenue at the end of the [fiscal year](#) that represents activity for a fundraising event that will take place in the next fiscal year.

Additionally, balances collected from fundraising activities may be carried in an [Asset](#) (i.e. operating checking, savings, etc.) and appropriate [Net Asset](#) accounts for future spending according to the

purpose for which it was raised. The following are general guidelines for balances received through fundraising:

- General Fundraising
- Donor Restricted Fundraising
- Capital Campaign Fundraising

Cutoff – Parish and school fundraising events may span two [fiscal years](#). It is important to prepare the necessary journal entries in order to record the activity in the proper fiscal year.

[Statement of Activities](#) – Depending on the nature and purpose of the fundraising, disclosure on the statement of activities varies. Typical disclosure includes the following:

The following types of transactions are disclosed on the Statement of Activities:

- General Fundraising activities
 - o Fundraising income
 - o Fundraising expense
- Donor Restricted Fundraising activities:
 - o Donor Restricted Income (Temp)
 - o Fundraising expense
- Capital Campaign Fundraising activities:
 - o Capital Campaign fundraising income
 - o Capital Campaign expenditures

12-8 IRS Reporting

Donations received by parishes and schools must be properly acknowledged to donors. For more information regarding IRS contribution reporting requirements, see 13-5-6 Donor Contributions Tax Implications on page 243 for details on reporting contributions for this type of event.

In general, fundraising activities conducted by parishes and schools are not typically subject to income taxes. However, there may be situations that trigger [Unrelated Business Income Tax \(UBIT\)](#). UBIT is net income generated in a tax-exempt organization from activities that meets the following criteria:

- Activity from a trade or business
- Performed on a regular basis
- Not related to the exempt organization's exempt purpose

The UBIT tax is calculated after deductions and subject to the corporate tax rate. **Please consult a tax advisor for more specific information.**

12-9 Capital Fundraising and Campaigns

A capital campaign is a time specific campaign to raise money for a specific capital purpose. Common reasons for capital campaign fundraising include new construction, new equipment, or replacing or upgrading older buildings and equipment. A capital campaign may also be used as a tool for reducing and eliminating external (bank) debt.

12-9-1 Feasibility Study

Careful consideration of scope, duration and probable success is part of the decision-making process before moving ahead with a capital campaign. Typically, a test case or feasibility study is prepared. A feasibility study is commonly undertaken to answer two important questions facing any parish considering a capital campaign.



1. How will parishioners respond to being asked to raise monies for this project?
2. How much money can be raised in a specific period of time?

Once the parish, or consultant hired by the parish, has conducted a feasibility study the level of support for the proposed campaign can be quantified.

Any parish conducting a capital campaign feasibility study must obtain a [proxy](#) if the cost of the study is greater than the Archdiocesan threshold amount. Currently the threshold is \$25,000. See [Archdiocese Policy 402 – Minimum and Maximum Limits for Financial Administration Including Corporate Action](#) for more specific information on the proxy process.

Feasibility studies usually occur within a relatively short amount of time (1-2 months). They involve building a test case, gathering data either through a survey or interviews.

Feasibility studies can be performed internally, by the parish leadership or externally by an outside consultant. Sometimes, one consultant is chosen to perform the feasibility study and another to lead the actual campaign. However, such an arrangement may cause issues of communication and differing expectations.

In-house feasibility studies usually require that parish [leadership](#) perform the following tasks:

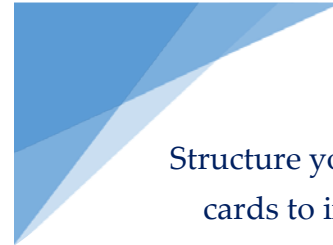
- Determine the process/timeline
- Design positions and build the team
- Design survey or interview questions
- Facilitate communication among staff and with parishioners
- Evaluate results of survey
- Make final decision on whether or how to proceed with campaign

Outsourced feasibility studies usually require less extensive work on the part of parish leadership, who may be called upon for the following tasks:

- Interview outside consultants



- Make decision on who to hire for the feasibility study
- Suggest team members/ interviewers to be asked to volunteer
- Facilitate communication among staff and with parishioners
- Make final decision on whether and how to proceed with campaign



Structure your pledge cards to include the specific goals of the capital campaign, timeline of the project, and the disposition of any unspent funds at the end of the campaign.

After the feasibility study is complete, parish leadership will make a decision whether to proceed with a capital campaign. [Leadership](#) will also decide whether to outsource the capital campaign or conduct the campaign in-house. In either case, the actions to be performed or overseen include the following:

- Help with recording and documentation of pledges
- Thanking donors for their pledges/ donor recognition
- Pledge redemption- including annual, quarterly or monthly reminders
- Continued communication, including both contact pledgers as well as non-pledgers
- Engaging new parishioners who were not present when the original campaign was conducted
- Individualized follow up with those not fulfilling their pledge

After the initial phase, a capital campaign needs ongoing support including repeated follow up both with those who pledged and those who didn't. Such follow up efforts can also be conducted either in-house or outsourced to a consultant.

12-9-2 Confidentiality

Sharing specific donor information with campaign volunteers is not advised. Volunteers who are assisting with asking or making phone calls can be allowed to ask for a specific targeted amount determined by the committee. However, specific giving histories of donors is not shared with other parishioners or is done with

CONFIDENTIAL

extreme caution and limited to parish trustees. Donors are very sensitive about what they give and having their information remaining in trusted hands (the pastor and appropriate staff). Confidentiality is important in the trust between a donor and his or her parish.

12-9-3 Internal Controls

12-9-3a Pledge and Donation Receipts

Pledges given with monies during an in-pew ask go through the normal financial reporting process. No one is given permission to sort through the collection basket to take out pledge cards and down payments before the entire collection is put in tamper-evident bags and safely stored according to the established [internal controls](#), see Section 6 Cash Receipts Best Practices on page 59. The money counters will receive it in the morning, will count the cash, mark the pledge forms, and get the pledge forms to the appropriate people after counting has finished.

12-9-4 Accounting

12-9-4a Non-Cash Contributions

Donations of stock and other non-cash items may be used to fulfill capital campaign pledges. The proper method of accounting for these items is discussed in more detail in the chapter on Revenue Recognition.

12-9-4b Accounting Process

The [Standardized Chart of Accounts](#) has separate funds, and income and expense accounts for tracking revenues and expenses for capital campaigns. Recording the contributions and expenses for campaigns in a separate set of accounts from the operating accounts makes tracking the funds transparent and the balance on the account will automatically flow to the Statement of Financial Position.

Typical accounts needed to enable the Capital Campaign entity:

- 3000.XXF Unrestricted Net Assets
- 3100.XXF Net Assets with Donor Restrictions (Temp)
- 1000.XXF Checking Account (if separate checking is opened specifically for Capital Campaign transactions)
- 2100.XXF Accounts Payable
- 2430.00F Due To/From Operating Fund
- 2430.00P Due To/From Operating Fund
- 4050.XXF Contributions Revenue
- 4810.00F Restricted Income (Temp)
- 4910.00F GAAP Release With Donor Restrictions (Temp)
- 4900.00F GAAP Release without Donor Restrictions
- 6025.XXF Capital Expenses
- 6110.XXF Professional Services Exp
- Other accounts as needed

Adjustments to certain setup functions may be required for

- Update Net Assets Accounts under Process > End of Fiscal Year
- Update Due/To From Operating Accounts under Setup > Due/To From Accounts
- Update GAAP Release Accounts under Setup > GAAP Release Accounts

12-9-5 Capital Campaign Budgeting

A separate [budget](#) for capital campaigns is prepared. The budget includes the projected income and expenses related to the campaign. In addition, a [capital improvement plan](#) will include expenditures over a period of time. This will aid in the development for the feasibility case to conduct a capital campaign.

12-9-6 Capital Campaign Reporting

Statement of Financial Position – Separate asset accounts are maintained for a significant capital campaign.

Statement of Activities – Capital campaign income and expense are separately disclosed on the Statement of Activities. Future income is projected and included in the notes to the financial statements.

12-9-7 Closing Capital Campaign

On the first day of the new fiscal year after the completion of the capital campaign, an Asset should be created or updated in Parish Operations, and if there remain any unspent funds, those funds must be released to the Parish Operating entity. It is recommended that the parish complete these entries on the first day of the new fiscal year to confirm there is no surplus or deficit remaining in the Capital Campaign entity, and to ensure there is no negative effect on the Annual Parish Financial Report (APFR).

Make certain that all capital campaign asset accounts have been reconciled and all transactions have cleared. Verify all capital

campaign invoices from vendors have been received and paid prior to closing the capital campaign.

Review capital campaign financial statements for unspent contributions categorized as With Donor Restrictions (Temp).

Review original marketing or pledge documentation for disposition of unspent funds. If there was no indication to the contributor on the disposition of unspent funds, contact Parish CPA for guidance on communication of intentions to contributors and contributor's options.

Asset accounts opened for the express purpose of the capital campaign should be closed, with the balance of the account(s) transferred to Parish Operating Asset account(s). All capital campaign accounts should be archived in the accounting system.

12-9-7a Example of Closing Capital Campaign

Chart of Account #	Description	Debit	Credit
3-year capital campaign to build new addition to parish center has been completed. Original communication to contributors included notification that surplus funds would be released to Parish Operations. The surplus funds for the capital campaign resulted in Capital Campaign Net Assets With Donor Restrictions of \$10,000. All invoices from vendors have been received and paid. All outstanding transactions in capital campaign checking account have been cleared. Expenses for 3-year campaign to build new addition totaled \$250,000. Capital campaign checking account balance of \$10,000 has been electronically transferred to the Parish Checking account.			
1000.XXP	Parish Checking	10,000	
1000.XXF	Cap Camp Checking		10,000
To record the release of restriction on unspent funds to be moved to Parish Operations:			
4910.00F	GAAP Release With Donor Restrictions (Temp)	10,000	
4900.00F	GAAP Release Without Donor Restrictions		10,000

Parish requests a direct transaction to Net Assets following Standard Net Asset Protocol with appropriate backup documentation to record asset transfer and new fixed asset.			
3000.00F	Unrestricted Net Assets	10,000	
3000.00P	Unrestricted Net Assets		10,000
1315.XXP	Buildings – Parish Center	250,000	
3000.XXP	Unrestricted Net Assets		250,000

Section 13 Receivables and Revenue Recognition

13-1 Purpose

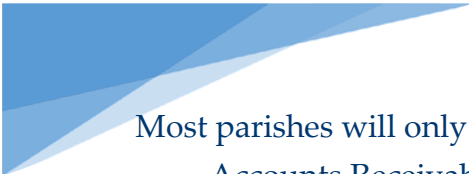
Receivables represent money owed to a parish or school by individuals or corporations for goods or services that have been delivered or used but not paid. School tuition revenue and rental operations income are two types of transactions that often result in receivables.

If amounts to be received are due within 12 months, they are considered [accounts receivable](#) and are a current asset. If amounts to be collected are due more than 12 months into the future, they are known as [notes receivable](#) and are a long-term asset. Typically, notes receivable will contain a written promissory note or other legal instrument that may include interest and terms.

Parishes and schools also receive many types of revenue including parishioner contributions, rental and usage fees, capital contributions, registration fees and program fees that will not require the use of a Receivable account and may simply recognize the revenue as it is [earned](#).

The purpose of this policy is to promote a consistent methodology for categorizing, recording and reporting parish and school revenues on financial statements.

This chapter is closely related to Section 16 Net Assets / Equity on page 348 and Section 11 Budgeting on page 192. Please refer to these chapters for additional information.



Most parishes will only need to utilize Accounts Receivable if they have school tuition, have a contracted lease for parish property, or have sold parish assets over time.

13-2 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted the [accrual method of accounting](#) for recognition of parish and school revenue. The accrual method requires recording revenues as they are [earned](#) throughout the [fiscal year](#). This timing does not necessarily correspond with the receipt of money or the timing of invoices.

The Archdiocese of Saint Paul and Minneapolis has defined a [standardized Chart of Accounts \(COA\)](#) for use by all parishes and schools. Separate accounts are established for the wide variety of parish contribution revenues and fees discussed in this chapter. See Section 10 Chart of Accounts on page 32 for the full listing.

When amounts become due to a parish or school, accounts or notes receivable should be recorded in the accounting records. They are reflected as current or long-term assets (depending on when amounts are due) on the [Statement of Financial Position](#). Corresponding revenues are recorded on the [Statement of Activities](#) at the time goods or services were provided.

The parish or school should review all outstanding receivables on a regular basis, at least monthly, to determine if balances due are still collectible. Any outstanding amounts that are deemed unlikely to be collected must be properly adjusted in the financial statements.

13-3 Classifications of Income

There are three basic classifications of Income in any Parish. It is important to understand these various classifications to properly record Income.

- Agency Transaction
- Contribution
- Exchange Transaction

The only classification of Income that may require the use of a receivable account would be an Exchange Transaction. Agency Transactions and Contributions will never require the use of a receivables account.

13-3-1a Quick Guide to Income Classification

Revenue Type	Contribution Without Donor Restrictions	Contribution With Donor Restricted	Exchange Transaction	Agency Transaction
Sunday envelope	✓			
Sunday plate	✓			
Sunday collection for a specific mission or missionary				✓
Catholic Services Appeal - initial contribution				✓
Catholic Services Appeal - rebate	✓			
School Tuition			✓	
Faith Formation registration fees			✓	
Memorials	✓			
Fund - A - Need - proceeds for a specific purpose		✓		
Field trips			✓	
Pastor Discretionary Fund	✓			
Tuition Assistance Fund		✓		
Scrip			✓	
Endowment		✓		
Music Fund		✓		
Bus Transportation			✓	
School Activity fees			✓	
World Youth Day		✓	✓	
Funerals and weddings	✓		✓	
Silent auction - bids below FMV of the item			✓	
Silent auction - donation of non-cash items	✓	✓		

13-4 Agency Transaction

The purpose of an Agency Transaction is generally to help donors make a contribution to another specific 501(c)(3) entity through the parish. Examples of an Agency Transaction include [2161 Operation Rice Bowl](#), [2165 Peter's Pence](#), [2169 Catholic Services Appeal](#), Dorothy Day Center, Catholic Charities, Red Cross, Habitat for Humanity, etc.

The parish or school may have collections during the year that are remitted to another 501(c)(3) (not for profit) organization. These are often referred to as pass through collections.

The parish or school is acting as an [agent](#); the donor contributes to a parish/school that accepts the check from the donor and agrees or transfer those funds to an unaffiliated non-profit that is specified by the donor²⁰. The recording of these collections is not considered revenue or expense but a [liability](#), [2180 Pass Through Collections](#), because receipts collected will pass from the parish or school to the intended organization. These types of transactions **do not** require an accounts receivable entry.



Agency Transactions are:

Catholic Services Appeal Foundation

Peter's Pence Collection

Sunday Collection for Specific Mission

Habitat for Humanity

Disaster Relief Collection

Agency Transactions are NOT:

World Youth Day

Funerals and Weddings

Bus Transportation

If the check the parish issues is to anything other than a non-profit, it's NOT an Agency Transaction.

²⁰ [FAS 136: Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others](#)

1. If the Parish has any [variance power](#), or discretion, over the funds or its beneficiary, then it is NOT considered an Agency Transaction. See 13-7 Exchange Transaction on page 250 instead.
2. Checks shall be issued to the third party, unaffiliated non-profit within 30 days of the original collection.
3. Accounts Receivable would never be used in an Agency Transaction.

13-4-1a Example Recording Pass Agency Transactions:

Chart of Account #	Description	Debit	Credit
Contributions are received for Hurricane Disaster Relief collection to be forwarded to the Red Cross.			
1000	Cash	5,000	
2180	Pass Through Collection		5,000
Check is issued to the Red Cross for Hurricane Disaster Relief within 30 days of collection.			
2180	Pass Through Collection	5,000	
1000	Cash		5,000

13-5 Contribution

Contributions are voluntary, nonreciprocal transfers of money from the donor to the parish/school. Contributions received shall be recognized as revenue in the period received.²¹

A contribution is generally given to increase a parish/school's ability to carry out its mission, and differs significantly from a payment for services. While a donor may restrict their contribution to be used for a specific program, even one that may occur in a subsequent fiscal year, it is not the equivalent of an advanced payment in exchange for services rendered. Contributions may never be considered deferred revenue.

Monies are given to a Parish where only intangible religious benefits are provided to the Donor. Services and/or products are not provided to the donor. Accounts Receivable would never be used in a Contribution.

Contributions may or may not have [Donor-Imposed Restrictions](#) on the funds. Donor's restrictions impose special responsibilities of the Parish to ensure that the donated assets are used as stipulated.

When the Parish accepts restricted contributions, they also accept a fiduciary responsibility to meet the donor's restrictions and to use the gift for the purpose(s) for which it was given. As such, the Parish must track restricted contributions.

If there is a failure to meet [donor-imposed restrictions](#), there is a reasonable possibility of contingent liability, and may result in litigation. The amounts and circumstances of this failure must be disclosed. The ability to continue is an ongoing concern. Non-compliance may require the return of the resources to the donor, particularly in grant situations. If you find there is a failure to meet the donor-imposed restrictions, consult with your Parish attorney.

²¹ [FASB Statement of Financial Accounting Standards No. 116](#)

<i>With Donor Restrictions vs. Without Donor Restrictions</i>		
Contribution Situation:	With Donor Restrictions (Restricted)	Without Donor Restrictions (Unrestricted)
Donor asks Parish to use the gift for a specific purpose	✓	
Donor asks the Parish to use the gift for a specific time period	✓	
Donor asks the Parish to invest the corpus/principal amount of the gift and only spend the earned income	✓	
Donor does not impose restrictions, but the Parish Board restricts funds for a specific purpose		✓

13-5-1 Sunday Giving (Contribution)

Contributions received via weekly collections, envelope system and/or electronic giving. These are recognized as revenue to the parish/school when received. See also 20-9 Example Counter's Collection Report Form A on page 440 and 20-10 Example Counter's Summary Report Form B on page 441.

13-5-1a Example Sunday Giving Revenue Recognition

Chart of Account #	Description	Debit	Credit
Parish receives \$15,000 in contributions on Sunday. Collection is processed utilizing the Procedures for Counting and Recording Offertory on page 60, and collection is recorded:			
1000	Cash	15,000	
4000	Sunday/Holy Day Env		14,600
4010	Sunday/Holy Day Plate		250
4040	Baptism, Wedding, Funeral Stole		50
4060	Memorials Revenue		100

13-5-2 Pledges: Promises to Pay versus Intentions to Pay

A pledge receivable must be recorded if there is sufficient written evidence of a donor's promise to pay.

13-5-2a Pledges/Intent to Pay (Contribution)

Pledges are **not** generally recorded as revenue until payment has been received. In these cases, it is **not** appropriate to record pledges as receivables on the [Statement of Financial Position](#). Many parishes ask parishioners for an indication of their proposed giving for an upcoming year. If the request states that the pledge is for budget purposes only and/or that the pledge is not binding, this indicates intent to pay and is not binding. There are many different formats for this type of pledge form. See Example of Pledge Cards: on page 435.

What's the Difference?

Promise to Pay = Parish will take donor's with unpaid pledges to court. Very rare!
Uses Pledges Receivable Account.

Intent to Pay = Donors can pay and change pledges at any time. Very Common!
DOES NOT use Pledges Receivable Account.

13-5-2b Pledges/Promise to Pay (Contribution)



In certain cases, a pledge may be recorded before receipt of pledged money. Along with recognition of revenue on the [Statement of Activities](#), a corresponding pledge receivable would be established on the [Statement of Financial Position](#). This receivable would be disclosed until money is received to fulfill the pledge. In order for a pledge to be recorded as revenue and a contribution/pledge receivable established, there must be sufficient evidence in the form of verifiable documentation. This type of pledge must be supported by a donor's written promise to pay. See Example of Promise to Pay Cards: on page 436.

If the Pledge/Promise to Pay is over multiple years, the reporting process is much more complex and involves determining both current and long term receivable amounts. These pledges might need to be discounted; additionally, a reserve for uncollectible pledges should be recorded. **We advise the parish/school to**

seek the advice of an accounting professional for proper recognition of multi-year Pledge/Promise to Pay.

13-5-3 Donor Imposed Restrictions (Contribution)

Some contributions may be made by a donor with specific restrictions. Contributions made with [donor-imposed restrictions](#) will be recognized as revenue on the [Statement of Activities](#) within the period and time of receipt.

Funds are released from restriction as qualifying expenses are [incurred](#) or the passage of time.

Parishes are required to release net assets with donor restrictions first. Parishes do not have the discretion to release or not release restricted net assets if there are qualifying expenses or if the required time period has passed.

With regard to the Statement of Financial Position, contributions will be classified as Net Assets With Donor Imposed Restrictions. Examples include capital campaign contributions and school scholarship fund contributions given in one year but to be used in the following fiscal or school year.

Any unfulfilled restrictions should be reviewed by the pastor, trustees and finance council on a regular basis, at a minimum on an annual basis. For additional information, see Section 16 Net Assets / Equity on page 348.

13-5-3a Example Contributions With Donor Restrictions (Temp)

Chart of Account #	Description	Debit	Credit	Project
Parish receives a contribution of \$5,000 to be used for the purchase of a new Saint Paul statue in the sanctuary. A Project Code is applied to the Restricted Income line on the deposit/journal entry.				
1000	Cash	5,000		

4810	Restricted Income (Temp) ²²		5,000	X
Parish purchases new Saint Paul statue for \$5,000, releasing the restricted donation of \$5,000. The Account Restriction on the bill is changed to With Donor Restrictions (Temp) and a project code is applied to the Expense account line item on the bill/check.				
5000-6999	Expense Accounts	5,000		X
1000	Cash		5,000	
4900	GAAP Release – Without Donor Restrictions		5,000	
4910	GAAP Release – With Donor Restrictions	5,000		
NOTE: ParishSOFT automatically records the release of the restrictions and references the original bill number on the journal entry. Project code is not used on this journal entry. Retain copy of JE with invoice.				

13-5-3b With Donor Restrictions Chart of Accounts Implication:

Donor imposed restriction contributions shall be recorded in 4810/4820 Restricted Income (Temp/Perm) in the chart of accounts. Expenses recording the spending of restricted funds may utilize any appropriate Expense account in the Chart of Accounts, the bill must be flagged with the Account Restriction With Donor Restrictions (Temp), and Project Codes must be used to track fund balances. This activity may or may not be budgeted depending on the nature and timing of the contribution and expense.

13-5-4 Donor Imposed Conditions (Contribution)

If a donor makes a contribution but imposes conditions that allow the donor to maintain control over the contribution, revenue will not be recognized until the conditions have been met. For example, if a donor gives a parish/school a contribution for a statue and tells the parish/school that they would like their money returned if the statue is not purchased, the contribution would not be recognized until the statue is purchased. Another example is when a donor makes a contribution to be used to match other contributions given

²² NOTE: Most accounting software applications apply indicators on Income Accounts denoting With Donor Restrictions or Without Donor Restrictions. Check with your software provider to ensure your system is properly set up.

for a specific purpose. The contribution would not be recognized as revenue until other contributions are received that satisfy the donor condition. Donor imposed conditions are rare.

13-5-5 Parish/Board Designated (Contributions)

If a parish/school solicits contributions for use within a particular project or program but leaves the exact use of funds to the discretion of the pastor, the contributions to the project or program are considered Designated and without donor restrictions.

For example, the parish/school may have an outreach ministry to help parishioners or others that are in need of financial assistance for rent, transportation, groceries and other living expenses. Contributions are made for this ministry but the pastor or his designees decide exactly how to use the funds. Revenue would be recognized at the time of receipt of the contribution.

With regard to the Statement of Financial Position, contributions will be classified as Net Assets Without Donor Restrictions. Any balances remaining in these accounts should be reviewed by the pastor, trustees and finance council on a regular basis, at a minimum on an annual basis. In the event the donation initiates a capital purchase or capital project, an asset may need to be [capitalized](#). See Section 17 Fixed Assets on page 368, for Capitalization Policy. For additional information, see Section 16 Net Assets / Equity on page 348.

13-5-5a Example Parish/Board Designated Contributions Activity (Without Donor Restrictions)

Chart of Account #	Description	Debit	Credit	Project
Sunday/Holy Day Envelope contributions (without donor restrictions) are received and recorded at the parish. At the time of donation				
1000	Cash	15,000		
4000-4700	Revenue Accounts		15,000	X

	(without donor restrictions)			
Parish Leadership chooses to designate \$5,000 to a Pastor's Discretionary bank account.				
1000	Cash (Parish Checking)	5,000		
1000	Cash (Pastor's Discretionary Checking)		5,000	
Pastor issues a check paid to Excel Energy on behalf of a needy family for \$300.				
6600	Emergency Fund Expense	300		X
1000	Cash (Pastor's Discretionary Checking)		300	

13-5-6 Donor Contributions Tax Implications

According to IRS tax regulations, a donor must have a bank record or written communication from a charity for any monetary contribution before the donor can claim a charitable contribution deduction on his/her federal income tax return. In order to deduct a single contribution of \$250 or more, the donor is required to obtain a written acknowledgement that recognizes the receipt of the contribution, the amount or description of the property contributed and a statement whether the donor received any goods or services in exchange for the contribution. In order to assist the donors in meeting this requirement, parishes/schools are advised to acknowledge any individual gifts over \$250. An annual contribution statement that includes all donor contributions for the year satisfies the minimum IRS requirement. Please refer to [IRS Publication 1771](#).

13-5-6a Donation Timing and Contributor Statements

Donations need to be postmarked²³ or physically received by December 31st in order to be recorded as a contribution for any particular calendar year. For donations received close to the calendar year-end cutoff date, parishes/schools are advised to

²³ [U.S.C. 7502 – Timely Mailing Treated as Timely Filing](#)

retain postmarked envelopes for a period of three years for audit purposes.

As a good business practice, parishes and schools should provide written acknowledgement of donor contributions. It is recommended to send all parishioners and donors contribution statements that disclose stewardship, capital contributions and other similar gifts donated throughout the calendar year. Other forms and letters should be used throughout the year for donations such as stock gifts and auction activity. As a courtesy to the donors, written acknowledgements of all donations for a particular calendar year should be postmarked no later than January 31st of the year following the donation.

13-5-7 Deductible Items

The following items are deductible and should be acknowledged in writing:

13-5-7a Capital Campaign Donations

Include this type of giving on the donor contribution statement.

13-5-7b Fundraising Donations

As long as no goods or services are received in exchange for these donations, the donations are fully deductible and should be disclosed on the donor contribution statement or in a separate acknowledgment letter. Examples include school marathon and mission trip sponsorship gifts. If a good or service is received, the value above the good or service is deductible and should be determined by the donor.

13-5-7c Stock Donations

Parishes/Schools should recognize receipt of stock donations by issuing a written acknowledgement to the donor. This document should include the donor name, address, description of the stock, number of shares donated and the date of donation. If the parish/school can obtain the high/low value of the stock on the donation date, this information may also be included. The parish/school should provide this information not as a calculation of [market value](#), but as a courtesy to the donor. It is also a good practice to include a disclaimer on the receipt that directs the donor to seek professional tax guidance for market value determination. Parishes should remind donors they may need to file IRS forms to claim the gift as a deduction. Stock donations being applied against an outstanding pledge may be handled in a variety of ways depending on the software being used by the parish and its specific functionality. Please consult with your software application specialist for instructions.

13-5-7d Auction Items Donated

Items donated for the parish or schools to auction are deductible by the donor in the amount of the donor's tax basis in the contributed item. The parish or school should acknowledge the item received, but should not assign a value to the item. See 20-6 Example of Non-Cash Contribution Receipt Letter: on page 437.



Similar to monetary donations, the parish or school should indicate the value, if any, of goods or services received in exchange for the donation on the receipt. It is the donor's responsibility to document the value for income tax purposes. Auction item information is not typically included on the annual donor giving statements.

13-5-7e Auction Items Purchased

Auction purchases are deductible only to the extent that the payment made exceeds the value of the benefit received. Written documentation regarding the payment amount and value of the item purchased may be given to the donor at the time of auction or at a later date.



13-5-7f Auction Event Monetary Donations

Donations received during an auction event which are unrelated to items being auctioned are fully deductible by the donor and should be disclosed on a separate receipt or included on the annual donor contribution statement.

13-5-7g Pass Through Donation

If the 3rd party non-profit organization where the donation went to the will be issuing a receipt, DO NOT include on the contributor's statement. See 13-4 Agency Transaction on page 235.

13-5-7h Quid Pro Quo Contributions

Contributions received that are partly for goods and services provided by the organization and partly tax deductible are known as Quid Pro Quo contributions. An example would be a fund raising dinner where the cost per plate is \$100 and the value of the meal provided is \$50, only the amount over the value of the goods or services provided is tax deductible by the donor. Parishes/schools are required by the Internal Revenue Service to provide a written disclosure statement which informs the donor that the portion of the contribution that is deductible for federal income tax purposes is limited to the excess of money contributed over the value of the goods or services provided. The parish/school must also provide the donor with a good-faith estimate of the fair [market value](#) of the goods or services.

13-5-7i Catholic Service Appeal Foundation

Catholic Service Appeal Foundation contributions are deductible. Note that the Catholic Services Appeal Foundation sends out their own donor acknowledgements. CSAF donations should NOT be included on the donor contribution statement.

13-5-7j Mass Offerings

The Archdiocese of Saint Paul and Minneapolis states that the Mass Stipends are the property of the parish where the priest ministers. Although the Mass Offerings may not be part of the

What's the Difference?

Mass Offering

(formerly referred to as Mass Stipend) means a financial donation freely offered by a member of the faithful with a request for a mass to be celebrated for a specific intention.

The amount of the mass offering is set by the bishops of the province.

Mass Intention is the specific intention of the member of the faithful for a mass. Only one mass intention may be accepted for each mass.

general fund per se, the Mass Offering accrues to the Church and is used in furtherance of the Church's mission. Mass Offerings paid to the parish and used as set forth in the **Clergy Bulletin Volume XVI Number 5**, would be tax deductible.

Voluntary payments of Mass Offering to the parish, which become part of its general funds or are otherwise used for Church related purposes, are tax deductible.

13-5-8 Non Deductible Items

The following are NOT deductible and if shown on the contribution statement should be noted as non-deductible for tax purposes:

- Stole Fees
- Games of chance, including raffles, bingo, lottery, etc.
- Auction Items - The portion of the contribution that is less than the value of the benefit received is NOT deductible.
- Tuition

13-5-9 Volunteer Time

Volunteers often offer their time, knowledge, skills and expertise to parishes/schools for no charge. Although the IRS may allow some donors to deduct certain expenses related to providing volunteer services, the volunteer services themselves are not typically tax deductible. See 20-7 Example of Time or Service Contribution Receipt Letter: on page 438.

[Generally Accepted Accounting Principles \(GAAP\)](#) does provide guidance to organizations for recording volunteer time in their financial records. Contributed services shall be recognized as income and expense only to the extent that the contributed services possess either one of the following characteristics.

- The service creates or enhances a non-financial asset (e.g. land, buildings, intangible assets, etc.).

- The service requires a specialized skill, it is provided by an individual possessing that skill, and the service is one that would typically need to be purchased if it had not been voluntarily contributed to the organization.

For non-[GAAP](#) volunteer services the parish/school may record the service hours served for time and talent and grant matching purposes only.

13-6 Bunching Contributions

With the [Tax Cuts and Jobs Act of 2017](#), some parishes have noticed an uptick of donors “bunching” their contributions.

Typically, when parishioners make a contribution, the Parish should acknowledge that with a tax receipt in the same period, and recognize the revenue in the fiscal month/year that it was received.

However, in some situations, there may be a donor who provides a letter with their accompanying check outlining a donor restriction that may be resolved by time, so the Church knows how and when to recognize the contribution for GAAP reporting purposes

For example, the donor may provide a letter indicating a time restriction that allows the funds to be recognized as donor restricted revenue (temp) in the year given, but these funds don’t become “without donor restriction” until the following fiscal year.

But for tax reporting purposes, this would be acknowledged as a tax deductible contribution in the year received.

Donor advised funds are becoming very popular because taxpayers can contribute to a donor advised fund which makes it tax deductible because it is an irrevocable contribution. In future years, the donor can distribute the actual contributions to the non-profit. That way they can “bunch” their deductions in order to make them tax deductible in a single year and then spread them out over several years when they actually give them to the non-profits.

13-7 Exchange Transaction

Exchange Transactions occur when the Parish provides something of more than a nominal value to the donor. The obligation is to provide what you agreed to provide. This is not dependent on the cost of the item, nor whether or not the parish makes money in the transaction. Examples of Exchange Transactions are School Tuition, Raffle Tickets, Bible Study materials/tuition, Youth Group Fees.

It does not matter if only some participate for free, such as in a scholarship.

A receivable account may be needed for some types of Exchange Transactions.

13-7-1a Example Recording Exchange Transactions

<i>Chart of Account #</i>	<i>Description</i>	<i>Debit</i>	<i>Credit</i>
Initial Recording of Payment Assuming Services ARE Provided:			
Parish Youth Formation charges and collects fees of \$25 each for 10 students for materials for their confirmation students. Confirmation class begins the same month the fees are collected.			
1000	Cash	250	
4320	Fee Revenue		250
Initial Recording of Payment Assuming Services have NOT yet been provided:			
Parish Youth Formation charges and collects fees of \$25 each for 10 students for materials for their confirmation students. Confirmation class begins the following month the fees are collected.			
1000	Cash	250	
2190	Deferred Revenue		250
When Services are provided:			
2190	Deferred Revenue	250	
4235	Program Income		250

13-7-2 Accounts Receivable in Exchange Transactions

Whenever a parish or school receives revenue from any program or ministry, consideration should be given as to whether accounts/notes receivable accounting is warranted. It is important

to distinguish accounts/notes receivable accounting from revenue recognition.

In an accrual accounting system, revenue is recognized as it is earned, not necessarily when cash is collected.

The primary function of receivables accounting is to track anticipated cash payments. This tracking is done in the cash and receivables sections of the Statement of Financial Position.

Revenue recognition is recorded on the Statement of Activities and deferred revenue is recorded on the Statement of Financial Position.

In cases where fees are received in installments over time such as school tuition, receivable accounting is required. Receipts of tuition and fee payments are not directly linked to recognition of revenue, rather payments reduce the Accounts Receivable Asset. See 13-8-1 School Tuition (Exchange Transaction) on page 254.

In situations where program fees are received in a lump sum, such as for Faith Formation, receivable balances may not require tracking.

The following chart illustrate a number of situations that may require a parish or school to record accounts receivable, notes receivable, revenue recognition, or if multiple items are checked, the parish can choose if their situation warrants the use of a receivable account.



Revenue is recognized as it is earned,
not when collected.

School Tuition and Contracted Rental
typically utilize Accounts Receivable.

Contributions, Program Fees, and
Fundraising revenue typically do not
need Accounts Receivable.

<i>Situation</i>	<i>Accounts Receivable</i>	<i>Notes Receivable (Short Term)</i>	<i>Notes Receivable (Long Term)</i>	<i>Revenue Recognition Only</i>
Sunday/Holy Day Envelope				✓
Restricted Income (Temp)				✓
Fundraising				✓
School Tuition and Fees	✓			
Religious Education Tuition and Program Fees	✓			✓
Rental Operations Income	✓			
Rental Revenue	✓			✓
Sale of Church Assets		✓	✓	✓
Pledge: Promise to Give				✓
Pledge: Intention to Give	✓			

This section will discuss the proper recording of various situation and indicate if a receivables account is typically warranted, or if the parish can simply recognize the revenue. The following symbols will be applied to the sections:



Accounts Receivable Required



Revenue Recognition Only

13-8 Parish & School Policies Regarding Receivables

Parishes are required to maintain policies and procedures including but not limited to the following:

- Allowable types, dollar limits and authorization process related to parish or school receivable transactions.
- School policies and procedures related to school tuition transactions including student attendance procedures if tuition is not paid on time.
- Determination of timing and staff roles within the school or parish when following up on delinquent accounts.
- Collection efforts and procedures for sending an outstanding account to a collection agency or small claims court.
- Method of tracking receivables ([subsidiary ledger](#) or accounting software).
- When and how often to invoice.

13-8-1 School Tuition (Exchange Transaction)

Tuition is an amount received for various parish/school programs that are ongoing rather than onetime events. Examples include payments for school, preschool and faith formation.

Through disclosure of the components of net tuition, the [Statement of Activities](#) will show the difference between [gross/stated tuition](#) and [net/collected tuition](#) in accordance with the Archdiocesan chart of accounts. Schools shall use [contra accounts](#) to track and disclose all tuition revenue components applicable to their particular operations. Examples of contra tuition revenue accounts include tuition discounts such as multiple child, early payment and employee discounts. Financial aid and scholarship expenses are also recorded as contra revenue accounts.



Annual school tuition revenue deferrals shall be calculated and recorded as [deferred revenue](#) as of September 1st of each [fiscal year](#). The offset for the deferred revenue liability balance is the tuition/[accounts receivable](#) asset.

Monthly Tuition Revenue shall be recognized throughout the school year in increments of 1/9 per month from September through May. See also 13-8-1a Example School Tuition and Fees Receivable on page 256.

Tuition received during one fiscal year for the following fiscal year's school activity shall be recorded as deferred revenue on the parish/school books and recognized as income during the fiscal year to which it applies. Tuition prepayments are to be included within total deferred tuition,



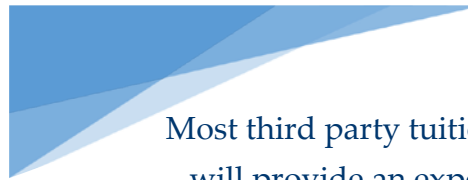
which will be recognized evenly as revenue during the next school year.

In addition to reporting the total tuition receivable balance on the [Statement of Financial Position](#), each school must maintain a [subsidiary ledger](#) for tuition as well as all other receivable balances. The subsidiary ledger contains a detailed register of tuition due from specific individuals/families. Tuition charges as well as receipts of payment are logged in the subsidiary ledger so that on any given day, total tuition receivable balance is available.

Schools may maintain the subsidiary ledger using an internal accounting system, Excel spreadsheet or outside tuition management company. Outside tuition management firms such as TADS, FACTS and SMART Tuition which invoice school families, collect tuition payments and manage follow up on past due balances as needed.

The subsidiary tuition receivable records must be reconciled to the general ledger on at least a monthly basis. The total tuition receivable balance in the general ledger must match the sum of subsidiary tuition receivable records. Investigation and resolution of differences is required whenever these amounts are not in agreement.

At the beginning of each [fiscal year](#), a school must determine the total tuition collections expected for the upcoming year. This balance due is recorded as [Tuition Receivable](#) on the Statement of Financial Position. As tuition dollars are received throughout the fiscal year, the tuition receivable balance is reduced.



Most third party tuition applications will provide an export process that you can use to import the monthly journal entry, and some may have even more automated processes.

Contact your vendor for more information.



13-8-1a Example School Tuition and Fees Receivable

Chart of Account #	Description	Debit	Credit	Project
1090	Tuition Receivable	900,000		
2191	Deferred Tuition		900,000	
1090	Tuition Receivable		117,000	
2191	Deferred Tuition – Total Discounts	117,000		
Parish School recognizes tuition on the first or last day of the month over 9 months.				
4310	Tuition Revenue		100,000	
4310	Tuition Discounts – Multi Child (Create/use sub-account, Revenue contra account)	500		
4310	Tuition Discounts – Need Based (Create/use sub-account, Revenue contra account)	10,000		
4310	Tuition Discounts – CSCOE Scholarship (Create/use sub-account, Revenue contra account)	2,000		X
4310	Tuition Discounts – Employee (Create/use sub-account, Revenue contra account)	500		
2191	Deferred Tuition	87,000		
Entry to record receipt of tuition payments made through TADS and in-house (made in month payment is received):				
1000	Cash	85,000		
1090	Tuition Receivable		85,000	

13-8-1b Conditional Fees (Deferred) Revenue

Some schools offer an opportunity for parents to recover fees paid if the parents participate in volunteer activities.

In addition to reporting the total conditional deferred revenue balance on the [Statement of Financial Position](#), each school utilizing a conditional deferred revenue program must maintain a [subsidiary ledger](#).

The subsidiary ledger must contain a detailed register of specific individuals/families, volunteer activity goals (i.e. # of hours), volunteer activity/hours in which the family participated, and whether or not volunteer activity goals have been met.

Chart of Account #	Description	Debit	Credit	Project
At the beginning of the school year, the conditional fees are received from the parents.				
1000	Cash	150		
2190	Deferred Revenue		150	
At the end of the school year, the parents who have fulfilled their volunteer goals are issued a check returning their conditional fees.				
1000	Cash		150	
2190	Deferred Revenue	150		
At the end of the school year, parents who have not fulfilled their volunteer goals are not issued a check, and the income is recognized.				
2190	Deferred Revenue	150		
4320	Fee Revenue		150	

NOTE: Please review 13-5-9 Volunteer Time on page 248 to verify that the volunteer services provided do not meet the characteristics of income/expense that must be recognized.

13-8-1c School Year-End Considerations

At the end of each [fiscal year](#), all outstanding accounts and [notes receivable](#) should be reviewed to determine whether balances are fully collectible.

If there are outstanding amounts that are considered doubtful as to collection, an allowance for doubtful accounts should be established. To determine the reserve amount, the parish or school must first quantify what may not be collected by evaluating each item within the accounts/notes receivable balances. Some receivables may be 75% collectible while others may be 25% collectible.

A journal entry is then recorded to reflect a decrease in amounts receivable and to recognize an expense. The reserve for doubtful accounts on the Statement of Financial Position is one of the accounts to be adjusted. This account is presented just below the account/note receivable account as a Credit balance. The effect of disclosing this account is to illustrate that there is a portion of the account/note receivable that may not be collected. An expense on the Statement of Activities is also recognized in the same amount as the reserve adjustment.



Utilizing a third party Tuition application can help reduce doubtful accounts. TADS, FACTS, and Smart Tuition will typically contact parents and keep on top of collections.



Parochial schools utilize the Tuition Receivable asset account under Parish Operations Entity 1, and use School Administration, or Elementary/Middle/High School Ministry Codes under Entity 1 to recognize revenue.

Consolidated/Regional Schools Entity 4 Tuition Receivable Asset, and use School Administration, or Elementary/Middle/High School Ministry Codes under Entity 4 to recognize revenue.

13-8-1d Example Allowance for School Doubtful Accounts and Bad Debt Expense

Chart of Account #	Description	Debit	Credit
Outstanding accounts receivable need to be reviewed at year-end or sooner, if needed. If there are potential uncollectible balances, bad debt expense needs to be recorded and the offsetting entry is recorded into the allowance for doubtful accounts.			
Family A owes	2,500 at year-end	20% uncollectible	500
Family B owes	5,000 at year-end	50% uncollectible	2,500
Family C owes	<u>500</u> at year-end	10% uncollectible	<u>50</u>
Total	8,000		3,050
Total deemed uncollectible end of first year = 3,050			
6330	Bad Debt Expense	3,050	
1090 (sub account)	Allowance for Doubtful Tuition		3,050
At the next year-end, none of the balances in the Allowance for Doubtful Accounts was received and it is apparent that 0% will be collected from Families A, B, and C. The following entry is made:			
1090 (sub account)	Allowance for Doubtful Tuition	3,050	
6330	Bad Debt Expense	4,950	
1090	Tuition Receivable		8,000
If instead of nothing being collected during the year, 2,000 have been collected of the 3,050. The remaining 1,050 to be collected is still doubtful at year-end. This is assuming that there were no additional uncollectible amounts at year-end.			
1090 (sub account)	Allowance for Doubtful Tuition	2,000	
6330	Bad Debt Expense		2,000
This is a change in an estimate and is recorded through normal operations in the following fiscal year.			

In an effort to be transparent, the pastor and Finance Council should be aware of the total outstanding [accounts receivable](#) balances, amounts of any past due items and disclosure as to collection efforts. In the instance of tuition or faith formation balances, presentation of past due amounts should be in summary form rather than in detail by individual/family. Items to include are total number of past due accounts and split into aging categories with total due per category (i.e. 30 days past due, 60 days past due, 90 days past due, over 90 days past due).

On an annual basis, any outstanding receivables from the prior fiscal year-end, that have not been collected at all by the next fiscal year-end, should be totally reversed from the [allowance for doubtful accounts](#) and accounts or notes receivable balance. If there is a subsequent collection on a balance that was written off, it is recognized as revenue at the time of receipt.



The subsidiary accounts receivable ledger must be reconciled with the general ledger on a regular basis, preferably monthly and especially at fiscal year-end.

13-8-2 Preschool Tuition and Daycare/Latchkey Fees (Exchange Transactions)



AR

Other common sources of tuition or program fee revenue are for [preschool](#), [daycare](#) and [latchkey](#) programs (also known as extended day, after school, or before school care).



RR

Depending on the timing, nature of payments, duration of programs, and the contract terms, preschool tuition income may be recorded as revenue as received or on the accrual method.

Latchkey and Daycare programs with installment fee billings would generally require receivable tracking. While Latchkey and Daycare programs with pay-as-you-go billings would not require receivable tracking.

Once accounting processes are determined for a particular program, consistency from year to year is recommended.

At year-end, unpaid preschool tuition should be recorded as a tuition/accounts receivable asset. If applicable, an appropriate amount should be recorded as an allowance for uncollectible tuition.

At the beginning of each [fiscal year](#), a preschool or latchkey program must determine the total tuition collections expected for the upcoming year. This balance due is recorded as [Tuition Receivable](#) on the Statement of Financial Position. As tuition dollars are received throughout the fiscal year, the tuition receivable balance is reduced.



What's the difference?

Preschool: Education for 3-5 years-old

Daycare: Supervision for 0-5 years-old

Latchkey: Supervision for school aged children



13-8-2a Example Pre-School Tuition Receivable

AR

Chart of Account #	Description	Debit	Credit	Project
Parish Preschool anticipates \$120,000 in gross tuition and \$14,400 in discounts for the next fiscal year. An entry is made to record total of tuition receivable due at the beginning of the fiscal year (typically, when 1st billing of tuition is made to school families):				
1090	Tuition Receivable	120,000		
2191	Deferred Tuition		120,000	
1090	Tuition Receivable		14,400	
2191	Deferred Tuition – Total Discounts	14,400		
Parish School recognizes tuition on the first or last day of the month over 12 months using the Ministry Code 83 Preschool (PS).				
4310	Tuition Revenue		10,000	
4310	Tuition Discounts – Multi Child (Create/use sub-account, Revenue contra account)	100		
4310	Tuition Discounts – Need Based (Create/use sub-account, Revenue contra account)	300		
4310	Tuition Discounts – CSCOE Scholarship (Create/use sub-account, Revenue contra account)	600		X
4310	Tuition Discounts – Employee (Create/use sub-account, Revenue contra account)	200		
2191	Deferred Tuition	8,800		
Entry to record receipt of tuition payments made through TADS and/or in-house (made in month payment is received):				
1000	Cash	8,800		
1090	Tuition Receivable		8,800	

13-8-2b Example Daycare and Latchkey Fee Revenue


Chart of Account #	Description	Debit	Credit	Project
Parish Daycare supervises 20 children at \$250 per child per week and the parents pay on the first or last day of each week. Utilize Ministry Code 84 Latchkey (LK) or 85 Daycare (DC).				
1000	Cash	5,000		
4320	Fee Revenue		5,000	



Typically, Preschool payments are categorized as Tuition, while Daycare and Latchkey are categorized as Fees.



Preschool, Daycare and Latchkey programs at a Parish utilize the Tuition Receivable asset account under Parish Operations Entity 1, and use Preschool, Daycare and/or Latchkey Ministry Codes under Entity 1 to recognize revenue.

Preschool, Daycare and Latchkey programs at a Parish at a Consolidated/Regional Schools use Entity 4 Tuition Receivable Asset, and use Preschool, Daycare and/or Latchkey Ministry Codes under Entity 4 to recognize revenue.

13-8-3 Religious Education Tuition and Fees (Exchange Transaction)



AR

Whenever a parish or school receives revenue from any program or ministry, consideration should be given as to whether accounts/notes receivable accounting is warranted.



RR

It is important to distinguish accounts/notes receivable accounting from revenue recognition. The primary function of receivables accounting is to track [anticipated cash](#) collections.

In situations where program fees are received in a lump sum, such as for Religious Education, receivable balances may not require tracking.

Depending on the timing, nature of payments and duration of programs, receivable accounting may be required. For example, faith formation programs with one-time fees may not require receivable tracking. Longer programs or those with installment fee billings would generally require receivable tracking. Once accounting processes are determined for a particular program, consistency from year to year is recommended.

Faith Formation tuition revenue should be deferred to the proper year for revenue recognition, but does not need to be recognized evenly throughout the months of the program year. At year end, unpaid faith formation tuition revenue should be recorded as a tuition/accounts receivable asset. If applicable, an appropriate amount should also be recorded as an allowance for uncollectible tuition.



13-8-3a Example Religious Education Tuition Receivable


Chart of Account #	Description	Debit	Credit	Project
Parish Youth Formation anticipates \$24,000 in for the next fiscal year (1000 children at \$24 each). Parents sign up their children for classes online and monthly invoices are sent to parents. An entry is made to record total of tuition receivable due at the beginning of the fiscal year (or when 1st billing of tuition is made to religious education families):				
1090	Tuition Receivable	24,000		
2191	Deferred Tuition		24,000	
Parish School recognizes tuition on the first or last day of the month over 6 months. Utilize Ministry Code 60 Youth Formation (YF).				
4310	Tuition Revenue		4,000	
2191	Deferred Tuition	4,000		
Entry to record receipt of tuition payments made (made in month payment is received):				
1000	Cash	4,000		
1090	Tuition Receivable		4,000	



Religious Education programs at a Parish may choose to utilize receivables based on the Tuition Receivable asset account under Parish Operations Entity 1, and use the Youth Formation, Sacramental Prep, RCIA and/or Adult Formation Ministry Codes that is appropriate for your parish to recognize revenue.

1-1-1a Example Religious Education Tuition Revenue Recognition (no receivable)


 RR

Chart of Account #	Description	Debit	Credit	Project
Parents sign up their children for Youth Formation classes online and fees for materials are accepted for all classes up front. Parish receives payments \$2,400 (100 children at \$24 each). Entry is made when payments are received, utilizing Ministry Code 60 Youth Formation (YF).				
1000	Cash	2,400		
4320	Fee Revenue		4,000	

At a minimum, all uncollected tuition or program fees should be reviewed at year-end. If the outstanding balance is [material](#), it should be recorded as a receivable at year-end. There should be a notation in the financial report regarding uncollected tuition and program fees so that there is transparency to the parish [leadership](#). There should be written policies that outline procedures for collection.

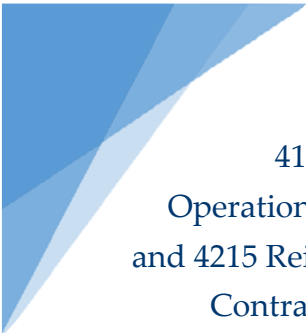
13-8-4 Rent Contracts and Leases (Exchange Transaction)

On February 25, 2016, the FASB issued [Accounting Standards Update No. 2016-02, Leases \(Topic 842\)](#), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing transactions.

The standard will primarily and directly affect companies that lease assets, see Lease: on page 103. The impact for lessors will not be as direct, but may come into effect when negotiating leases with tenants. Shorter lease terms, as well as variable terms if payments are based on Consumer Price Index, may become desirable to the lessor.

The new standard also requires lessors to separate non-lease components that transfer a good or service to the customer, such

as common area maintenance or utilities, from the lease components. Lessors will account for only the lease components, according to the new ASU.



Use the 4120 Rental Operations Income and 4215 Reimbursed Contracted, and Rental Expenses (if applicable) under the Rental Operations Ministry Codes 20-29 to record **regular contracted rental of parish property**.



13-8-4a Rental Operations Income

Rental Operations Income are funds received as regular rental income for buildings or office space rented by the parish to some third party organization or individual. There should be contracts supporting this relationship. Rental Operations Income shall be recorded and reported in the appropriate Ministry Code under Rental Operations 20-29. If included in the lease contract, the use of Reimbursed Contracted Rental Expenses may be included.

If a parish has an ongoing arrangement to lease space in any parish owned property, accounts receivable accounting is generally **required**. During the term of the lease the parish should recognize accounts receivable as outlined in the lease agreement. As rental operations payments are received, the accounts receivable balance decreases. Generally, lease rental revenues are also recognized as receivables are recorded. However, in the case of deposits or other receipts (i.e. pre-



Effective Fiscal Year 2020, FASB ASU 2016-02 Leases, revised its rules governing lease accounting. The impact for Lessor's will not as direct as Lessee's, but may come into effect when negotiating leases with tenants.

paid rent), revenue may be deferred.

Any other rental contracts (i.e. cell phone tower leases) generally require use of accounts receivable when monthly rent is not received in accordance to the contract. For monthly rental contracts, a review should be made at fiscal year-end to make sure that all rent that due was received during the [fiscal year](#). If any rent is outstanding, an accounts receivable transaction should be recorded at that time. If any rent belonging to the next fiscal year has been received in advance, [deferred revenue](#) should be recorded at year-end.

13-8-4b Example Rental Operations Income

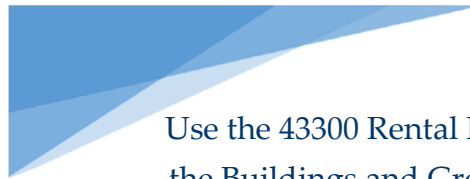
Chart of Account #	Description	Debit	Credit
The Parish has a contract to lease the convent building to a charter school, for the term of one year, \$5000 per month that includes a \$1000 utility and grounds maintenance reimbursement. Invoice is sent to the charter school on the first day of each month. Entry on the first or last day of the month utilizing Ministry Code 23 Convent Rent/Lease (CR).			
1060	Accounts Receivable	5,000	
4210	Rental Operations Income		4,000
4215	Reimbursed Contracted Rental Expenses (if applicable)		1,000
Entry when payment is received.			
1000	Cash	5,000	
1060	Accounts Receivable		5,000

13-8-4c Rental Revenue



[Rental Revenue](#) are funds derived from the [intermittent](#) use of property owned by parish and related entities by individuals or third party organization. Rental Revenue shall be recorded and reported in the appropriate [Ministry Code](#) under [Buildings and Grounds 10-19](#).

Parish social hall, school classroom and other space rental **may require** [accounts receivable](#) accounting depending on when money for the events is received. Refundable deposits should be recorded as [accrued liabilities](#) since they will most likely be refunded in part or total after the event. An account specifically for refundable deposits/security deposits should be set up separately from a general accrued liabilities account in the general ledger. If the event is not paid for by the time of the event, then accounts receivable should be recorded. This is especially important if an event occurs shortly before fiscal year-end. In the case of receipt of prepaid rental fees, [deferred revenue](#) should be recorded. Please see the section below on cut-off considerations.



Use the 43300 Rental Revenue under the Buildings and Grounds Ministry Codes 10-19 to record **periodic rent of parish property.**

13-8-4d Example Security and Rental Deposits

Chart of Account #	Description	Debit	Credit
The parish has rented the social hall for a wedding to take place later that month. The parish charges \$5,000 for the hall that includes a \$1,000 refundable rental deposit. The couple issues a security deposit check to hold the social hall. Entry at time a deposit is received.			
1000	Cash	1,000	
2110	Accrued Liabilities (sub-account) <i>Rental Security Deposits</i>		1,000
The event is over and there was some damage to the social hall that amounted in \$100 that will be withheld from the refund of the deposit. Utilization of Ministry Code 15 Social Hall (SH) is used.			
1000	Cash	5,000	
4340	Rental Revenue		5,000
2110	Accrued Liabilities (sub-account) <i>Rental Security Deposits</i>	1,000	
4340	Rental Revenue (for damages during the event)		100
1000	Cash		900
4340	Rental Revenue (for damages during the event)	100	
1000	Cash		100

As with any accounting process, [materiality](#) of rental transactions should be considered when making the determination whether to use accounts/[notes receivable](#). If rental receipts are not material to parish or school financial statements and generally occur within the accounting period reported, receivable accounting may not be necessary. If rental fees due represent a significant amount for a parish or school and have not been received (or have been received in advance), additional accounting entries are generally necessary.

13-8-5 Sale of Parish/School Assets (Exchange Transaction)

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Sometimes a significant (material) [asset](#) is sold with payments to be received over a period of time (i.e. land or a building). If payment is to be received within the next 12 months, an accounts receivable balance should be recorded. If payment is to be received more than 12 months into the future, a note receivable balance should be recorded. For multi-year sale agreements, the current year's amount due should be reclassified from long term notes receivable to current notes receivable at the beginning of each [fiscal year](#).

Any transaction of this nature should have a sales agreement and a formal payment schedule which is signed by the buyer and the seller. Disclosure of any such sales should be made in the financial statement notes with amounts and terms of payment included.

The sale of real property requires a proxy. See [206 – Parish Administration – Part I Corporate Structure Of Parish Under Minnesota Law – Item 7. Use Of Proxies For Corporate Action](#) for further information.

If a parish or school sells less valuable assets (i.e. school desks, used office or building equipment) without receiving full payment upon asset delivery, an accounts receivable balance should generally be recorded. An exception to this accounting treatment is if the transaction is not considered material.

13-8-5a Example Cash Sale of Parish Property

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<i>Chart of Account #</i>	<i>Description</i>	<i>Debit</i>	<i>Credit</i>	<i>Project</i>
The parish sells a parcel of land (after receiving a proxy) for 500,000. The land had an original cost of 200,000. There was \$10,000 in closing costs paid by the parish (seller).				
Entry at the time of sale:				
1000	Cash	500,000		
1300	Land		200,000	
6230	Interest Expense (Loan Closing Fee)	10,000		
4190	Sale of Property/Equipment/Land		290,000	

13-8-5b Example #2 Sale of Parish Property with Note Receivable



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Chart of Account #	Description	Debit	Credit	Project
The parish sells a parcel of land (after receiving a proxy) for 500,000 with 100,000 due at the close of the sale and 100,000 per year due on March 1 for four additional years. Interest is due annually with the payment at 5% of the outstanding balance. The land had an original cost of 200,000. Initial entry at the time of sale:				
1000	Cash	100,000		
1060	Accounts Receivable	100,000		
1250	Note Receivable – Long Term	300,000		
1300	Land		200,000	
4190	Sale of Property/Equipment/Land		300,000	
At March 1, (year 1) the first payment is received along with interest on the outstanding balance.				
1000	Cash	120,000		
1250	Note Receivable – Long Term		100,000	
4120	Dividend/Interest Revenue		20,000	
At June 30, (year 1), the current portion will remain at 100,000 and the long term balance is 200,000				
At March 1, (year 2) the next payment is received along with interest on the outstanding balance				
1000	Cash	115,000		
1250	Note Receivable – Long Term		100,000	
4120	Dividend/Interest Revenue		15,000	
These entries will continue until payment is received in full.				

13-8-6 Employee Salary Advances (Exchange Transaction)



Best accounting practice **highly discourages** the practice of salary advances. However, if a parish or school pays an employee in advance, the payment should be made in accordance with a parish/school policy. Policies surrounding employee advances should be clear and in writing. They should be published in the employee handbook along with a procedure for procuring an advance and making repayments.

Employee salary advances should be recorded as [accounts receivable](#) at the time of distribution. All employee advances, regardless of amount, should be disclosed on the parish/school financial statements in aggregate as an account or note receivable balance

13-8-6a Example Salary Advance

Chart of Account #	Description	Debit	Credit
Best accounting practices highly discourage the practice of salary advances. The parish/school should have written policies regarding the process for obtaining and paying back the advance. If an employee receives an advance, the following entries should be made ²⁴ .			
Entry is done at the time of the initial advance.			
1060	Accounts Receivable	500	
1000	Cash		500
The employee will pay back \$100/pay period (semi-monthly payroll) for 5 pay periods. The employee gross wage is 1,000 per pay period. The following entry is made and the net wages are shown after the advance is paid back.			
5000-5010	Salary/Wages Exp	1,000	
2132	FICA – SS/Medicare Withholding		77
2131	Federal Payroll Tax Withholding		123
2133	MN State Payroll Tax Withholding		50
1060	Accounts Receivable		100
1000	Cash		650

²⁴ Parishes using a 3rd party Payroll vendor shall indicate advance payment made and repayment



13-8-7 Property/Liability Insurance Proceeds

Property/Liability proceeds are an attempt to make the parish “whole” again after a storm, fire, fraud or other disaster.

13-8-7a Loss of Property/Equipment (Asset)

With property and equipment, if the amount of the proceeds is known, a gain/loss on the disposal of the destroyed/stolen asset should be booked for the difference between the net book value of the asset and the proceeds received.

If the recovery amount is not determined by the end of the fiscal year, the guidance for contingencies should be followed.²⁵

13-8-7a Example Insurance Proceeds – Loss of Property/Equipment (Asset)

Chart of Account #	Description	Debit	Credit	Project
The unoccupied, parked parish van was struck by an out of control semi-truck, totaling the van. The parish van was purchased new 3 years prior for \$60,000. The parish utilized a 10-year straight-line depreciation method and has previously booked \$18,000 as Accumulated Depreciation. This leaves a net book value of the school van at \$42,000. The parish received a check from Catholic Mutual for \$40,000 and records the deposit as follows:				
1000	Cash	40,000		
1360	Accumulated Depreciation	18,000		
1320	Equipment – School Van		60,000	
4190	Sale of Property/Land/Equipment	2,000		

²⁵ [FASB ASU 2017-05 Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets \(subtopic 610-20\)](#)

13-8-7b Insurance Proceeds – Claim and Settlement in the Same Fiscal Year

If the reimbursement settlement is received in the same fiscal year as the claim, the parish should credit the original expense account(s) utilized when recording the remediation of the damage.

Oftentimes, a check must be issued to the vendor completing the repairs prior to receiving the claim check from the insurance company.

13-8-7c Example Insurance Proceeds – Claim and Settlement in the Same Fiscal Year

<i>Chart of Account #</i>	<i>Description</i>	<i>Debit</i>	<i>Credit</i>	<i>Project</i>
There was a storm and parish property was damaged. A claim was submitted to Catholic Mutual, but the repairs must be completed and a payment must be made to the vendor, prior to receiving the settlement check. The repair estimate came in at \$20,000 and there is a \$4,000 deductible on the policy that is paid out of pocket. The invoice received from the Vendor who repaired the storm damage, and the check is issued and recorded as follows:				
1000	Cash		20,000	
1060	Accounts Receivable	16,000		
6250	Maintenance & Repairs Exp	4,000		
The insurance claim settlement is received from Catholic Mutual for the of the claim and the Deposit is recorded as follows:				
1000	Cash	16,000		
1060	Accounts Receivable		16,000	

13-8-7a Insurance Proceeds – Claim and Settlement in a Different Fiscal Year

In cases where there was a multi-year claim, or the reimbursement check was received in a year subsequent to the claim, it is not recommended to utilize the original expense account(s) used. This can negatively affect the financial presentations on a year over year comparison.

In these instances, the parish must record the reimbursement as income.

13-8-7b Example Insurance Proceeds – Claim and Settlement in a Different Fiscal Year

<i>Chart of Account #</i>	<i>Description</i>	<i>Debit</i>	<i>Credit</i>	<i>Project</i>
A parish discovers misappropriation of funds that occurred over multiple years. After the parish receives a reimbursement check from the insurance company in a fiscal year following the claim.				
1000	Cash	100,000		
4475	Insurance Proceeds Reimbursement		100,000	
Note: The 4475 Insurance Proceeds Reimbursement account will automatically be excluded from assessable income in the Annual Parish Financial Report (APFR) filed using the ParishSOFT Accounting utility.				

13-8-8 Fees (Exchange Transaction)

Fees are received for one-time and seasonal events, as well as for participation in certain programs. Examples include school hot lunch programs, athletic fees for various sports, mission trips fees, sacrament preparation fees and extended day fees.

Registration fees for both school and parish activities received during one fiscal year for the following fiscal year's activities shall be recorded as deferred revenue on the parish/school books and recognized as income during the fiscal year to which they apply. School registration fees shall be recognized on September 1st of each fiscal year.

School Program fees shall be recognized as income when they are received provided the funds will be used during the same fiscal year. Any leftover funds at fiscal year-end shall be recorded as liabilities or refunded. An example of this activity is hot lunch program income.

13-8-8a Fee Transaction



<i>Chart of Account #</i>	<i>Description</i>	<i>Debit</i>	<i>Credit</i>	<i>Project</i>
The parish school receives \$500 from parents for school lunches. Funds are recorded in a subsidiary ledger tracking each parent's payments, and a deposit is entered in the general ledger of the accounting system.				
Entry at the time of deposit:				
1000	Cash	500		
4320	Fee Revenue		500	

13-9 Implementation Guidance

Sources of revenue should be identified for their parish/school and document the policy for recording various types of revenue during the year. Parishes/schools should also document and perform year-end procedures for proper revenue

recognition and end of year reporting. Year-end review procedures should include but not be limited to:

1. Review all [accounts receivable](#) balances for collectability. Determine necessary allowances and record write-offs.
2. Reconcile accounts receivable [subsidiary ledger](#) to the general ledger on a monthly and yearly basis.
3. At a minimum on an annual basis, review Donor Imposed Restricted balances and determines if restriction is still valid. If not, contact the donor to change restriction or return donation. See Section 16 Net Assets / Equity on page 348 for more details.
4. Review tuition and fee receipts during the last quarter of the [fiscal year](#) to ensure revenue are recorded in the proper fiscal year. Ensure proper cut-off by making necessary entries to defer revenue until the next fiscal period.

13-10 Inter-Fund Transactions

Some parishes may be using more than one fund to track different aspects of its operations. The current Archdiocesan Standard Chart of Accounts (COA) delineates entity one for Parish Operations, entity two for Cemetery Operations, entity three for Capital Campaign activities, and entity four for Regional School.

Occasionally, a parish may use one entity to pay for something that is an expense of a different entity. For example, a parish may pay for a cemetery expense out of its operating entity. Alternatively, money may be deposited in one entity that belongs to another entity. For example, a capital campaign donation may be part of a check that includes Sunday envelope donation. The check may be deposited in the parish operating account rather than the capital campaign bank account.

These types of transactions cause an imbalance between entities that are referred to as 'Due To (From)' transactions. In a consolidated financial report, there is no imbalance but individual entity financial reports will reflect the 'Due To (From)' balance.

These imbalances are reversed when the entities 'settle up' these differences by paying back balances due. To resolve the imbalance explained in the first example above, the cemetery account would reimburse the parish operating account for the expense the parish paid for the cemetery. In the second

example, preparation of a check or funds transfer from the parish operating account to the capital campaign operating account would resolve the 'Due To (From)' imbalance.

A review should be made monthly to make sure that each entity is in balance on its own. The ParishSOFT Accounting System provides an automated [Due To \(From\) balancing feature](#). If using another application, if the system is not in balance, accounting entries are required to the appropriate 'Due To (From)' accounts for the affected funds.

13-10-1 Example #6 Due To/From Entity Imbalances

Parishes who use ParishSOFT Accounting and are utilizing more than one Entity (Parish Operations, Cemetery Operations, Capital Campaign or Regional/Consolidated School) should enable the [Due To/From Feature](#) in ParishSOFT to ensure proper balancing of system.

Chart of Account #	Description	Debit	Credit
A parish uses the Parish Operating entity (01) and the Cemetery Operating entity (02). During the month, the parish pays \$500 for cemetery expenses out of the parish operating bank account rather than the cemetery bank account.			
The entry at the time of payment is as follows:			
5000-6999	Expense Accounts (Cemetery Operations Entity)	500	
1000.XXP	Cash (Parish Operations Entity)		500
At the end of the month, when a trial balance by fund is prepared, the following is noted:			
Out of Balance – Credit Balance		Parish Operations Entity	
Out of Balance – Debit Balance		Cemetery Operations Entity	
In order for each entity to be in balance at month end, the following entry needs to be made: ²⁶			
2430.00C	Due To/From Operating Fund	500	
2430.00P	Due To/From Operating Fund		500
In the following month, a check is written from the cemetery bank account for \$500 to reimburse the operating entity and the parish deposits the check into the operating bank account. The following entry is made at the time of the payment:			
2240	Clearing Account	500	
1000.XXC	Cash – Cemetery Operations Entity		500
The following entry is made at the time of the deposit:			
1000.XXP	Cash – Parish Operations Entity	500	
2240	Clearing Account		500

²⁶ Parishes utilizing ParishSOFT Accounting who have enabled the Due To/From Feature will **NOT** need to complete this entry, as it is automated in the system.

13-11 Corrections

If data entry errors are found in prior or current fiscal months, journal entries must be created in the current fiscal month to correct.

13-12 Cut Off Considerations

A term that refers to recording transactions within a [proper fiscal period](#) is called cut off. This period is a length of time that the parish/school keeps its accounting records open to record revenue and expenditures that relating to that open period.

At the end of each month during the fiscal year, accounting staff should be sure all material transactions are recorded in the appropriate accounting period. Adjustments may be required to reflect large receipts received in one month that relate to either the previous or next month's earnings. Entries posting to a prior closed period should be kept to a minimum as it may require the prior month financial reports to be restated. Proper accounting [cut off](#) is particularly important at the end of each [fiscal year](#).

At fiscal year-end, it is recommended to leave accounting records open for three or four weeks to capture as much of the prior year's financial activity as possible. In [accrual](#) accounting it is important to record transactions in the period that they are [incurred](#) (for expenses) or [earned](#) (for revenue).

When information becomes known after an accounting period is closed, it is prudent to consider whether an unrecorded transaction is material enough to warrant reopening an accounting period²⁷. Information is material if its omission or misstatement could influence the economic decisions of the parish or school [leadership](#) taken based on the financial statements. If financial statements have already been distributed to parish leadership or any external parties, revised financial statements must be re-issued along with documentation explaining the changes made.

In an audit, cut off procedures are usually tested to make sure that financial transactions are recognized in the proper accounting periods.

²⁷ ParishSOFT Accounting users must request reopening a fiscal month/year from Standards Program Manager in the Office of Financial Standards and Parish Accounting.

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Section 14 Payables and Expense Recognition

[Accounts payable](#) represent [short-term obligations](#) to be paid to parish and school vendors/creditors for goods purchased or services provided. Generally, receipt of an invoice for goods or services provided would prompt recording an accounts payable item. An [accrued liability](#) would be recorded if an expense has been incurred but whether or not an invoice has been received. Properly recording these obligations when [incurred](#) allows the parish/school to make a cash flow plan to ensure these obligations are paid in a timely manner. Accounts Payable and Short Term Liabilities must be disclosed on the [Statement of Financial Position](#) in the [Liabilities](#) section. The purpose of this policy is to provide guidelines for categorizing, recording and reporting parish and school accounts payable and liabilities and properly disclose the parish's financial obligations on the parish financial statements.

See the following chapters: Section 11 Budgeting on page 192 and Section 15 Payroll on page 308 as they closely relate to this chapter. Refer to them for additional information. You may also review the Section 9 Debt on page 101 for a discussion regarding [long-term liabilities](#).

14-1 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted the [accrual method of accounting](#) for recognition of parish and school expenses. The accrual method requires recording expenses when [incurred](#). Accounts payable reflects these accrued expenses without regard to actual timing of the payment of the invoice.

The Archdiocese of Saint Paul and Minneapolis has defined a standardized chart of general ledger accounts for use by all parishes and schools. See Section 10 Chart of Accounts on page 125.

14-2 Scope

14-2-1 Accounts Payable

Generally, [accounts payable](#) obligations are expensed in the period [incurred](#) and not when invoices are received or paid. In accrual accounting the payable must be recorded as of which the service has been provided or purchased. This date may not match the invoice date. Accounts payable transactions should be recorded from original invoices and not from vendor statements or packing slips.

Many accounting software programs automatically make these entries when invoices are entered into or paid out of an accounts payable module. Some vendors will charge a penalty, late fee and/or interest if accounts are overdue. Be sure to note these vendors and make timely payments to avoid such charges. In addition, vendors may offer a discount for early payment of invoices. In order to maximize cash flow, this option should be utilized if available and cash flow allows for it.

14-2-2 Example Standard Accounts Payable Process

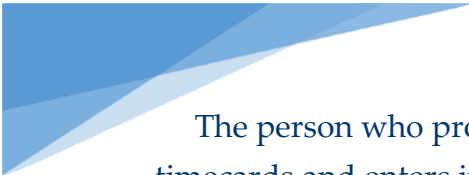
Chart of Account #	Description	Debit	Credit
An invoice is received from Excel Energy for electricity in the church building. Invoice is authorized, coded, and entered into the accounting system on the day it is received in the mail.			
6220	Utilities Expense	500	
2100	Accounts Payable		500
Check is issued to Excel Energy in payment for electricity bill for the church building.			
2100	Accounts Payable	500	
1000	Cash		500

Certain types of accounts payable transactions such as payroll taxes, employee share of medical and other benefits, and 403(b) employer and employee contributions must be paid when due in order to satisfy legal obligations. There are serious legal implications for late payment of these obligations. If utilizing a third-

party payroll application, such as Paycor, the payroll vendor will complete these transactions on the parish's behalf. Most payroll providers will offer a file that can be imported into the parish accounting system which will generate the proper journal entry for the parish records. Contact your payroll provider for assistance with this import file.

Internal Control Tip

Employee list management is an important internal control. A parish or school should have a process to add and review new employees. If possible, the person who processes payroll timecards and enters into the payroll system should not also be adding new employees. If this is not possible, a mitigating control would be a review of new employees on a monthly or quarterly basis by a person who is independent from accounts payable processes.



The person who processes payroll timecards and enters into the payroll system **should not** also be adding new employees. If this is not possible, a mitigating control would be a review of new employees on a monthly or quarterly basis by a person who is independent from accounts payable processes.

As a matter of best practice and [internal controls](#), it is **not advisable to prepare checks the parish does not intend to mail immediately**. If checks are not mailed as soon as they are prepared, they are more likely to be lost or stolen. It is also more difficult for the parish to track expenses and control payments.

For cash flow purposes, best practice suggests periodic review of outstanding invoices using the accounts payable aging report along with current bank balances.

14-3 Liabilities

Liabilities represent financial obligations related to a variety of items. Some examples are listed below.

- Wages for work performed in current [fiscal year](#) but will not be paid until the following fiscal year
- Vacation, Paid Time Off and or Sick Time is accrued at year end for any unused amount which may be carried over to the next fiscal year
- Special collections taken up to be remitted at a later time to a third party non-profit
- Severance or early retirement benefits to be paid over a period of time which is more than one fiscal year
- Other payments that are due over a period of time but not currently
- Lines of credit or current portion of long term debt

Also, a [liability](#) can be an obligation of the parish or school for future performance for revenues received currently. An example includes prepaid school or faith formation tuition. Another example includes festival raffle money received in one fiscal year for a festival in the next fiscal year. The revenue is then recorded as [deferred revenue](#) and is recognized when the service is performed. Deferred revenues represent liabilities to the parish or school as the monies would be returned to the payer(s) if the event did not occur. Also see 13-5-8 Non Deductible Items on page 248.

14-3-1 Example Deferred Revenue Process

Chart of Account #	Description	Debit	Credit
Parish schedules a raffle to be held in August, tickets go on sale in June. Raffle ticket sales deposited in the month of June in the amount of \$5000.			
1000	Cash	5,000	
2190	Deferred Revenue		5,000
Parish Raffle takes place and a journal entry is created to record the revenue in August.			
2190	Deferred Revenue	5,000	
4330	Fundraising Revenue		5,000
NOTE: Raffles are Exchange Transactions, and not Contributions. Contributions cannot utilize Deferred Revenue.			

14-3-2 Cut Off Considerations

Cut off is a term that refers to recording transactions in the proper fiscal period. Cut off period is a length of time that the parish/school continues to keep its accounting records open to record invoices or other expenses or revenue that relate to the open period. Generally, many invoices for a given month are received in the first two weeks of the following month. As such, in order to accurately reflect the month's activity, it is recommended to keep the accounting records open for a 14-day period after month end.

However, at fiscal year end, it is recommended to leave the records open for three to four weeks to capture as much of prior year financial activity as possible. In accrual accounting it is important to record transactions in the period that they are incurred (for expenses) or received (for revenue--although it may be deferred revenue if it relates to the next fiscal year).

When information comes to light after an accounting period is closed, it is prudent to consider whether an unrecorded transaction would be material enough to warrant reopening an accounting period. Information is material if its omission or misstatement could

influence the economic decisions of the parish or school [leadership](#) taken on the basis of the financial statements.

In an audit, cut off procedures are usually tested to make sure that the financial data is recognized in the proper accounting period.

14-3-3 Year End Consideration

At the end of the [fiscal year](#), a review should be made and any [accounts payable](#) or liabilities that are not payable within the next 12 months should be categorized as [Long Term Liabilities](#) rather than [Current Liabilities](#).

14-3-4 Implementation Guidance

Parishes and schools should document [cut off](#) procedures for month end and year end accounting periods. Year-end review should include but not be limited to:

- Review all invoices received during the determined cut off period and record as appropriate.
- Reconcile the accounts payable [subsidiary ledger](#) (Open Accounts Payable Listing) to the general ledger on a monthly and yearly basis.
- Review wages, vacation time, sick time, paid time off, other liabilities that do not necessarily have an invoice and make sure to accrue any amounts due at month end and year-end as needed. Some liabilities will be recorded monthly while others are reviewed and adjusted at year-end.

14-4 Expense Recognition

Parishes and schools incur many types of expenses including payroll, administration, instructional, program and facility. The purpose of this policy is to promote a consistent methodology for categorizing, recording and reporting parish and school expenses on parish financial statements. This chapter is closely related to Section 16 Net Assets / Equity on page 348, and Section 13 Receivables and Revenue Recognition on page 232. Please refer to these chapters for additional information.

14-4-1 Common Expenses for Parishes and Schools:

Generally, an expense is recognized in the period in which a cost is incurred, a product is consumed or a service is received.

Payroll and employee benefit expenses should be recognized during the periods in which employees perform their work.

In cases of parish\school employees who work twelve months of the year, expense recognition should take place during each month based on hourly or salaried work performed.



14-4-1a Example Payroll and Employee Benefit Expenses

Chart of Account #	Description	Debit	Credit	Project
Employees work 12 months of the year and are paid on a bi-weekly basis. Payroll is authorized, coded, and completed at Paycor and the journal entry is imported.				
1000	Cash (taxes)		1,884	
1000	Cash		5,766	
5010	Salary/Wages Expense	6,965		
5020	FICA/Medicare Expense	531		
5040	Lay Insurance Expense	221		
2131	Federal Payroll Tax Withholding	537		
2132	FICA – SS/Medicare Tax Withholding	1,062		
2133	MN State Payroll Tax Withholding	285		
2131	Federal Payroll Tax Withholding		537	
2132	FICA – SS/Medicare Tax Withholding		1,062	
2133	MN State Payroll Tax Withholding		285	
2141	Medical Insurance Deduction		41	
2142	Dental Insurance Deduction		26	

In cases of school staff or other parish\school personnel working a portion of the year, payroll and benefit expenses shall be recognized only when the employees are providing the services as outlined in their work agreement.

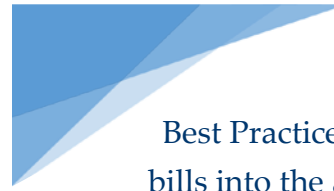
Recognition of expense does not always correspond with payment of wages and benefits. For example, salaries and benefit expenses for a teacher working during a nine-month school year would be recognized only during the months of that school year. Expenses would not be recognized during summer months regardless of whether the teacher receives salary payments or not.

Payroll and benefit expenses should also be recognized on a consistent basis and a full year's expense should be recorded each year. Also see Recording Accrued Wages on page 337.

14-4-2 Accounts Payable

Accounts Payable is money owed by a parish or school to its suppliers or vendors. It is shown as a liability on a company's Statement of Financial Position.

At the end of the month or year, it is important to record all invoices in accounts payable for items received or services rendered through that accounting period.



Best Practice is to enter bills into the accounting system daily as they arrive in the mail.

14-4-2a Example Standard Invoice Received and Paid

Chart of Account #	Description	Debit	Credit
An invoice is received from Excel Energy for electricity in the church building. Invoice is authorized, coded, and entered into the accounting system on the day it is received in the mail.			
6220	Utilities Expense	500	
2100	Accounts Payable		500
Check is issued to Excel Energy in payment for electricity bill for the church building.			
2100	Accounts Payable	500	
1000	Cash		500

14-4-3 Accrued Expense

An expense that is recorded when an item has been received or a service rendered during a given accounting period but no invoice has yet been received.

A common example of accrued expense relates to teachers who elect twelve-month payment plans for their salary and benefit expenses. Accrual accounting practices require that no matter when they are paid, teacher salaries and benefit expenses are to be recognized only during the months of the school year. For teachers who elect twelve-month payment plans, expenses should be accrued before salary payments are actually made. See **Error! Reference source not found.** **Error! Reference source not found.** on page **Error! Bookmark not defined.**



Another example to illustrate accrued expenses is to consider parish\school purchases made for a festival at the end of one [fiscal year](#). It is especially important to accrue expenses before the fiscal year end, even if the parish\school does not receive invoices until the start of the next fiscal year.

14-4-3a Example Accrued Expense

Chart of Account #	Description	Debit	Credit
At the end of the month or year-end: The event has occurred prior to the end of the year, but the invoice has not yet been received or paid.			
6000-6999	Expense Account	5,000	
2110	Accrued Liability		5,000
At the time of payment: Invoice has been received, authorized, and coded; check has been issued to the vendor.			
2110	Accrued Liability	5,000	
1000	Cash		5,000

14-4-4 Prepaid Expense

Expenses are recognized in the year an event takes place, when a service is performed or when a product is received. Timing of expense recognition does not necessarily correspond to when invoices are paid.

For example, supplies may be purchased in anticipation of an annual parish or school festival. In this case, expenses should be deferred until the event takes place.

14-4-4a Example Prepaid Expense

Chart of Account #	Description	Debit	Credit
The tent vendor requires a prepayment in July for the Parish Fall Festival in September. The invoice is received, authorized, coded, and paid.			
1100	Prepaid Expense	5,000	
1000	Cash		5,000
In September, the Parish Fall Festival has occurred and the expense is recognized.			
6115	Fundraising Expense	5,000	
1100	Prepaid Expense		5,000

Another example of prepaid expense involves an annual maintenance contract where a parish/school must pay the total contract price up front. The parish/school will pay for the annual contract in one accounting period but will receive maintenance services for a full year. The parish/school should record the contract as a prepaid expense when payment is made. The parish/school should then recognize 1/12 of the total contract value as expense and reduce the prepaid expense account by the same amount during each month of the contract term.

14-4-4b Prepaid Expense Maintenance Contract

Chart of Account #	Description	Debit	Credit
Annual maintenance invoice from ParishSOFT is received, authorized, coded, and paid.			
1100	Prepaid Expense	960	
1000	Cash		960
Journal entry is entered monthly recognizing the expense.			
6060	Computer Software Exp	80	
1100	Prepaid Expense		80

14-4-5 Facility and Maintenance Expense

Many facility and maintenance expenses can be recognized as expenses when they are paid for or received. Often, facility and maintenance expenses are received, invoiced and paid in the same periods. In these cases, no additional accrual entries would be needed.

**14-4-5a Standard Facility and Maintenance Expense**

Chart of Account #	Description	Debit	Credit
After a snowstorm, an invoice from The Plow Guys is received, authorized, coded, and entered into the accounting system as a bill.			
6250	Maintenance & Repair Exp	1,000	
2100	Accounts Payable		1,000
Check is issued to The Plow Guys.			
2100	Accounts Payable	1,000	
1000	Cash		1,000

In the cases of many utility or municipal billings, a parish/school may receive invoices pertaining to semi-annual time frames, quarterly periods or mid-month to mid-month periods. The parish/school should make reasonable efforts to record expenses within the proper month or quarter. At year-end, a parish/school should verify that appropriate levels of annual expenses have been recorded and ensure recognition of expense is consistent from year to year.



1-1-1a Prepaid Facility and Maintenance Expense

Chart of Account #	Description	Debit	Credit
Terminex has submitted their annual pest control invoice. The invoice is authorized, coded, entered into the accounting system and paid.			
1100	Prepaid Expense	1,200	
1000	Cash		1,200
Journal entry is entered monthly recognizing the expense.			
6110	Professional Services Exp	100	
1100	Prepaid Expense		100

14-4-6 Interest Expense

At the inception of any loan or lease agreement, it is important to determine how interest is calculated and paid, as well as how all payment components will be recorded. If a loan payment includes such items such as principal or service fees, these should be recorded in accounts other than interest expense.

Loan billing periods seldom correlate exactly to calendar months. As a general rule, as long as the parish/school reflects twelve months of interest expense annually and uses a consistent recognition methodology from year to year, no additional entries are necessary at month-end or year-end.

See Section 9 Debt on page 101 for more information.

14-4-7 Assessment Expense

Archdiocesan assessment expense should be recognized on a monthly or quarterly basis. It should be recognized during the same periods for which it was budgeted.



14-4-7a Prepaid Assessment Expense

Chart of Account #	Description	Debit	Credit
Assessment invoice is received from the Archdiocese, authorized, coded and paid.			
1100	Prepaid Expense	60,000	
1000	Cash		60,000
Journal entry is entered monthly recognizing the expense.			
6500	Archdiocesan Assessment	5,000	
1100	Prepaid Expense		5,000

14-4-8 Rental Expenses

If a parish/school rents out part of its facility, insurance and real estate taxes will be incurred. These expenses may be paid yearly, semi-annually, quarterly or monthly. Expenses should be recorded to match the year to which they apply. Year-end entries may be necessary.

14-4-9 Lease Expense

See Section 17 Fixed Assets on page 368 for more information about capitalized leases.

14-5 Recording Payments

14-5-1 General Ledger Accounts

The [program director](#) should indicate on the check request which general ledger account should be charged for the disbursement. Those administering the program know best the purpose of the expenditure. The pastor and the accountant or bookkeeper should review the general ledger account coding for reasonableness, consistency and budget alignment. If a question arises on the account coding, the program director needs to be consulted.

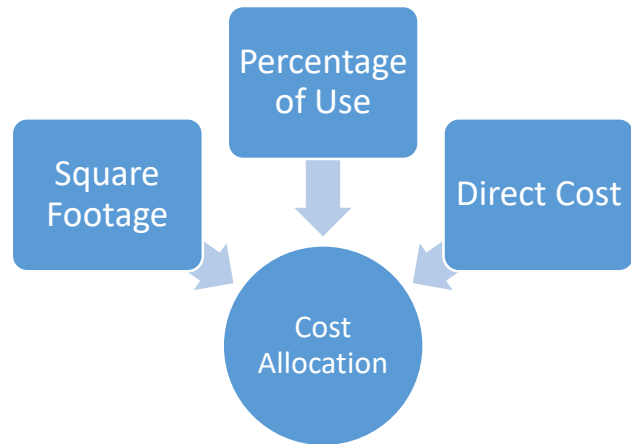
14-5-2 Check Sums

A computerized accounting system will reduce recording errors when entering payable transactions. In addition, utilizing a manual system of tallying totals will assist in flushing out payments that have been recorded incorrectly and will prevent costly mistakes.

Before entering daily bills in the financial software, the bookkeeper should prepare a calculator tape totaling the amounts of the invoices to be entered. A Bill List would provide a total amount for the disbursements entered in the parish accounting system. If the two numbers match, it is very unlikely a keying error has been made. The bookkeeper should also review the Bill List report for errors in payee names and account coding.

14-5-3 Cost Allocation

The [standardized Chart of Accounts \(COA\)](#) is designed so parishes record their expenses in specific cost centers, called [Ministry Codes](#) (a department or other unit within an organization to which costs may be charged for accounting purposes). Parishes will have certain expenses which apply to more than one cost center such as payroll. This is called [allocation](#).



Since payroll is the largest expense of the parish, payroll costs should be allocated within reason to the appropriate cost centers. This means not only must each employee's salary be recorded in the appropriate cost center, but an employee who works in more than one functional area would have the salary allocated to all appropriate separate cost centers. Besides payroll, there may be other expenses to be shared with more than one cost center in order to track the true cost of a parish or school program.

There are three common methods of allocating costs; square footage, percentage of use and direct cost. The parish chooses the method that best suits the need or may implement a

combination of the two. For example, utility bills may be allocated on a square footage basis, on hours or days of use, or simply on a percentage basis (e.g., 50% for the parish and 50% for the school). If a parish has separate meters, in this example, the utility invoice can be coded to the cost center for that building based on the metered charges. No matter which [allocation](#) method chosen, it is

For proper financial management and accurate financial reporting, it is important to classify all costs into the cost center (see Ministry Code) to which they apply.

important that the method elected is consistent year after year. The percentage or square foot of utilization will need to be evaluated when the [budget](#) is being prepared and considered for the [fiscal year](#). Reviewing programs and utilization of building space may change from year to year and will impact your [allocation](#) and future budgeting.

The decision of when and how to allocate these costs will depend on the administrative burden of the accounting staff *and* their level of expertise. If the parish costs are not tracked through an electronic distribution process in the accounts payable or payroll, then the Archdiocese of Saint Paul and Minneapolis recommends a monthly journal entry be done in order to distribute cost of expenses into the correct cost centers (Ministry Codes).

14-6 Credit Card, Debit Card, and EFT Payments

At times, parishes find it useful to have credit or debit cards in the parish name. Some pastors find it convenient to charge purchases for the parish on personal credit cards. This section addresses both uses of credit and debit cards.

Parish credit cards and debit cards must be closely controlled to prevent misuse and [misappropriation](#). Only those staff members who will regularly use the card



should have authorization to charge. Card owners should have this authorization noted in their personnel file and when they are no longer affiliated with the parish or related entity this card should be destroyed upon departure. Removal of the card authorization and other access should be identified on a termination of employment checklist and a designated person ensures all vulnerable access points have been addressed. A policy should be prepared, distributed and signed by the user accepting the established rules, identified in the

policy, for correct handling, usage and retention of the credit card and or debit card. Additionally, the policy should identify consequences if the terms of the policy are breached.

[Credit cards and debit cards should be stored in a locked safe. The credit card and/or debit card must be signed out by the authorized user in logbook. This](#)

book is used to track the check out and check in date/time of the credit or debit card.

After utilization, receipts must accompany the return of the card when checking the card back into the logbook and then an entry should be made in the logbook to check the credit card and or debit card back into the locked safe.

The pastor and bookkeeper shall examine credit card statements carefully to verify that only appropriate expenses have been charged. Those using the card should be required to provide original charge slips and receipts for all purchases. The charge slips and receipts should be attached to the statement and subsequently filed in the invoice file. If any inappropriate use is detected, the pastor should be immediately alerted to possible misuse of the parish credit card. In the case of extreme circumstances, the individual's ability to charge would be suspended and include potential termination of the employee. Misuse and misappropriation of credit cards and the consequences of these actions should be outlined in the Parish Operations Manual.

If the pastor makes purchases for the parish on his own credit card, he should provide copies of the charge slips or the original receipts that have been coded to reflect the intent of the purchase. It is preferable for the pastor to pay the credit card bill himself and then request reimbursement. If there are no personal charges on the credit card bill, the pastor may have the parish pay the bill directly. The pastor should not ask the parish to pay his credit card bill and then reimburse the parish for his personal purchases. These types of transactions are confusing, difficult to record and increase the risk of recording and payment errors.



Credit and debit cards should
NEVER be allowed to remain on
the person of the authorized user.

The authorized user should **NOT**
carry the Parish credit card in
their wallet/purse at all times.

14-7 Reimbursements

Expense reimbursement fraud schemes are among the most common types of fraud, accounting for 14% of all asset misappropriation fraud schemes²⁸.

Staff and Volunteer reimbursements should be discouraged, and the parish should pay all vendors directly. Reimbursements from cash payments should be highly scrutinized.

Parishes are not immune to fraud, despite the best policies, procedures and internal controls. You can reduce risk, however, by ensuring reimbursement policies are clear, concise, and are consistently followed and enforced.

However, in the normal course of business, the parish may find employees or volunteers that make purchases for the parish and request reimbursement. Anyone requesting reimbursement should be required to provide an expense request detailing the purpose of the expenditure and attach the corresponding original receipt for the entire amount requested. The parish should retain the check request, check stub and all original (NOT COPIES) submitted receipts in the invoice file. Retaining original receipts reduces potential of an individual returning the purchased goods and keeping the reimbursed funds.



Staff or volunteers requesting reimbursement must obtain authorization by the business administrator or program director prior to making the purchase, to ensure sufficient funds remain in the budget to cover the purchase.

If the parish detects a pattern of frequently used vendors, it is recommended that the parish obtain a charge account with the vendor and the

Recommended Cash Disbursement Procedures on page 70 would apply.

²⁸ 2016 Report to the Nations on Occupational Fraud and Abuse by the Association of Certified Fraud Examiners (ACFE)

14-8 Held Checks

Occasionally, due to cash flow problems, a parish will write a check that is not immediately sent to the vendor. This practice should be avoided if possible. When checks are not mailed as soon as they are prepared, they are more likely to be lost or stolen, and it is more difficult to track expenses and control payments. Holding checks may also result in a negative cash balance in the financial statements, when the bank account is not actually overdrawn. Additionally, if the held check is to a vendor that will be issued at the close of the calendar year it could be very problematic if the reporting does not match the vendor's receipt of payment. Holding checks is very confusing when managing the cash flow, and may make it more difficult for the pastor to discern how much cash is available. Parishes who have problems paying bills on time because of cash shortages should record [accounts payable](#) and not issue a payment until the [cash](#) is available.



DO NOT HOLD CHECKS.

When checks are not mailed as soon as they are prepared, they are more likely to be lost or stolen, and it is more difficult to track expenses and control payments.

14-9 Contracts

Since each parish is separately incorporated, in order for the parish to enter into contracts and other agreements in excess of \$25,000, it is necessary to secure the consent of all members of the parish corporation, including the Archbishop and the Vicar General. The necessary permission is generally received by requesting a proxy. For a complete list of financial transactions that require corporate action, please see the Articles of Incorporation for the parish as well as the [200 Archdiocesan Policy on Parish Administration](#).



In addition to these provisions, leases for rental of parish property must be approved by the Archbishop when the lease is one year or longer or when the

value of the property to be leased (not the value of the lease) is \$100,000 or more ([Canon 1297 – Leasing of Church Property](#)).

Pastors contemplating major construction or renovation projects should consult with the Chief Financial Officer (CFO) of the Archdiocese before initiating any project. For further information on proxies and limits on financial transactions, please review the following links:

[206 – Parish Administration – Part I Corporate Structure of Parish under Minnesota Law – Item 7. Use of Proxies for Corporate Action](#)

[402 – Minimum and Maximum Limits for Financial Administration Including Corporate Action](#)

Catholic Mutual Group requires as part of your Self-Insured General Insurance Program, that the parish forward for review any contracts (prior to signing) and certificates received. As a service to their client, Catholic Mutual Group reviews contracts for insurance concerns that may put your Self-Insured General Insurance Program at risk.



Contractors and independent contractors must provide a Certificate of Insurance, reflecting no less than \$1 million in general liability insurance. Even if you continue to use the same contractor, the Certificate of Insurance must be approved by Catholic Mutual Group each year, as the contractor's and independent contractor's insurance renews annually. Contracts and certificates can be e-mailed to stpaulcontracts@catholicmutual.org or faxed to 651-290-1602 for review.

14-10 Liability Account Activity

Occasionally a parish may collect funds on behalf of a program, which would not be considered income to the parish. These types of transactions are considered "Agency Transactions". The purpose of an Agency Transaction is generally to help donors contribute to another specific third party non-profit organization.

A parish may collect funds on behalf of a third party non-profit such as The Red Cross or Habitat for Humanity. The parish deposits the payments into the parish checking account and one check is written to the third party non-profit. In this example, the parish has collected the funds as a "pass through" thus recorded in a Liability account and not recorded as income.

The [standardized chart of accounts](#) provides an account for this type of transaction. If the parish has several programs that use Liability accounts, as in second collections, there should be a separate sub-account set up for each program. This is particularly important if any of the programs collect pass through monies on a recurring basis. The Chart of Accounts provides for standardized National Collections, such as Peter's Pence, and these accounts should be utilized.

14-11 Sales Tax

Parishes in the Archdiocese of Saint Paul and Minneapolis are religious corporations, and are therefore exempt from paying sales tax on purchases in the state of Minnesota. Parishes should provide vendors with their sales tax exemption number prior to making purchases and should be alert to sales tax charged improperly on purchases. Sales tax exemption is granted by the individual states, so out-of-state purchases may not be tax-exempt.

As a note, employees or volunteers purchasing on behalf of a parish are not tax exempt, only the parish qualifies for this exemption.

Failure to report [Unrelated Business Income \(UBIT\)](#) subject to sales tax may result in additional penalties and interest on unpaid taxes.

For further information, please access [MN Department of Revenue](#) regarding sales tax guidelines.



Agency Transactions are:

Catholic Services Appeal Foundation

Sunday Collection for Specific Mission

Habitat for Humanity

Disaster Relief Collection

Agency Transactions are NOT:

World Youth Day

Funerals and Weddings

Bus Transportation

- CliftonLarsonAllen

14-12 Check Signatures

Internal Control Tip

In a good control environment, the pastor maintains control over the [cash](#) and investment assets of the parish.

Only pastors, parochial administrators or their designees may sign checks on parish accounts and, whenever possible, the pastor should sign the checks himself. Allowing a designee to sign checks on the pastor's behalf does not relinquish the pastor of his fiduciary duty. Proper internal controls must be in place if allowing a designee to sign checks.



The same protocol for bank access and signing authority should be applied for parish savings and investment accounts. In cases where another signature is required for expenditures above \$5,000, a trustee is a good alternate signatory on the bank accounts. As a note, after consultation with the finance council, the pastor may determine a lower limit is acceptable for a dual signature limit.

Under no circumstances should the bookkeeper, accountant, or anyone else who has regular access to the accounting records of the parish or school, be an authorized signer on a bank account. Segregating access to cash from access to the accounting records is an important required element in the [internal control](#) structure of the parish.

A documented process should be put into place when a signer needs to be added or deleted from the bank accounts. This process should be designed after consultation with the bank representative to determine the bank's own requirements for this action.

Internal Control Tip

14-12-1 Signature Stamp

Pastors are strongly discouraged from using signature stamps to sign checks. This provides opportunities for error, theft and possible misuse of authority.



14-12-2 Electronic Signature

Outsourcing the parish payroll and payables where an electronic signature is necessary can be beneficial; however, it can also be an area of great risk as identity theft is a significant concern. Before supplying a signature of a signer on the parish bank accounts, thoroughly investigate the provider's security policies and protections to ensure that the provider has the appropriate safeguards and destruction policy in place.

Many parishes are engaged in electronic applications for online banking, merchant services, payments of bills, payroll direct deposit, etc. Please refer to Electronic Financial Process on page 43 for safe guarding policies and best practices in order to mitigate risk of electronic fraud.

14-13 Positive Pay

Positive Pay is an automated fraud detection tool offered by the Cash Management Department of most banks. In its simplest form, it is a service that matches the account number, check number and dollar amount of each check presented for payment against a list of checks previously authorized and issued by the company.

Refer to your bank and accounting application manufacturer to verify Positive Pay capabilities. ParishSOFT Accounting does provide Positive Pay capabilities as a standard function in Ledger & Payables. See [ParishSOFT Ledger & Payables - Positive Pay: How to Enable and Set Up](#) for more information.

14-14 Corrections

If data entry errors are found in prior or current fiscal months, journal entries must be created in the current fiscal month to correct.

Section 15 Payroll

Compensation is usually the largest single expense of a parish or school. Proper employee payment processing along with recording and maintaining of payroll records is essential in determining the financial results of parish and school operations. It is also important to accurately calculate and record payroll expenses to comply with federal and state tax payroll regulations.

The Internal Revenue Service (IRS) and local taxing authorities require employers to maintain records of the compensation paid to each employee performing services for the parish/school. They also require various payroll reports be prepared and submitted according to specific filing schedules. For all these reasons, parishes must exercise an especially high level of care in payroll accounting.



Parishes must exercise an especially high level of care in payroll accounting to comply with Federal and State recording and reporting requirements.

This chapter is closely related to Section 14 Payables and Expense Recognition on page 284 and the Section 11 Budgeting on page 192. Refer to these chapters for additional information, including payroll accrual. Take note that the tax rates and/or tax laws referenced in this chapter are subject to change. Refer to www.irs.gov for the latest developments as they occur. References to federal tax rates, state tax rates and limits, will be highlighted in blue in this chapter.

15-1 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted the [accrual method of accounting](#) for recognition of [parish](#) and [school](#) expense. The accrual method requires recording expense when [incurred](#). This timing does not necessarily correspond with payment. See

Recording Accrued Wages on page 337.

This policy will cover the proper classification of workers, the proper payment of salaries and wages, compliance with taxing authorities, religious employees and payroll taxes, payroll processing and other reporting requirements.

The Archdiocese of Saint Paul and Minneapolis has defined a standardized chart of general ledger accounts for use by all parishes and schools. Within this standardized chart of accounts, there are separate accounts for classification of parish and school payroll expenditures. See Section 10 Chart of Accounts on page 125.

15-2 Scope

15-2-1 Proper Identification of Workers

15-2-1a Employee:

The IRS defines an employee as "anyone who performs services subject to the will and control of the employer both as to what shall be done and how it shall be done" and receives [remuneration](#) for such services. The employer-employee relationship is determined not by job title, work assignment, or the intent or desires of the worker or employer, but by the degree of control and independence placed on the individual providing the service. Many factors must be weighed in determining whether a worker is an employee or an independent contractor. The IRS provides general guidance through 20 general factors. For more information, see [IRS Independent Contractor \(Self-Employed\) or Employee?](#).



What about Musicians?

If the musician plays infrequently at a parish (once or twice per year), they could be an independent contractor, but they do need to provide liability insurance.

If they work on any type of a regular basis at the parish, they should be an employee and are covered by the new wage theft statute.

15-2-1b Independent Contractor:

Parishes/Schools may sometimes enlist the services of workers who are not employees and who are not working in affiliation with another business entity. These workers are called independent contractors. Parishes/Schools must use great care in classifying workers as independent contractors. If there is any doubt about the status of a worker, he or she should be treated as an employee.

The general rule is that an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done. The earnings of a person who is working as an independent contractor are subject to Self-Employment Tax.

The parish/school should require independent contractors to submit invoices for their services. Checks must be prepared through through the general ledger accounting system as part of the regular cash disbursements cycle. The invoices should be kept in the parish/school invoice files.

[IRS Form W-9](#) "Request for Employee Identification Number" forms are completed by the independent contractors prior to any payment to the individual. No taxes should be withheld from payments to independent contractors who provide a valid Form W-9, and the parish/school should not pay social security and Medicare taxes for them. In the event that a Form W-9 was not completed, the parish or school must withhold and remit taxes to the IRS at a 28% rate.



W-9 Form must be completed by the independent contractor and returned to the parish PRIOR to any payment to the individual. In the event that the check must be issued prior to receiving the W-9 form, the parish/school must withhold and remit taxes to the IRS at a 28% rate.

[IRS Form 1099-MISC](#) is issued to any non-incorporated, independent contractor to whom it pays more than \$600 in services, rents, prizes or awards and other income payments, in one calendar year.

If the independent contractor refuses to provide a completed W-9 form, the Parishes/Schools shall immediately terminate the relationship.

If the services are outside the scope of their position as it relates to the employee/employer relationship, payments for the “other” services could run through AP like any other vendor. This way the 1099 would roll up with all of the other parish 1099 reporting. If they process these payments through payroll, they would need to use the 1099 earnings code, or else everything will roll up on the W2.

For more information, please visit [IRS Independent Contractor \(Self-Employed\) or Employee?](#) for determination of worker classifications. For additional information on contracts and insurance information please contact Catholic Mutual.

[Substitute Teachers](#), [Musicians](#) and [Extra Clergy](#) often fall into the category of independent contractor. Typically, contracts and invoices are not warranted for these types of contractors, and payments are not made through the payroll system, but the general ledger accounting system. In these situations, complete a check request form, include a completed W-9 and obtain authorization to process the request for payment. See 20-2 Example of Check Request on page 433.

Catholic Mutual Group requires as part of your Self-Insured General Insurance Program that the parish forward for review any contracts (prior to signing) and certificates received. As a service to their client, Catholic Mutual Group reviews contracts for insurance concerns that may put your Self-Insured General Insurance Program at risk. Contractors and independent contractors must provide a Certificate of Insurance, reflecting no less than \$1 million in general liability insurance. Even if you continue to use the same contractor, the Certificate of Insurance

must be approved by Catholic Mutual Group each year, as the contractor's and independent contractor's insurance renews annually. Contracts and certificates can be e-mailed to stpaulcontracts@catholicmutual.org or faxed to 651-290-1602 for review.

15-2-1c Consequences of Treating an Employee as an Independent Contractor

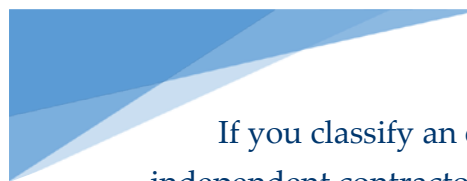
If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you may be held liable for employment taxes for that worker including penalties and interest for late payment. See [IRS Publication 4341](#) for frequently asked questions about the reclassification of workers as employees.

An individual's employment status remains the same at the parish or school even if the individual is performing more than one duty at the parish or school. This means an employee should not normally be considered an independent contractor when performing a secondary or additional function for the same parish. All compensation paid by the parish/school to an employee must be reported on that person's Form W-2 and the proper taxes withheld.

15-2-1d Full-time versus Part-time Employment:

For benefits purposes, full-time employment in the Archdiocese of Saint Paul and Minneapolis is defined as working 30 or more hours per week.

An individual may qualify for full-time status by working part-time at more than one parish/school. If that occurs, parish/school where the



If you classify an employee as an independent contractor and you have no reasonable basis for doing so, you may be held liable for employment taxes for that worker including penalties and interest for late payment.

employee was hired first or works the most hours will receive the billing for benefits. It is important for the parish/school to correctly determine the employment status of workers. Payroll withholding, reporting requirements and benefit eligibility are determined by part-time, full-time and independent contractor status.

Exempt Employee: An employee that is in a position that can be documented as meeting one of the exempt classification tests as defined by the [Fair Labor Standards Act](#). This would normally be individuals in jobs that meet both the duties and salary tests for executive, professional, or administrative positions. See more information on exemptions at [US Department of Labor Fair Labor Standards Act Advisor](#).

However, Section 13(a)(1) of the FLSA provides an exemption from both [minimum wage](#) and [overtime pay](#) for employees employed as bona fide executive, administrative, professional and outside sales employees. Refer to the [US Department of Labor Fair Labor Standards Act Advisor](#) for additional guidance on determining whether certain employees qualify for exemption from the FLSA.

Link: [Compliance Assistance - Wages and the Fair Labor Standards Act \(FLSA\)](#)

Non-Exempt Employee: The [FLSA](#) requires that most employees in the United States be paid at least the [federal minimum wage](#) for all hours worked and [overtime pay](#) at time and one-half the regular rate of pay for all hours worked over 40 hours in a workweek. The state minimum wage is higher than the federal minimum wage, so employees who are covered by both laws must be paid the higher state minimum wage.

Hours must be tracked for all non-exempt employees.

Religious Workers: Priests, Deacons, Religious Sisters and Brothers are religious workers. Please see section "Religious Employees and Payroll Taxes" below for payroll tax implications.

15-2-2 Important Considerations

It is critical that parishes/schools correctly determine whether the individuals providing services are employees or independent contractors. Generally, employers must withhold employee income taxes, withhold and pay employee and employer Social Security and Medicare taxes, and pay unemployment tax on wages paid to an employee. See the “Unemployment Compensation” section later in this chapter for further discussion regarding participation with the unemployment compensation system. You do not generally have to withhold or pay any taxes on payments to independent contractors.

15-3 Proper Payment of Compensation

Compensation is the money paid to an individual as a salary or wages in exchange for work performed by an individual. Compensation includes regular earnings, overtime pay, bonuses, and gifts of cash or [cash equivalents](#), such as gift certificates and gift cards regardless of the amount, and pay for additional services performed for the same employer. Compensation is typically processed by utilizing the standardized payroll system, Paycor. The use of Paycor is required if the parish/school elects to participate in the benefit program administered by the Archdiocese. These programs include the Archdiocese Medical Benefit Program and the Tax Deferred Annuity Plan (403(b) plan).

Parishes/Schools must ensure that all compensation is reported appropriately through Paycor, who will ensure earnings are properly tracked and are subsequently reported to state and federal taxing authorities. Journal entries need to be created or imported to record the payroll activity into the accounting system through an automated GL file created by the payroll system or by use of a Labor Distribution report from the payroll provider.

15-3-1 Types of Compensation

Regular Earnings: Regular earnings are payments made for services provided by an employee. For hourly (non-exempt) employees regular earnings are calculated based on the number of hours worked multiplied by the hourly rate or is the annual salary divided by the number of pay periods for salaried (exempt) employees. This includes payment for any paid [leave time](#) including vacation, sick, funeral and personal days.

Overtime: Overtime is defined by the Minnesota Department of Labor and Industry as one and one-half times the regular rate of pay for all hours worked in excess of 48 hours in a seven-day workweek, under state law. However, some businesses may be subject to the [Federal Fair Labor Standards Act](#) that requires overtime after 40 hours in a seven-day workweek.

- Businesses whose employees produce or handle goods for interstate commerce;
- Businesses with gross annual sales of more than \$500,000; and
- Certain other businesses, including hospitals, nursing homes, schools and government agencies.

Most location will fall under this law as they produce or handle goods for interstate commerce.

No employer or employee may enter into an agreement that would violate the overtime law requiring an employee to be paid overtime. See [A Guide to Minnesota's Overtime Laws](#) and [Minnesota Statutes 177.25](#) for more information.

Those parish/school employees who work for and are on the staff of the parish/school are paid overtime at the rate of time and one-half after 48 hours in a 7-day week. A parish/school may choose to pay overtime at the rate of time and one-half after 40 hours in a 7-day week. Overtime should be calculated on a week by week basis which is based on a predefined work week, which is generally Sunday to Saturday. The overtime policy should be clearly outlined in the employee handbook and consistently applied within the organization. Any leave time including holiday, vacation, sick, funeral, jury duty and personal days do not count as hours worked in determining overtime hours.



End of Year gifts of Cash and/or Gift Cards given by the Parish to Staff are considered Compensation, are subject to Federal, State and FICA taxes, and MUST be recorded and reported on employee's W-2.

15-3-1a New Overtime Rule Effective January 1, 2020

The U.S. Department of Labor issued a final rule raising the salary threshold for minimum wage and overtime exemptions under the Fair Labor Standards Act (FLSA) from \$23,660 to \$35,568 annually (from \$455.00 to \$684.00 per week) The new overtime rule becomes effective January 1, 2020.

The new rule issued on September 24th does not change any of the “duties tests” that must also be met to claim the executive, administrative, or professional exemptions under the FLSA.

Parishes should now be completing the necessary evaluations of their parish staff and adjusting their budgets for the impact the new rule will have as a result of more employees being eligible for overtime. All parish employees making less than \$684.00 per week (\$35,568 per year) will be eligible for overtime starting January 1, 2020.

This rule change does not affect teachers who are exempt from overtime.

15-3-2 Supplemental Wages

Supplemental wages are wage payments to an employee that are not regular wages. They include, but are not limited to; bonuses, commissions, overtime pay, payment for accumulated sick leave, severance pay, awards, prizes, back pay, retroactive pay increases, and payment for nondeductible moving expenses. Other payments subject to the supplemental wage rules include taxable fringe benefits and expense allowances paid under a non-accountable plan. How one withholds on supplemental wages depends on whether the supplemental payment is identified as a separate payment from regular wages

Please refer to the section on Supplemental Wages located in [IRS Publication 15 \(Circular E\)](#) for additional guidance on tax withholding for supplemental wage payments.

Severance Pay: Severance pay is paid to a terminated employee based upon the terms of the severance agreement. The payment is taxable wages and should be treated as a supplemental wage for tax withholding purposes and included on the employee's Form W-2.

Bonuses and Gifts (cash and cash equivalents): Federal and state tax authorities consider bonuses to be part of an employee's compensation. Therefore, they're subject to Federal, State and FICA taxes. The same rule applies to cash given to employees. To make calculating taxes easier, the IRS allows employers to use a flat withholding rate of 22% for supplemental wages, whether the person is single or married, no matter how many exemptions he or she claims. There are two methods to calculate bonuses:

- **Method #1:** Calculate the taxes on the amount of the bonus. The employee receives a check for an amount that is net of taxes.
- **Method #2:** Decide what the net amount of the bonus check will be and then calculate the gross amount based on tax rates.



An Important reminder about reporting Christmas bonuses to Paycor before year-end. This includes A/P checks, manual checks, and any gift cards. All forms of compensation given to employees must show on their Form W-2 by government regulation, so please be sure to report this information to Paycor before your last payroll cycle in December.

Paycor will close the year quickly. Reporting information late will result in substantial fees for Paycor to open the year, amend IRS forms, and issue corrected Form W-2s.

15-3-2a Year End Cash Gift or Bonus

If you intend to process a year end cash gift or bonus to employees, this must be included in a payroll processing (using the Bonus earnings code) as this is taxable income to employees. Bonus payments are includable compensation for the 403(b). What this means is that if you pay a cash bonus or gift, and your employee has a percent elected for their 403(b) deduction you need to take an employee's 403(b) percent deduction into account when calculating the net pay. Ideally, the bonus payments are processed alongside a normal check date. If an employee has a percentage election it applies to all eligible compensation which includes the bonuses. Please note that employees with a flat dollar election do not need additional withholdings from a bonus payments.



The parish pays all expenses for priests living in a Parish Rectory. Therefore, Priests who live in a Parish Rectory are not eligible for a Housing Allowance.

Parishes that do not provide housing or housing arrangements are to follow the Residence Policy for Priests and Housing Allowance and Living Maintenance limits stated in the Compensation Schedule.

<i>Paid Through</i>	<i>Taxable</i>	<i>403(b) Included Percent Deferral</i>	<i>403(b) Included Flat Dollar Amount</i>	<i>Paycor Earning Code</i>
Accounts Payable	Yes	Yes	No	Bonus
Gift Card	Yes	No	No	Gift Card
Cash	Yes	Yes	No	Bonus
Payroll - Paycor	Yes	Yes	No	Bonus

15-3-3 Priest Housing/Living Expense Allowance

Priest housing allowance is payment to or made on behalf of Archdiocesan priests for living expenses incurred in their position and is excluded from gross income for income tax purposes but is

included for self-employment tax purposes. Allowances are given without the expectation of receiving receipts to support the amount given. Form 1099 MISC should be issued to priests who are given a housing allowance for those items not reimbursed. Detailed information on other allowances can be found at Archdiocese [404 - Compensation Schedule for Priests](#).

15-3-4 Business Expense Reimbursement

Reimbursements for qualifying business expenses, including mileage reimbursement, are not compensation. Proper documentation from employees, including religious, must be submitted to the parish/school in order to receive reimbursement from the parish/school. These reimbursements are not included on a Form W-2 or Form 1099 MISC as long as they following the Accountable Expense Reimbursement rules as defined by the IRS in [Publication 463, Travel, Entertainment, Gift, and Car Expenses](#). See Archdiocese [404 - Compensation Schedule for Priests](#) for guidance of reimbursement of mileage for priests.

- [Accountable Plan](#) (non-taxable) – An accountable plan is a plan that follows IRS regulations for reimbursing workers for business expenses in which reimbursement is not counted as income. This means that reimbursements are not subject to withholding taxes or W-2 reporting.
- [Non-Accountable Plan](#) (taxable) - A non-accountable plan is a way to provide employees with an allowance for business expenses or travel that does not need to be justified to an employer. Money provided to employees in a non-accountable plan is considered taxable income and should appear on an employee's W-2.

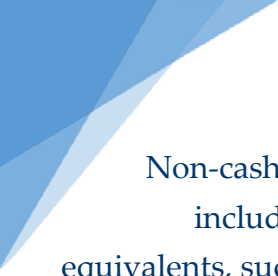
15-3-5 Fringe Benefit Exclusion Rules

Any fringe benefit you provide is taxable and must be included in the recipient's pay unless the law specifically excludes it.

This section discusses the exclusion rules that apply to fringe benefits. These rules exclude all or part of the value of certain benefits from the recipient's pay. In most cases, the excluded benefits aren't subject to federal income tax withholding, social security, Medicare, or federal unemployment (FUTA) tax and aren't

reported on Form W-2. See [IRS Publication 15-B Employer's Tax Guide to Fringe Benefits](#) for more information.

- Accident and health benefits
- Achievement awards
- Adoption assistance
- Athletic facilities
- De minimis (minimal) benefits – non-cash
- Dependent care assistance
- Educational assistance
- Employee discounts
- Employee stock options
- Employer-provided cell phones
- Group-term life insurance coverage
- Health savings accounts (HSAs)
- Lodging on your business premises
- Meals
- No-additional-cost services



Non-cash benefits including cash equivalents, such as gift cards, rent free housing, and/or personal use of vehicles, may be provided to employees and **MUST** be recognized as compensation to the employees.

15-3-6 Other Compensation

Non-cash benefits including [cash equivalents](#) may be provided to employees and should be recognized as compensation to the employees. In those instances, the value of the benefit is added to taxable wages on the Form W-2 and the appropriate taxes are

withheld. Examples of this include personal use of parish or school vehicles, gift cards given as a form of bonus, and housing that is provided rent free or below [market value](#) to an employee other than an archdiocesan priest, as defined in the priest compensation policy [404 - Compensation Schedule for Priests](#).

Under no circumstances should medical benefits be provided that are in excess of the parish/school policy.

15-4 Minnesota Wage Theft Law

The 2019 [Minnesota Wage Theft Law](#) amends existing state labor laws and provides for new wage and hour requirements, protections and sanctions. Provisions of the new law require employers to review their current policies and practices and take necessary steps to bring those policies and practices into compliance. All provisions of the new law went into effect by August 1, 2019.

15-4-1 Written Notice Requirements – Employee Start Day of Work

The new Wage Theft Law²⁹ requires all employers to provide each employee with a written notice at the start of their employment. The notice must contain the following specific information about an employee's employment status and terms of employment.

Below is the specific information employers must provide in the notice to employees when they start employment³⁰.

- Employee's employment status and whether an employee is exempt from minimum wage, overtime and other state wage and hour laws, and on what basis.
- Number of days in the employee's pay period and the regularly scheduled payday.
- Date the employee will receive the first payment of wages earned.



The Minnesota Department of Labor and Industry strongly encourages that employers provide the required notice to all current employees, as well as new employees.

All employers must provide the notice in another language if requested by the employee.

Employers are required to provide employees with written notice if any changes to the information in the original notice before changes take effect.

²⁹ Amendments to Minn. Stat. § 181.032

³⁰ Employers employing 10 or more employees, who are not farm laborers or casual employees employed temporarily, must also comply with the written agreement requirements of Minn. Stat. § 181.55-181.57.

- Employee's rate or rates of pay and the basis thereof, including whether the employee is paid by the hour, shift, day, week, salary, piece, commission or other method and the specific application of any additional rates.
- Allowances, if any, that may be claimed for permitted meals and lodging.
- Provision of paid vacation, sick time or other paid time off (PTO), how the paid time off will accrue and terms for its use.
- A list of deductions that may be made from the employee's pay.
- Employer's legal name and the operating name, if different.
- Physical address of employer's main office or principal place of business and a mailing address, if different.
- Employer's telephone number.



Employers must pay all wages, including salary, earnings and gratuities earned by an employee at least once every 31 days and all commissions earned by an employee at least once every three months on a regular payday. The new Wage Theft Law further clarifies that Minn. Stat. § 181.101 provides a substantive right to the payment of commissions and wages, at the employee's rate or rates of pay or the rate or rates required by law, whichever is greater, as well as the right to be paid wages and commissions earned on a regular payday.

Employers are required to keep a copy of the notice signed by each employee. All employers must provide the notice to employees in English. The notice must include a statement, in multiple languages, that informs employees they may request the notice be provided to them in another language. The employer must provide the notice in another language if requested by the employee. The Department of Labor and Industry (DLI) is preparing and will make available to employers the statement in multiple languages that must be included with the notice. Employers are also required to provide employees in writing any changes to the information in the notice before the date the changes take effect. An [Employee Notice](#)

[Sample](#) is online. Employers may use the example notice or create their own.

15-4-2 Earnings Statement (Paystub) Requirements

Earnings statements (or paystubs) are important payroll records for employers and employees that document information about wages paid, hours worked, deductions made and benefits accrued by an employee. Existing state law requires earning statements be provided to employees in writing or by electronic means at the end of each pay period and specific information be included on the earnings statement. The new law³¹ requires the following additional information be included on the earnings statements provided to employees each pay period:

- Name of the employee.
- Total hours worked by the employee in the pay period.
- Employee's rate or rates of pay and basis thereof, including whether the employee is paid by the hour, shift, day, week, salary, piece, commission or other method.
- Allowances claimed for permitted meals and lodging (New).
- Total amount of gross pay earned by employee in the pay period.
- Net amount of pay after all deductions are made.



All employers must provide earnings statements to an employee in writing, rather than by electronic means, if requested by the employee.

Once an employer has received notice from an employee would like to receive earnings statements in written form, the employer must comply with that request on an ongoing basis.

³¹ Amendments to Minn. Stat. § 181.032

- List of deductions made from the employee's pay.
- Date pay period ended.
- Employer's legal and operating name.
- Employer's telephone contact.
- Physical address of employer's main office or principal place of business and a mailing address, if different.

15-4-3 Employment Record Maintenance Requirements

Under existing law, employers are required to keep various records for three years. It is in the employer's interest to maintain complete and accurate records that can be used to demonstrate an employer's compliance with state wage and hour laws. The new law³² requires the following additional records be kept by an employer:

- Each employee's name, address and occupation.
- Each employee's rate of pay and the amount paid each pay period.
- Each employee's hours worked each day and each workweek, including, for all employees paid at piece rate, the number of pieces completed at each piece rate.



An employer is prohibited from retaliating against an employee for asserting rights or remedies under the Minnesota Fair Labor Standards Act, the Minnesota Prevailing Wage Act and certain provisions of Minn. Stat., Chapter 181, Payment of Wages Act, including filing a complaint with DLI or telling the employer of the employee's intention to file a complaint. In addition to any other remedies provided by law, an employer that violates this subdivision is liable for a civil penalty of \$700 to \$3,000 for each violation.

³² Amendments to Minn. Stat. § 177.30

- A list of personnel policies with brief descriptions of each policy that were provided to each employee, including the date the policies were given to the employee.
- A copy of the new notice that is required to be provided to and signed by each employee at the start of employment and a copy of any written changes to the notice that were provided to each employee.
- For each employer subject to Minn. Stat. §§ 177.41 to 177.44 (Minnesota Prevailing Wage Act), and while performing work on public works projects funded in whole or in part with state funds, the employer shall furnish under oath signed by an owner or officer of an employer to the contracting authority and the project owner every two weeks, a certified payroll report with respect to the wages and benefits paid each employee during the preceding weeks specifying for each employee: name; identifying number; prevailing wage master job classification; hours worked each day; total hours; rate of pay; gross amount earned; each deduction for taxes; total deductions; net pay for week; dollars contributed per hour for each benefit, including name and address of administrator; benefit account number; and telephone



Minnesota Statute §§ 177.30 was amended to require that all employers keep a list of personnel policies provided to employees. Include the date the policies were given to the employee and a brief description of the policies.

Providing a list of the table of contents of the Employee Handbook may suffice with respect to the policies contained within the handbook.

Employers must keep these records “readily available for inspection by the Commissioner upon demand” and available for inspection within 72 hours of receiving a request.

number for health and welfare, vacation or holiday, apprenticeship training, pension and other benefit programs.

- Other information the commissioner finds necessary and appropriate to enforce Minn. Stat. §§ 177.21 to 177.435.

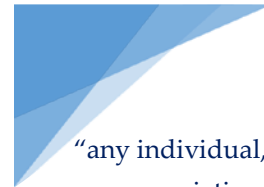
These and other records that are required to be kept by an employer must be available for inspection by the commissioner upon demand. The records must be either kept at the place where employees are working or kept in a manner that allows the employer to comply with the commissioner's demand within 72 hours.

If records maintained by the employer do not provide sufficient information to determine the exact amount of back wages due, the commissioner may make a determination of wages due based on available evidence.

15-4-4 Wage Theft Crime Definition and Criminal Sanctions

The crime of "wage theft" occurs when an employer, with intent to defraud:

- Fails to pay an employee all wages, salary, gratuities, earnings or commissions at the employee's rate or rates of pay or at the rate or rates required by law, whichever is greater.
- Directly or indirectly causes any employee to give a receipt for wages for a greater amount than that actually paid to the employee for services rendered.
- Directly or indirectly demands or receives from any employee any rebate or refund from the wages owed the employee under contract of employment with the employer.



"Employer" is defined as "any individual, partnership, association, corporation, business trust, or any person or group of persons acting directly or indirectly in the interest of an employer in relation to an employee."

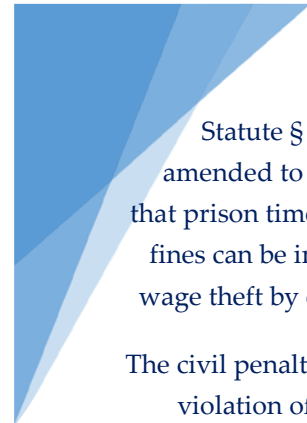
"Employee" is defined as "any individual employed by an employer."

- Makes or attempts to make it appear in any manner the wages paid to any employee were greater than the amount actually paid to the employee.

“Wage theft” has been added to the criminal definition of theft under Minn. Stat. § 609.52, subd. 2(19), and sanctions for committing wage theft are as follows:

- Imprisonment for not more than 20 years, payment of a fine of not more than \$100,000 or both if the value of the wages stolen is more than \$35,000.
- Imprisonment for not more than 10 years, payment of a fine of not more than \$20,000 or both if the value of the wages stolen exceeds \$5,000.
- Imprisonment for not more than five years, payment of a fine of not more than \$10,000 or both if the value of wages stolen is more than \$1,000 but not more than \$5,000.
- Imprisonment for not more than one year, payment of a fine of not more than \$3,000 or both if the value of the property or services stolen is more than \$500 but not more than \$1,000.

When determining the value of the wages stolen, the law allows for the amount of employee wages that were stolen through wage theft to be aggregated within any six-month period.



Minnesota Statute § 609.52 was amended to make clear that prison time and hefty fines can be imposed for wage theft by employers.

The civil penalty for a first violation of these new Statutes is up to \$1,000.

The civil penalty increases to \$5,000 for each subsequent violation.

Wage Theft is punishable by imprisonment of up to 20 years and a fine of up to \$100,000.

The Statute defines “employer” to include individual employees of an employer who have control over the payment of wages.

15-5 Minneapolis Wage Theft Ordinance

On January 1, 2020, the Minneapolis Wage Theft Ordinance will be taking effect. This new Minneapolis ordinance has additional requirements beyond the Minnesota Wage Theft Statute that went into effect on July 1, 2019. It requires all Minneapolis employers to provide their employees with pre-hire notices, and requires Minneapolis employers to provide employees with additional information in their statement of earnings after each pay period. The City of Minneapolis also requires that the pre-hire notices include the following information (as applicable):

1. The date on which employment is to begin
2. Notice of the employee's rights under the Minneapolis Sick and Safe Time ordinance
3. Overtime policy, if applicable to the employee's position
4. A statement that tip sharing is voluntary, if applicable

This information is ONLY applicable to parishes within the City of Minneapolis. More information can be found on the [City of Minneapolis](#) website, including [Frequently Asked Questions](#) and a [Minneapolis Labor poster](#) that is required to be posted at Minneapolis parishes.

15-6 Payroll Tax Compliance

As an employer, there are many rules and regulations that require attention. Employers must withhold certain amounts from employee pay and remit those amounts to the appropriate authorities. There are many types of withholdings, but the following are the most common.

15-6-1 Social Security and Medicare

FICA and Medicare Withholding: Employers, in most cases, are required to withhold the employee's portion of social security and Medicare tax. The employee amounts are 6.2% social security taxes and 1.45% for Medicare taxes.

In addition to employee withholdings for social security and Medicare tax, the employer is subject to equal amounts. The employer amounts are 6.2% for social security taxes and 1.45% for Medicare taxes.

Archdiocesan priest salaries are not subject to the employee or employer portions of social security or Medicare taxes. See the “Archdiocesan Priests” section of “Religious Employees and Payroll Taxes” below.

15-6-2 Income Tax

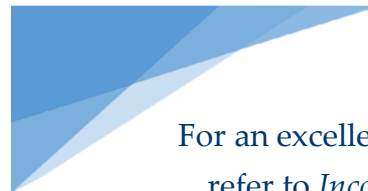
Federal and State

Withholding: Employers are required to withhold federal and state income taxes. The level of withholding is based upon the withholding status declared by the employee on IRS Form W-4 or the corresponding state form. Federal withholding tables are available in IRS Publication 15 (Circular E) and the corresponding Minnesota Withholding Tax Tables at www.revenue.state.mn.us.



15-6-2a Federal and State Forms

Employers are subject to quarterly and annual filing requirements. Quarterly filings include the Federal Form 941: Employer's Quarterly Federal Tax Return and the corresponding state forms. Annual filings include the Federal Form W-3 and Form W-2 along with the corresponding state forms. See the reference section of this chapter for a listing of the individual federal and state forms.



For an excellent resource,
refer to *Income Taxes for
Priests Only* at
www.ShepherdsAdvisor.org

15-6-2b Informational Returns

An informational return is a mandatory form that parishes/schools use to notify government agencies about taxable payments. These returns show how much someone was paid during the calendar year by your parish. Submitting these forms makes it possible for agencies like the IRS and Social Security Administration to track an individual's liability.

Examples of the most common informational return a parish/school must file are:

- Form W-2 – Employee Wages and Withheld Taxes
- Form 1099-MISC – Independent Contractor Wages



An Archdiocesan priest *must not* have the parish deduct social security and Medicare taxes from his wages at the employee's rate and pay the matching share, as the parish does for regular employees.

15-6-2c Electronic Filing

There are federal and state requirements for filing tax forms electronically. For more information, please refer to 15-8 Electronic Payroll Requirements on page 344.

15-6-3 Religious Employees and Payroll Taxes

15-6-3a Archdiocesan Priests:

Archdiocesan priests are dual status employees.

- For social security purposes, Archdiocesan priests are self-employed and are subject to self-employment tax, which is reported on Schedule SE as a part of the priest's federal tax return. Schedule SE computes self-employment tax. An Archdiocesan priest *may not* have the parish deduct social security and Medicare taxes from his wages at the employee's rate and pay the matching share, as the parish does for regular employees. However, the priest may elect to complete form W-4 and have additional federal tax withheld to ease the burden of making tax payments.



- For federal and state income tax purposes, Archdiocesan priests are considered employees. Their wages are paid through payroll and reported on Form W-2. They pay state, local, and federal income taxes. Parishes are not required to withhold for federal and state taxes but a priest may request a parish to withhold federal and state taxes by completing IRS Form W-4 and the corresponding state withholding form. If a priest does not have taxes withheld from his pay, he should make quarterly estimated tax payments to the IRS.

Parishes should update the pay and benefits scale each year by the first payroll period in July so priests' compensation can be modified as appropriate. See Archdiocese [404 - Compensation Schedule for Priests](#) for additional information.

For an excellent resource, refer to [Shepherd's Advisor Income Taxes for Priests Only](#).

15-6-3b Religious Communities

Members of religious communities are not subject to income tax on stipends paid to the community for their services. Checks for stipend payments must be made payable directly to the religious order. The IRS will consider payments made to an individual

taxable income even if he or she is a member of a religious community. Payments to visiting priests who are members of religious orders should be made to the order, not the priest.

For these members, it is unnecessary to prepare Form W-2 or Form 1099, withhold taxes, and include payments on Form 941. Parishes should have a written agreement with the religious order for each individual outlining work responsibilities and amounts to be paid. Best practice is payments are recorded and maintained in [accounts payable](#) records and not included as part of the payroll reporting process.

15-6-3c Deacons

The assignment of a deacon does not in and of itself constitute employment. A deacon may or may not be a parish employee and should be evaluated as every other individual. (See [309 – Permanent Deacons – Regulations for the Ministry of a Permanent Deacon - II. Salaried Employment](#) for guidance in this area). As an employee, they are subject to all applicable payroll taxes including federal and state withholding and social security and Medicare taxes. Parishes may reimburse deacons for expenses they incur in their duties as deacons. These amounts are not taxable to the deacons. Deacons should submit receipts to the parish. The parish should charge reimbursements to the appropriate expense account, e.g., mileage and car expense to an account such as Mileage/Transportation Expense.

For an excellent resource, please see [Shepherd's Advisor Tax Manual for Deacons](#).



A permanent deacon is not entitled to salaried employment from the Archdiocese of Saint Paul and Minneapolis, its parishes, or its institutions, with the exception of those permanent deacons who are assigned to a salaried administrative or a ministerial appointment made by the Archbishop of Saint Paul and Minneapolis.

15-6-3d Retired Priests

Per the Salary Schedule for Diocesan Priests, the Archdiocese suggests that compensation for retired priests be negotiated between the priest and the parish. Compensation for weekend and other services are subject to self-employment tax and are reported on a Form 1099 MISC. Retired priests should also be reimbursed for mileage for their roundtrip travel to the parish that they are serving and these reimbursements are not subject to self-employment taxes and are thus not included on Form 1099 MISC. Please check [404 - Compensation Schedule for Priests](#), which is published annually, as a guideline for the current recommended compensation amount.

15-7 Payroll Processing

15-7-1 Gross to Net Pay

Processing employee payroll starts with calculating gross wages and making adjustments for withholding and other deductions to arrive at net pay. Employers are required to withhold payroll taxes and may withhold additional items from employee salaries and wages. Taxes become a current liability to the employer. The failure to remit payroll taxes accurately and timely results in interest and penalties being levied on the employer.



- **FICA, Medicare:** Employers, in most cases, are required to withhold the employee's portion of social security and Medicare tax. The employee amounts are 6.2% of employee wages and salary for social security taxes and 1.45% of employee wages and salary for Medicare taxes. Archdiocesan priests are not subject to social security and Medicare taxes. For additional detail, see "Religious Employees and Payroll Taxes" section above.

- **Federal and State Withholding:** Employers are also required to withhold federal and state income taxes based upon the employee's salary and wages with the exception of Archdiocesan priests. The level of withholding is based upon the withholding status declared by the employee on Form W-4 or the corresponding state form. Federal withholding tables are available in IRS Publication 15 (Circular E) and the corresponding state withholding tables can be found at [MN Department of Revenue](#). Archdiocesan priests may elect through Form W-4 to have additional withholding deducted from their earnings. If a priest does not have taxes withheld from his pay, he should make quarterly estimated tax payments to the IRS. For additional detail, see "Religious Employees and Payroll Taxes" section above.
- **Medical, 403(b):** Depending upon benefits provided by an employer, employee contributions to medical plans, 403(b) plans and other benefit plans may be withheld from employee gross wages. Depending upon the benefit and related regulations and plan documents, these withholdings may be excluded from social security and Medicare as well as federal and/or state withholding. Parishes should work with their payroll provider or contact the Archdiocese Office of Human Resources and Benefits with specific questions related to determining the tax treatment of these payroll deductions.

Note: Payroll taxes and the employee share of medical and other benefits, and 403(b) employer and employee contributions need to be paid when due in order to avoid penalties and avoid legal implications if not paid on a timely basis.

15-7-2 Rental, Donations, Garnishments, Supplemental Deductions

These withholdings are "post tax" deductions from net pay, meaning that they do not reduce social security, Medicare, federal or state withholding taxes. These withholdings are remitted to third parties on behalf of the employee.

15-7-3 Recording Time Worked

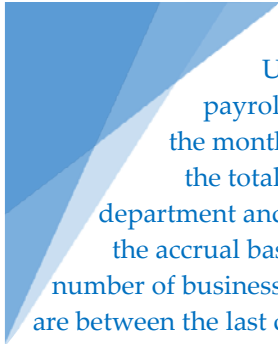
For employees' subject to minimum wage or overtime, the [Federal Fair Labor Standards Act](#) requires employers to maintain a record of hours worked each workday and total hours worked each workweek.

The parish/school should establish a system to record the work of employees. This record may take the form of time cards, payroll sheets, or a time book. This record is prepared by the employee and includes the hours and dates worked by the employee. Each record corresponds to the pay period and the manager of the employee verifies and approves the record before the employee is paid. [Non-exempt employees](#) report the hours worked in the pay period along with any holiday, sick or vacation time. At a minimum, [exempt employees](#) report holiday, sick or vacation time used in the pay period. Additional time reporting may be required by the parish or school for management purposes.

15-7-4 Recording Accrued Wages

Accrued wages refers to the amount of liability remaining at the end of a reporting period for wages that have been earned by employees but not yet paid to them. This liability is included in the current liabilities section of the Statement of Financial Position of a Parish. Accrued wages are recorded in order to recognize the entire wage expense that a parish has incurred during a reporting period, not just the amount actually paid.

The accrued wages entry is a debit to the wages expense account, and a credit to the accrued wages account. The entry should be reversed at the beginning of the following reporting period.



Use the last payroll entry for the month and take the total wages by department and calculate the accrual based off the number of business days that are between the last check date and the last day of the month.

For example, if 5 business days remain after the last day of the month, your accrual would generally be 1/2 of the last check date's payroll totals.

Don't worry about calculating overtime hours earned during an accrual period if the amount is not material.

15-7-4a Example of Parish Accrued Wages

Chart of Account #	Description	Debit	Credit
Jane Smith is paid \$20 per hour. She is paid through the 25th day of the month, and has worked an additional 32 hours during the 26th through 30th days of the month. This unpaid amount is \$640, which the Parish should record as accrued wages and related payroll taxes as of month-end.			
5010	Salary/Wages Exp	640	
2115	Accrued Wages		640
5020	FICA/Medicare Exp	48.96	
2116	Accrued Payroll Taxes		48.96
The first day of the following month, the entry is reversed.			
5010	Salary/Wages Exp		640
2115	Accrued Wages	640	
5020	FICA/Medicare Exp		48.96
2116	Accrued Payroll Taxes	48.96	

15-7-4b Recording Accrued Wages in a School

In some Parishes/Schools, teachers work for a specific number of contract days but prefer to receive payment for a different length of time. For example, a teacher works for 9 months, but prefers to be paid over a 12 month period.

15-7-4a Example of School Accrued Wages

Chart of Account #	Description	Debit	Credit
Teachers at a Parish School work in the 10-month school year, September – June, but are paid over the course of 12 months of the year. Annual wages for teachers are \$120,000, and FICA/Medicare Expense is 7,440 per year. Parish School accrues two months of wages and payroll taxes from September through June to cover payroll for July and August. Wages: Payroll Taxes: $\\$120,000 \div 12 = \\$10,000.00$ $\\$7,440 \div 12 = \\$ 620.00$ $\\$10,000 \times 2 = \\$20,000.00$ $\\$620 \times 2 = \\$1,240.00$ $\\$20,000 \div 10 = \\$2,000.00$ $\\$1,240 \div 10 = \\$ 124.00$ Entry is made on the first day of the month September through June. NOTE: Correct for rounding on one month's entry.			
5010	Salary/Wages Exp	2,000	
2115	Accrued Wages		2,000
5020	FICA/Medicare Exp	124	
2116	Accrued Payroll Taxes		124
Standard Payroll entry is made/imported from Paycor, recording the actual wages and taxes expensed each month of the fiscal year. Entry is made on the first day of the month in July – August.			
5010	Salary/Wages Exp		10,000
2115	Accrued Wages	10,000	
5020	FICA/Medicare Exp		620
2116	Accrued Payroll Taxes	620	
2115 Accrued Wages and 2116 Accrued Payroll Taxes should be zeroed out at the end of August.			

15-7-5 Pay Period Options

The pay period options for submitting and calculating salaries and wages include monthly, every other week or bi-weekly (26 pay periods), twice per month or semi-monthly (24 pay periods) or weekly (52 or 53 pay periods). It is up to the employer to determine the frequency of processing payroll. Best practices suggest that employees should be paid either bi-weekly or semi-monthly and after the work is performed.

The standardized pay period options for payroll include bi-weekly, semi-monthly, or monthly. Standard work week is Sunday through Saturday. The standard pay dates and pay period end dates are as follows:

	Semi-Monthly	Bi-Weekly	Monthly
Pay Dates	15th & End of Month	Every other Friday (can be either cycle)	Friday of 1 st full business week (M-F)
Pay Periods	15th: Hours worked 23rd of prior month through 7th of current month EOM: Hours worked 8 th of current month through 22 nd of current month	Hours worked through the prior work week (ending Saturday prior to pay date)	Hours worked from the first of the prior month through the last day of the prior month

Parishes/Schools participating in the standardized payroll system, Paycor, may only select one pay frequency. Pay frequencies for employers participating in the Archdiocese Medical Benefits Plan cannot be changed without approval from Office of Accounting Services. The most commonly used pay frequency is bi-weekly.

15-7-6 Employer Expenses

In addition to salaries and wages, employers will also be subject to the following payroll expenses:

15-7-6a Social Security Tax and Medicare Tax:

In addition to the amount withheld for the employee for social security and Medicare tax, the employer is subject to equal amounts. The employer amounts are 6.2% of employee wages and salary for social security taxes and 1.45% of employee wages and salary for Medicare taxes. Employers are not subject to social security and Medicare taxes withholding on Archdiocesan priest salaries even though their paychecks are processed through payroll.

15-7-6b Archdiocese of Saint Paul and Minneapolis 403(b) Plan

The 403(b) Plan provides a way for Lay employees and priests to save for retirement with pre-tax savings from their eligible compensation. Contributions of pre-tax dollars to the employees 403(b) Plan are be deducted from their paycheck before federal and state income taxes are deducted. This means the employee won't pay income taxes on that part of their income until they receive money from the Plan. Under the 403(b) Plan, employees have the choice of investing their account dollars in a variety of funds. The 403(b) Plan offers tax advantages and investment earnings so that savings may add up more rapidly.

Beginning January 1, 2020, all employees – full- and part-time – and priests (excluding religious order priests) are eligible to participate in the 403(b) Plan at all participating locations by electing to defer a portion of their eligible compensation as an employee contribution into the Plan. Employees and priests are also eligible for a dollar-for-dollar employer match of their 403(b) deferral, up to 3% of eligible compensation.

Note: This is a change from the flat employer contribution of 2.5% of includable compensation for eligible employees. The change is effective January 1, 2020.

Employees can learn more and sign up for the 403(b) Plan online at transamerica.com/portal/home or contact Transamerica® Retirement Solutions at 1-888-676-5512.

Reporting of employee 403(b) payroll deductions is facilitated through PenServ Plan Services. Payroll files are to be submitted to PenServ on the date the payroll is processed. Employee contributions will post to their 403(b) investment accounts held at Transamerica within seven days of the date the payroll is processed and after reports are submitted to PenServ.

[PenServ Custom File for 403\(b\) Reporting Instructions](#) can be found on ArchConnect.

15-7-6c Pension Plan for Priests of the Archdiocese of St Paul & Minneapolis

Employers are billed by the Archdiocese on a quarterly basis for payments into the Pension Plan for Priests.

15-7-6d Defined Benefit Pension Plan for Lay Employees of the Archdiocese of St Paul & Minneapolis

The Pension Plan for Lay Employees of the Archdiocese was frozen as of January 31, 2011. Those participants who were vested in the plan at that date will receive benefits upon their retirement based on their salary and years of service up to January 31, 2011. Participants in the Plan who were not yet vested as of January 31, 2011 continued to earn vesting service after January 31, 2011 for each year they continue to work in a full-time capacity until they reach full vesting upon completion of five years of service. Parishes and other participating entities continue to make payments to this plan in order to fund future benefit payments to these vested participants. The annual payment due to the plan from the participating entities is currently calculated at 5% of the 2011 W-2 wages. A decision was made to freeze the payment due from parishes at this 2011 level. These payments will continue until the liability for future benefit payments is funded appropriately. Employers are billed

by the Archdiocese on a quarterly basis for payments into Pension Plan for Lay Employees.

15-7-7 Depositing Payroll Taxes

Federal and state withholding and employer and employee social security and Medicare taxes must be *deposited on a timely basis*. Payroll tax deposits must be made by electronic funds transfer, through [the Electronic Federal Tax Payment System \(EFTPS\)](#). Generally federal electronic fund transfers include federal withholdings and the employer and employee shares of social security and Medicare tax. State electronic fund transfers include state withholdings. See [MN Department of Revenue](#) for information on filing state withholding. Detailed guidelines for federal tax deposits are found in [IRS Publication 3151-A, Resource Guide for Understanding Federal Tax Deposits](#). A summary of these requirements is found 15-8 Electronic Payroll Requirements on page 344.

15-7-8 Reconciliation of Withholding Accounts

The gross payroll should be expensed to the salary expense account and withholdings are booked to a liability account. In this way, the balances in the withholding accounts will be zero when all withholding and taxes have been paid. Any unpaid amounts will appear as liabilities on the balance sheet.

Remember, the withholding accounts are only holding accounts for amounts the parish/school must remit to the state and federal taxing authorities or to appropriate insurance/pension/garnishment vendors. The balances in them should reflect only those amounts the parish/school has not yet paid. Before the parish/school closes a month and at the end of the [fiscal year](#) the accountant or bookkeeper should check that the balances in the withholding accounts are accurate. The account balances should equal the unpaid liabilities for that month.

15-7-9 Unemployment Compensation

Under [Minnesota law](#) certain religious employers have a choice about how to participate in the Minnesota Unemployment Insurance

Program. Religious entities may choose to participate or not to participate in the Minnesota Unemployment Insurance Program. When an employer does not participate in the unemployment insurance program it means that their employees are not eligible for unemployment benefits through the state for wages earned at that location.

If a religious entity chooses to participate in the Minnesota Unemployment Insurance Program, there are two methods of participation:

- A flat percentage of wages (Insurance) to the unemployment insurance fund quarterly (this is the method all for-profit employers must use), or
- Reimbursing the state actual unemployment benefit expenses for former employees who qualify to receive unemployment benefits.

Once electing to be on the reimbursement method that choice must remain in effect for a minimum of 24 months. This election can be terminated after 24 months, if requested by the last day of the calendar quarter prior to the calendar quarter in which the new election is to take effect.

See also [Minnesota Unemployment Insurance](#).

15-7-10 Workers Compensation Reporting

An annual report is due to the Workers' Compensation Reinsurance Association using prior calendar year wage data. The report requires categorizing wages according to the type of work performed in order to determine the next year's premium for workers' compensation insurance. The Archdiocese coordinates this reporting process with covered parishes, schools and other participating entities with a target completion date of February 1 each year.

See also [MN Department of Labor and Industry Workers' Compensation – Businesses](#).

15-8 Electronic Payroll Requirements

See also [IRS Electronic Filing Options for Business and Self-Employed Taxpayers](#).

15-8-1 Federal:

Liability under \$2,500: If the total federal taxes for a current quarter or the preceding quarter are less than \$2,500, and you did not incur a \$100,000 next-day deposit obligation in the current quarter, you may pay the taxes by the due date of the quarterly Form 941.

Liability \$50,000 or less: If the total federal taxes for a current quarter are \$50,000 or less, you are a monthly depositor.

Liability greater than \$50,000: If the total federal taxes for a current quarter are \$50,000 or more, you are a semiweekly depositor.

\$100,000 Next Day Deposit Rule: If during any deposit period, you accumulate a tax liability of \$100,000 or more, you must make a deposit by the next business day.

15-8-2 State:

In the State of Minnesota, you must make your deposits electronically if you meet one of the following requirements:

- You withheld a total of \$10,000 or more in Minnesota income tax during the last 12-month period ending June 30th.
- You use a payroll service company or pay any other Minnesota Business Tax to the Department of Revenue.

Note: If you're required to pay business taxes electronically for one year, you must continue to do so for all future years.

See also [Minnesota Department of Revenue e-Services](#).

15-9 Electronic Payroll Filing Requirements

15-9-1 Information and Tax Returns

1. **Form W-4** Employee's Withholding Allowance Certificate: This form is required to be completed by employees so that the employer can withhold the correct federal income tax. Consider completing a new form each year and when your personal or financial situation changes.
2. **State Form W-4MN** Minnesota Employee Withholding Allowance/Exemption Certificate: This form must be completed if:
 - a) Employee claims fewer Minnesota withholding allowances than your federal allowances (Form W-2).
 - b) Employee claims more than 10 Minnesota withholding allowances.
 - c) Employee wants additional Minnesota withholding deducted from pay.
 - d) Employee claims to be exempt from federal or Minnesota withholding.
3. **Form W-2** Wage and Tax Statement: Employers must file this form for each employee for the income, social security and Medicare tax withheld. This form is due annually January 31st.
4. **Form W-3** Transmittal of Wage and Tax Statement: Form accompanies Form W-2 and is filed with the Social Security Administration. This form is due annually January 31st.
5. **Form W-2G** Certain Gambling Winnings: Religious Organizations that sponsor gaming events must file Form W-2G when an individual



wins a prize over a specific value amount. The form must be provided to the winner by January 31st and filed with the IRS by February 28th.

6. **Form 940** Employer's Annual Federal Unemployment Tax Return: This form is used to report annual Federal Unemployment Tax Act (FUTA) tax. The form is typically due January 31st.
7. **Form 941** Employer's Quarterly Federal Tax Return: Employers who withhold income taxes, social security tax, or Medicare tax from employee's paychecks or who must pay the employer portion of social security or Medicare tax, use this form to report those taxes. This form is typically due one month after each quarter of payroll, April 30th, July 31st, October 31st and/or January 31st.
8. **Form W-9** Request for Taxpayer Identification Number and Certification: A person who is required to file an information return with the IRS (Ex. Form W-2 or Form 1099) must obtain the correct taxpayer identification number.
9. **Form I-9** Employment Eligibility Verification: Employers must complete and retain US Citizenship and Immigration Services (USCIS) Form I-9 to document verification of the identity and employment authorization of each new employee (citizen and noncitizen) hired after November 6, 1986. Employers may be fined if the form is not complete.
10. **Form 1095** Health Insurance Marketplace: Employers must furnish Form 1095-A to the IRS to report certain information about individuals who enroll in a qualified health plan through the Health Insurance Marketplace.
11. **Form 1096** Annual Summary and Transmittal of U.S. Information Returns: This form is used to transmit paper Form 1097, Form 1098, Form 1099 MISC and Form W-2G to the Internal Revenue Service. The form is not used to transmit the above-mentioned forms electronically. This form is generally due to the IRS by February 28th.
12. **Form 1099 MISC** Miscellaneous Income: This form is used to report various types of income other than wages, salaries and tips. The form is typically due January 31st.

Federal Electronic Payroll Requirements

Liability under \$2,500 - no \$100,000 next day deposit obligation in quarter, pay taxes by due date of quarterly 941

Liability \$50,000 or less – Monthly depositor

Liability greater than \$50,000 – Semiweekly depositor

\$100,000 Next day deposit rule - Deposit must be made by the next business day.

Minnesota Payroll Requirements – Electronic Filing Requirements

10,000 or more State tax withheld in the last twelve months

Required to pay other State business tax

Use a payroll service company

15-10 Implementation Guidance & Journal Entries

[PSA Payroll - Import: How to import payroll journal entries](#)

15-11 References and Resources

Refer to www.IRS.gov for the latest developments as they occur.

Section 16 Net Assets / Equity

The net assets of a parish represent its financial worth. These values are calculated as the excess or deficiency of assets over liabilities. Net assets are found on the [Statement of Financial Position](#) (Balance Sheet), along with Assets and Liabilities. The net asset balances may be categorized into as many as two classes depending on the existence or absence of donor restrictions. The purpose of this policy is to provide guidance in categorizing, recording and reporting parish and school net assets on parish financial statements or, in the case of an independent regional school, the school financial statements.



$$\text{Net Assets} = \text{Assets} - \text{Liabilities}$$

16-1 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has defined a [standardized chart of general ledger accounts](#) for use by all parishes and schools. Separate accounts are established for net assets with donor restrictions and net assets without donor restrictions and the related income and expense accounts. Net assets without donor restrictions may also be designated for specific purposes by [leadership](#). This chapter is closely aligned to Section 10 Chart of Accounts on page 125.

16-2 Scope

When a parish or school receives a donor contribution or special gift, it must be classified into one of the following two net asset categories: Net Assets With Donor Restrictions and Net Assets Without Donor Restrictions. The reasons for classification are to establish proper accounting treatment for the gift and determine appropriate financial statement disclosure³³.

In order to choose the proper category for a donation, staff must know the distinction between the category labels *designated* and *restricted*. Designations

³³ [Update 2016-14—Not-For-Profit Entities \(Topic 958\): Presentation Of Financial Statements Of Not-For-Profit Entities](#)

are not necessarily related to a specific gift and are made by authorized [leadership](#). Restrictions are made by a donor at the time of the donation and can **only** be changed by communication from the donor.



Leadership, including the pastor, does not have authority to contradict or change a donor restriction without the donor's permission.

The donor has the influence over his or her gift. He or she may restrict a gift for a particular purpose. Leadership, including the pastor, does not have authority to contradict or change a donor restriction without the donor's permission. As long as there are no donor restrictions on a particular donation, authorized leadership may designate the donation for a specific purpose. This designation may be changed or removed at a later date as long as the change is authorized using the appropriate process. It is recommended that a parish, Regional school develop a written policy regarding receipt of gifts with donor restrictions and designation of gifts by leadership.

16-3 Changes to Net Asset Classification in FASB ASU 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-14 (ASU 2016-14) to make improvements to the communication of information on nonprofit financial statements. ASU 2016-14 went into effect FY2019 for Archdiocese of Saint Paul and Minneapolis parishes and affects all nonprofit organizations (Topic 958).



When being audited, parishes/schools that have not successfully implemented the new accounting standards may be faced with overwhelming audit adjustments and costly penalties. Noncompliance can also result in a loss in contributions and grant funding.

16-3-1 How ASU 2016-14 affects Parishes/Schools:

The main provisions of the update address issues related to the complexity of net asset classification, transparency regarding the liquidity of funds, deficiencies in reporting financial performance

measures, inconsistencies in expense reporting, and misunderstandings in presenting cash flow information.

16-3-1a Net Asset Classifications

Prior to this update, there were three net asset classes: unrestricted, temporarily restricted, and permanently restricted. There are now two classes: net assets without donor restrictions and net assets with donor restrictions. The latter includes what was formerly separated into the temporarily restricted and permanently restricted net asset categories.

In addition, organizations are now required to disclose additional information regarding net assets with donor restrictions, including liquidity and availability of funds as well as when and how funds can be used. Year-end balances and purposes of board designated funds must also be disclosed along with policies for managing those funds.

16-3-1b Underwater Endowments

For endowments with losses (i.e. underwater endowments), organizations are now required to report the current fair value of the fund, original gift amount, and amount of the deficiency. Donor funded endowments must be reported as net assets with donor restrictions on the statement of financial position. Quasi-endowment funds, which are designated by the organization's governing board, should be reported as net assets without donor restrictions.

16-3-1c Donations of Property and Equipment

The new guidelines require that donor restrictions should be released when assets are placed in service rather than releasing donor restrictions over estimated useful life (unless otherwise stipulated by the donor).

16-3-1d Transparency and Utility of Liquidity

New disclosures will be required that describe the liquidity and availability of funds. Specifically, how organizations will meet

cash requirements for the next year. This is a detailed disclosure that will encompass the nature of the assets, donor limits, laws, contracts, and board limits.

16-3-1e Expenses Classified by Function and Nature

Functional expenses grouped by program or support must now be reported by their natural expense category (e.g. payroll, rent, etc.). This information must be presented on the face of the statement of activities, in a disclosure, or in a separate financial statement. Also, organizations are now required to disclose the method used to allocate costs between programs and support functions.

16-3-1f Statement of Cash Flows

This ASU eliminates the requirement to show the indirect reconciliation from the change in net assets when the direct method of reporting is used.

Adoption of these new rules will result in significant changes to financial reporting and disclosures for nonprofits. It is important that parishes/schools understand the new requirements and can implement the appropriate changes to their reporting. Having an accounting system built for compliance with nonprofit accounting standards will allow you to generate the necessary accounting information to meet your managerial, financial, and compliance reporting needs³⁴.

16-3-2 ParishSOFT Accounting GAAP Compliance

ParishSOFT Accounting GAAP Compliance method of tracking restricted donations which will flow through the Statement of Activities in the format required by [Generally Accepted Accounting Principles \(GAAP\)](#).

With this method, the **Income** and **Net Asset** accounts will now have the selection options of Without Donor Imposed Restrictions,

³⁴ ParishSOFT Accounting utilizing the GAAP Compliance functionality meets the FASB ASU 2016-14 requirements.

With Donor Imposed Restrictions (Perm), and With Donor Imposed Restrictions (Temp).

Restricted account Income and expenses will be reported in the Statement of Activities. These Income/Expense accounts will close each year to the appropriate Net Assets account (3000 Without Donor Imposed Restrictions, 3100 With Donor Imposed Restrictions (Temp), and 3200 With Donor Imposed Restrictions (Perm)).

Since this process runs through the Statement of Activities and closes at the end of each year to the appropriate Net Asset, the balance of the restricted accounts is **not** maintained through the accounts. Project Groups/Codes shall be utilized to track balances of any restricted account.

An automatic journal entry is created when a bill is entered and marked as a restricted item, a journal entry will open with the appropriate release Income accounts entered. This eliminates the need to enter a manual release journal entry.

GAAP Compliance eliminates the need to transact directly to the Net Asset accounts by the parishes.

Parishes are able to print the standard Statement of Activities and Statement of Financial Position as well as GAAP Compliant Statement of Activities and GAAP Compliant Statement of Financial Position reports for external reporting. Project Summary should be printed for Restricted Fund balance.

16-4 Net Asset Categories

Listed below are the two categories for Net Asset classification.

16-4-1 Net Assets Without Donor Restrictions

The portion of Net Assets (financial worth) with the absence of donor imposed restrictions. Monies in unrestricted funds are not designated for a specific purpose and may be allocated for any purpose your governing financial body deems appropriate.

This category includes Parish or Board Designated Contributions, which are contributions without donor restrictions, but subject to leadership designations. [Leadership](#) may decide to set aside contributions without donor restrictions for a specific use. An example of a board designated contribution without restrictions is a large contribution that has not been restricted in any manner by the donor but the leadership decides to direct the funds to a specific purpose such as a building project.

A subsidiary ledger, such as Project Codes in ParishSOFT Accounting, may be utilized to track fund balances of Parish/Board Designated funds.

16-4-1a Example Parish/Board Designated Contributions Activity (Without Donor Restrictions)

Chart of Account #	Description	Debit	Credit	Project
Parish/Board Designated Contributions: A large, unexpected, unrestricted contribution totaling \$5,000 is received and recorded in the general ledger. Parish Leadership earmarks the contribution, by assigning a Project Code, to be used for repairs to the HVAC system in the church building.				
1000	Cash	5,000		
4000-4700	Revenue Accounts (without donor restrictions)		5,000	X
Parish/Board Designated Contributions: Repairs to the HVAC have been completed and the invoice is received from the vendor and recorded in the general ledger. The same Project Code is used in the bill entry window and the check is issued to the vendor.				
5000-6999	Expense Accounts	5,000		X
1000	Cash		5,000	

16-4-2 Net Assets With Donor Restrictions

Net Assets with Donor Restrictions are the un-spent funds subject to [donor imposed restrictions](#). Donor restrictions may be classified as:

- **Temporary** – funds can be restricted as to purpose or time. As funds are spent in accordance to the donor's restriction, the temporary restrictions are released.



Net Assets with Donor Restrictions are contributions with “strings attached”.

- **Permanent** - typically used for [Endowment funds](#), these funds are given with the stipulation that the organization must maintain the net assets in perpetuity, spending the unrestricted interest earned but not the principal.

Some donors impose restrictions that are temporary in nature, for example stipulating that resources be used after a specified date, for particular programs or services, or acquire buildings or equipment.

Other donors impose restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity.

Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

16-4-2a Example Net Assets with Donor Restrictions (Temp)

Chart of Account #	Description	Debit	Credit	Project
Parish receives a contribution of \$5,000 to be used for the purchase of a new Saint Paul statue in the sanctuary. A project code is applied to the Restricted Income (Temp) line on the deposit/journal entry.				
1000	Cash	5,000		
4810	Restricted Income (Temp) ³⁵		5,000	X
Parish purchases new Saint Paul statue for \$5,000, releasing the restricted donation of \$5,000. The Account Restriction on the bill is changed to With Donor Restrictions (Temp) and a project code is applied to the Expense account line item on the bill/check.				
5000-6999	Expense Accounts	5,000		X
1000	Cash		5,000	
<i>ParishSOFT automatically records the release of the restrictions and references the original bill number on the journal entry. Project code is not used. Retain copy of JE with invoice.</i>				
4900	GAAP Release – Without Donor Restrictions		5,000	
4910	GAAP Release – With Donor Restrictions	5,000		

³⁵ NOTE: Most accounting software applications apply indicators on Income Accounts denoting With Donor Restrictions or Without Donor Restrictions. Check with your software provider to ensure your system is properly set up.

16-4-2b Example Endowment Earnings Restricted by Policy

Chart of Account #	Description	Debit	Credit
An endowment fund is established without particular donor restrictions of how the earnings are to be spent. However, the Parish has a policy that says they can spend a percentage of the average 3 years' balance. While the corpus/principle is still permanently restricted, GAAP rules say that earnings go through the classification of With Donor Restrictions (Temp) until appropriated to be spent. At which time they would be released from restriction and show as unrestricted until actually spent. Those funds would then be reclassified to Without Donor Restrictions at that time until spent. Contributions are received With Donor Restrictions under Parish Policy:			
1000	Cash	50,000	
4820	Restricted Income (Perm)		50,000
<i>Check issued to Financial Institution (i.e. CCF) in the amount of the Endowment contributions received in the month:</i>			
1230	Catholic Community Foundation Endowment Investment	50,000	
1000	Cash		50,000
<i>Statement received from Financial Institution (i.e. CCF):</i>			
1230	Catholic Community Foundation Endowment Investment	2,850	
4810.00NO	Dividend/Interest Revenue		500
4810.00NO	Realized Gains (Losses) on Investment		150
4810.00NO	Unrealized Gains (Losses) on Investment		3,000
4810.00NO	Financial Institution Charge/Fee Exp	800	
<i>To record distributions from an Endowment Fund:</i>			
1000	Cash	5,000	
1230	Catholic Community Foundation Endowment Investment		5,000
4910	GAAP Release – With Donor Restrictions (Temp)	5,000	
4900	GAAP Release – Without Donor Restrictions		5,000
<i>Check is issued from parish spending Endowment fund earnings.</i>			
5000-6999	Expense Account	5,000	
1000	Cash		5,000

16-4-2c Example Endowment Earnings Restricted for Purpose

Chart of Account #	Description	Debit	Credit
A Parish Policy and the donor's wishes established an endowment fund where the earnings would provide scholarships for tuition. While the corpus/principle is permanently restricted, the earnings are temporarily restricted until they are distributed to the church/school and spent on scholarships. In this scenario, the donor has restricted how the endowment earnings are to be spent. The earnings must be recorded as With Donor Restrictions (Temp) until they are spent. Contributions are received With Donor Restrictions for a Purpose:			
1000	Cash	50,000	
4820	Restricted Income (Perm)		50,000
Check issued to Financial Institution (i.e. CCF) in the amount of the Endowment contributions received in the month:			
1230	Catholic Community Foundation Endowment Investment	50,000	
1000	Cash		50,000
Statement received from Financial Institution (i.e. CCF):			
1230	Catholic Community Foundation Endowment Investment	2,850	
4810.00NO	Dividend/Interest Revenue		500
4810.00NO	Realized Gains (Losses) on Investment		150
4810.00NO	Unrealized Gains (Losses) on Investment		3,000
4810.00NO	Financial Institution Charge/Fee Exp	800	
<i>To record distributions from an Endowment Fund:</i>			
1000	Cash	5,000	
1230	Catholic Community Foundation Endowment Investment		5,000
Check is issued from parish for scholarship:			
6320	Scholarship Expense	5,000	
1000	Cash		5,000
4910	GAAP Release – With Donor Restrictions (Temp)	5,000	
4900	GAAP Release – Without Donor Restrictions		5,000

16-4-2d Example Endowment Earnings Restricted NOT Restricted

Chart of Account #	Description	Debit	Credit
A Parish sets a Parish policy that the earnings are considered appropriated or available to be spent as they are earned, and there are no donor restrictions on earnings. In this case, cumulative earnings are recorded as Without Donor Restrictions until spent.			
1000	Cash	50,000	
4820	Restricted Income (Perm) ³⁶		50,000
<i>Check issued to Financial Institution (i.e. CCF) in the amount of the Endowment contributions received in the month:</i>			
1230	Catholic Community Foundation Endowment Investment	50,000	
1000	Cash		50,000
<i>Statement received from Financial Institution (i.e. CCF):</i>			
1230	Catholic Community Foundation Endowment Investment	2,850	
4120.00NO	Dividend/Interest Revenue		500
4130.00NO	Realized Gains (Losses) on Investment		150
4140.00NO	Unrealized Gains (Losses) on Investment		3,000
6240.00NO	Financial Institution Charge/Fee Exp	800	
4920	GAAP Release – With Donor Restrictions	2,850	
4900	GAAP Release – Without Donor Restrictions		2,850
<i>To record distributions from an Endowment Fund:</i>			
1000	Cash	5,000	
1230	Catholic Community Foundation Endowment Investment		5,000
<i>Check is issued from parish spending Endowment fund earnings.</i>			
5000-6999	Expense Account	5,000	
1000	Cash		5,000

³⁶ NOTE: Most accounting software applications apply indicators on Income Accounts denoting With Donor Restrictions or Without Donor Restrictions. Check with your software provider to ensure your system is properly set up.

16-5 Recording of Net Assets

Net assets are typically updated at the end of the fiscal year automatically by most accounting software packages, including ParishSOFT Accounting. Direct transaction entry to Net Asset accounts are prohibited in ParishSOFT Accounting.

Should direct transaction entry be required, parishes must follow the Standard Net Asset Entry Protocol:

16-5-1 Standard Net Asset Entry Protocol

If a parish or parish auditor requires an entry to Net Assets, the ADSPM has established the following protocol:

1. Parish/Parish Auditor prepares written/email communication requesting and authorizing entry.
2. Parish/Parish Auditor prepares a journal entry import file containing JE specifics.
3. Backup documentation must accompany request and must clearly outline the reason for the entry.
4. Submits to StandardsSupport@archspm.org.
5. Standards Program Manager receives request and obtains approval from ADSPM Accountant.
6. Archdioceses accountant reviews backup documentation and entry request.
7. If additional information is needed, Standards Program Manager obtains information from parish.
8. If backup documentation and reasons are sufficient, Accountant signs off on request.
9. Standards Program Manager imports parish supplied file and informs parish that the entry is complete.

Net asset recording and reporting processes vary depending on the absence or presence of donor restrictions. See decision tree # 11-6 for an illustration to help determine the classification of gifts.

Net Assets Without Donor Restrictions increase when unrestricted income exceeds unrestricted expenses and decrease when unrestricted expenses exceed unrestricted income. The balance of the remaining Net Assets Without Donor Restrictions is displayed on the [Statement of Financial Position](#), see Sample GAAP Financial Statement of Financial Position on page 366.

16-5-2 Example End of Year – Net Assets Without Donor Restrictions

Chart of Account #	Description	Debit	Credit
Net Assets Without Donor Restrictions: At end of the year <i>NOTE: This entry is automatic in ParishSOFT Accounting</i>			
4000-4799, 4900	Year-End Revenue Balances	XXXX	
5000-6999	Year-End Expense Balances		XXXX
3000	Unrestricted Net Assets		XXXX

Net Assets with Donor Restrictions involve more detailed recording and reporting. Once the restricted gift is accepted or leadership designates funds for a particular purpose, the parish or school has a legal obligation to track contributions against expenses [incurred](#).

Upon acceptance of a gift, the necessary general ledger accounts must be determined. See Section 10 Chart of Accounts on page 125. These typically include revenue and expense accounts on the [Statement of Activities](#) and a net asset/equity account on the [Statement of Financial Position](#).

Utilization of an accounting software package, such as ParishSOFT Accounting, which will internally flag the following accounts with the appropriate restriction type is required.

- 4810 – Donor Restricted Income (Temp)

- 4820 – Donor Restricted Income (Perm)
- 4900 – GAAP Release – Without Donor Restrictions
- 4910 – GAAP Release – With Donor Restrictions (Temp)
- 4920 – GAAP Release – With Donor Restrictions (Perm)
- 3100 – Net Assets with Donor Restrictions (Temp)
- 3200 – Net Assets with Donor Restrictions (Perm)

A subsidiary ledger system to record fund balances for the various projects comprised of donor-restricted funds is also now required. In ParishSOFT Accounting, utilize the Project Codes for an internal subsidiary ledger. Other accounting software applications may not have this feature, and an Excel spreadsheet may then be utilized.

As contributions are received, the activity should be recorded in the appropriate 4810 Donor Restricted Income (Temp) or 4820 Donor Restricted Income (Perm) in the proper Ministry Code, and flagged with the appropriate Project Code to update fund balances.

As restricted funds are spent, the activity should be recorded in the appropriate Expense account as needed, and flagged with the appropriate Project Code to update fund balances.

If using ParishSOFT Accounting, change the Account Restriction on the Bill Entry Window to With Donor Restrictions (Temp).

Journal Entry must be inserted recording the release following³⁷:

4900	GAAP Release – Without Donor Restrictions		XXXX
4910	GAAP Release – With Donor Restrictions	XXXX	

³⁷ Note: In ParishSOFT Accounting, this entry is automated when utilizing the Bill feature. A manual entry may be required if recording the spending of restricted funds in a journal entry.

Utilizing this method, Donor Restricted Income is then properly recorded and reported in the GAAP Compliant Statement of Activities and GAAP Compliant Statement of Financial Position. Donor Restricted Income is segregated in the reporting and Net Assets with Donor Restrictions and Net Assets without Donor Restrictions are correctly and clearly totaled.

End of Fiscal Year processing will automatically update the appropriate Net Asset accounts based on the activity in the Donor Restricted Income accounts (listed above).

16-5-3 Example End of Year – Net Assets With Donor Restrictions (Temp)

Chart of Account #	Description	Debit	Credit
Net Assets With Donor Restrictions (Temp): At end of the year <i>NOTE: This entry is automatic in ParishSOFT Accounting</i>			
4810, 4910	Year-End Revenue Balances	XXXX	
3100	Net Assets with Donor Restrictions (Temp)		XXXX

16-5-4 Example End of Year – Net Assets With Donor Restrictions (Perm)

Chart of Account #	Description	Debit	Credit
Net Assets With Donor Restrictions (Temp): At end of the year <i>NOTE: This entry is automatic in ParishSOFT Accounting</i>			
4820, 4920	Year-End Revenue Balances	XXXX	
3200	Net Assets with Donor Restrictions (Perm)		XXXX

16-6 Reporting of Net Assets

All categories of net asset balances are disclosed in the Net Assets section of the Statement of Financial Position. In the case of donor restricted gifts, the numbers on the Statement of Financial Position represent remaining balances of

Net Assets With Donor Restrictions (net of related expenses), as of the report date.

The Net Asset Without Donor Restrictions portion of the Net Assets section on the [Statement of Financial Position](#) represents the board designated and remainder of parish, independent or regional school equity available for future operating activities.

The Statement of Financial Position/Balance Sheet follows the following formula:

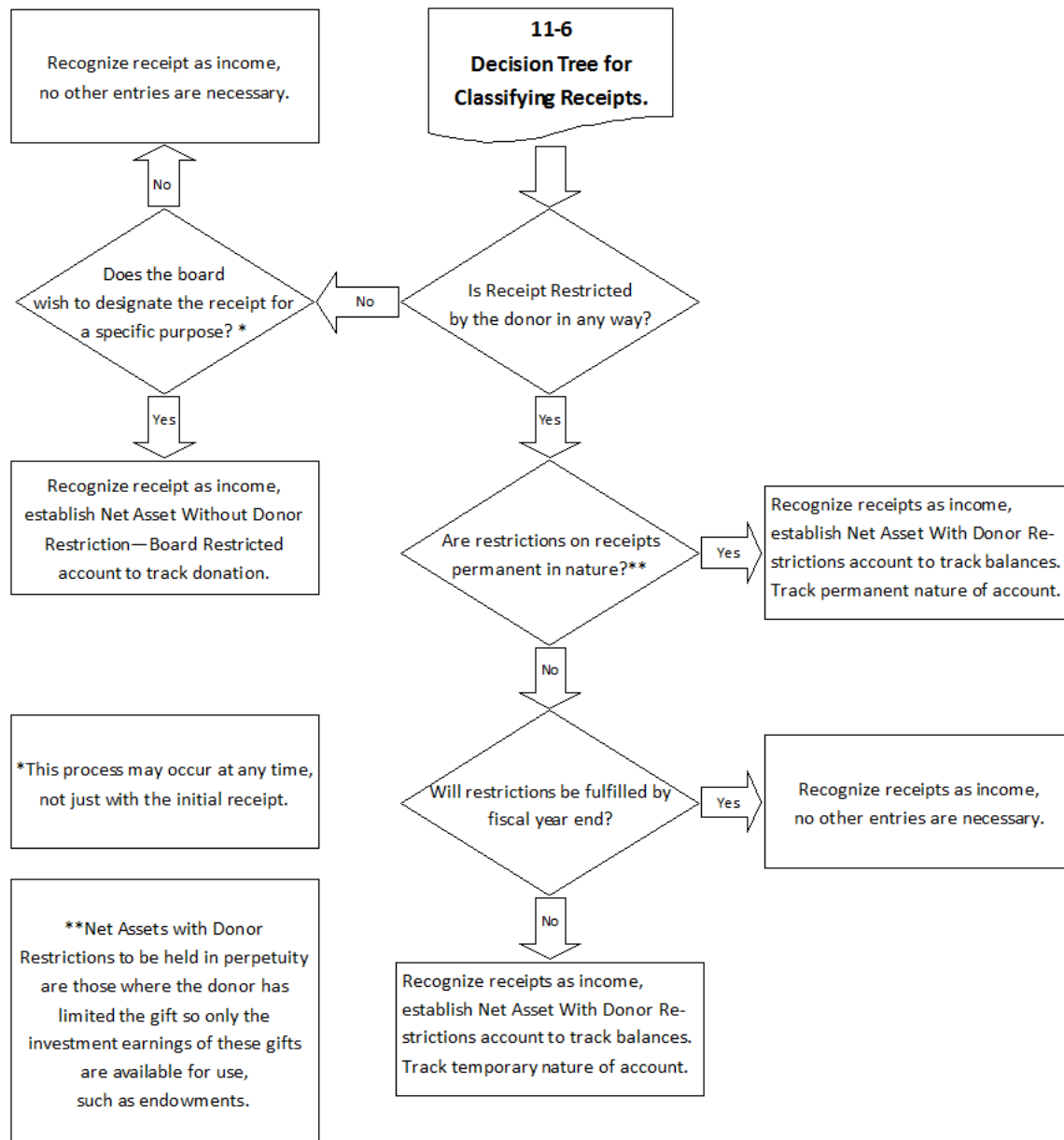
$$\text{Assets} = \text{Liabilities} + \text{Net Assets/Equity}$$

Please see Important Concepts on page 8 for more detailed information.

Revenues and expense activities related to Net Assets With Donor Restrictions and Net Assets Without Donor Restrictions shall be segregated and reflected on the GAAP Compliant Statement of Activities.

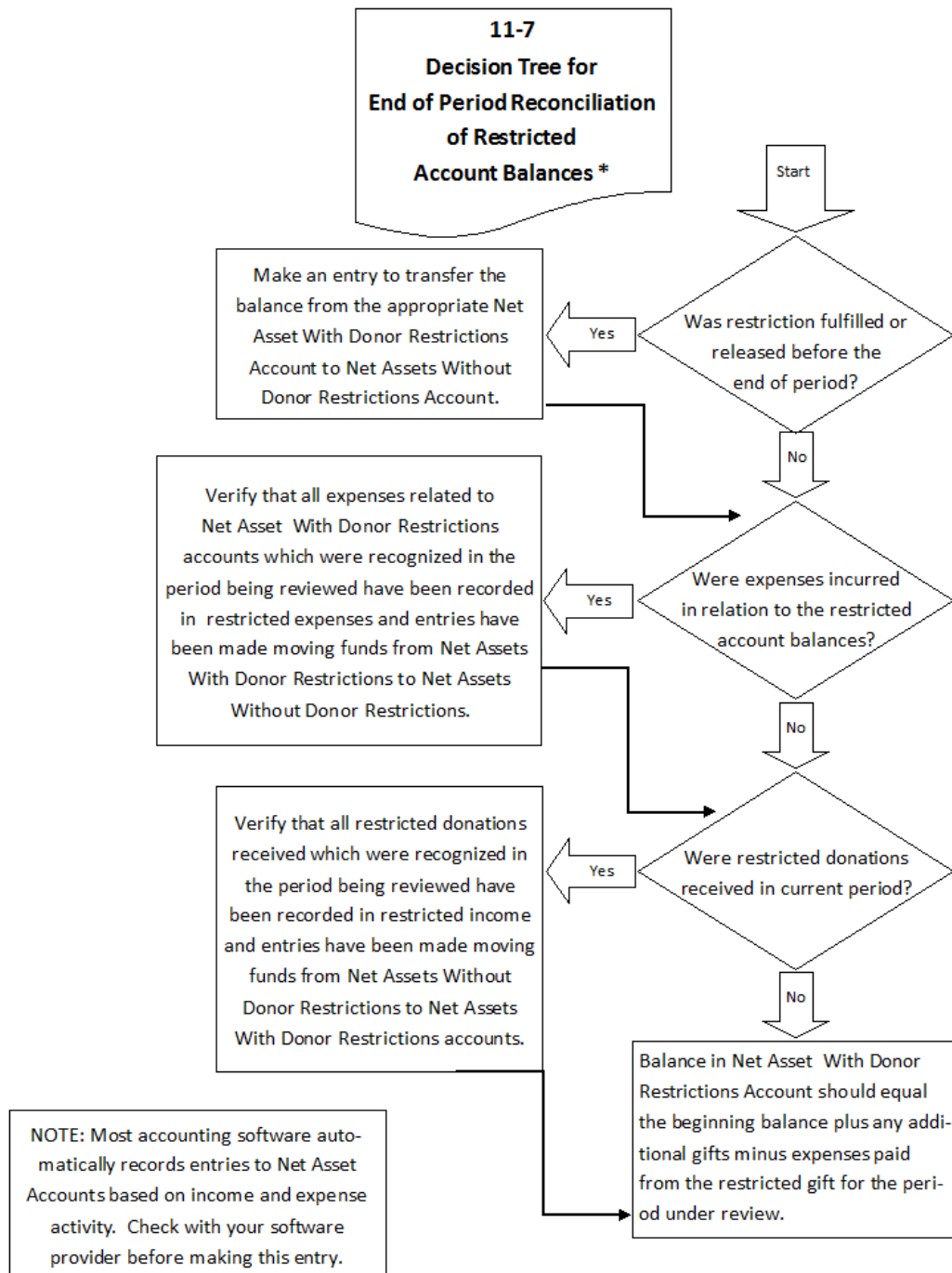
16-7 Classifying Receipts

The following decision tree will assist you in correctly classifying receipts and ensuring proper accounting recognition.



16-8 End of Period Review Procedures

The following decision tree will assist in the reconciliation of net asset balances. Additionally, it will aid in the review of donor imposed restricted balances in order to determine if the designation is still valid. As a note, restricted designations can only be removed by the donor, so contact with the donor may be necessary.



16-8-1a Sample GAAP Financial Statement of Financial Position:*Sample Parish***GAAP Compliant Statement of Financial Position**
June 20XX

	Year to Date Last Year	Year to Date Balance
Assets		
Checking Account Totals:	11,833	10,761
Petty Cash Fund Totals:	170	200
Savings/Money Market Investment Totals:	37,936	80,662
Certificates of Deposit Investment Totals:	28,110	28,110
Prepaid Expenses Totals:	927	690
Land Totals:	50,000	50,000
Buildings - Church Totals:	250,000	250,000
Total Assets:	378,976	420,422
Liabilities		
Accounts Payable Totals:	5,606	0
HSA Deduction Totals:	(75)	0
Operation Rice Bowl Collection Totals:	0	16
Holy Land Collection Totals:	0	220
Global Solidarity Sunday Collection Totals:	0	20
Peter's Pence Collection Totals:	0	25
Campaign for Human Development Totals:	0	150
Catholic Services Appeal Totals:	0	135
Pass-through Collections Totals:	0	451
Clearing Account Totals:	(30)	0
Total Liabilities:	5,501	1,017
Net Asset Accounts		
Unrestricted Net Assts Totals:	365,642	371,916
Net Assets - With DR (Temp) Totals:	645	1,568
Total Net Asset Accounts:	366,286	373,485
Current Period Changes to Net Assets		
Without Donor Restrictions	6,274	44,529
With Donor Restrictions	914	1,392
Total Current Period Changes to Net Assets:	7,188	45,921
End of Period Net Asset Summary		
Without Donor Restrictions	371,916	416,445
With Donor Restrictions	1,558	2,960
Total End of Period Net Asset Summary:	373,475	419,405
Total Liabilities & Net Assets:	378,976	420,422

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GAAP Compliant Statement of Financial Position

16-8-1b Sample GAAP Statement of Activities:*Sample Parish***GAAP Compliant Statement of Activities**

June 20XX

	YTD Actual Without Donor Restrictions	YTD Actual With Donor Restrictions	YTD Actual Total
Income			
General Operations Totals:	145,981	(150)	145,831
Festivals Totals:	21,733	0	21,733
Liturgy Totals:	251	0	251
Liturgical Environment Totals:	1,232	0	1,232
Parish Outreach Totals:	850	1,542	2,392
Men's Group Totals:	1,711	0	1,711
Women's Group Totals:	1,574	0	1,574
Youth Group Activities Totals:	0	0	0
Income Totals:	173,333	1,392	174,724
Expense			
General Operations Totals:	74,079	0	74,079
Festivals Totals:	2,899	0	2,899
Church Building Totals:	8,172	0	8,172
Liturgy Totals:	15,964	0	15,964
Music Totals:	7,041	0	7,041
Liturgical Environment Totals:	161	0	161
Clergy Services Totals:	14,871	0	14,871
Bereavement Totals:	300	0	300
Parish Outreach Totals:	150	0	150
Youth Formation Totals:	579	0	579
Men's Group Totals:	2,149	0	2,149
Women's Group Totals:	2,029	0	2,029
Youth Group Activities Totals:	410	0	410
Expense Totals:	128,803	0	128,803
Income - Expense:	44,529	1,392	45,921
Net Assets (Beginning of Year):	371,916	1,558	373,475
Total Net Assets:	416,445	2,950	419,395

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GAAP Compliant Statement of Activities

Section 17 Fixed Assets

[Fixed Assets](#) is a term used in accounting for assets and property that cannot easily be converted into cash. These assets are items of value that a parish or school has bought and will use for an extended period of time, generally more than one year.

Fixed assets include land, land improvements, buildings, building improvements, fixtures, vehicles, furniture, maintenance equipment, and office equipment. Excluded from fixed assets are operating expenses and routine repairs and maintenance. The purpose of this policy is three-fold:



Fixed assets are the infrastructure, equipment and furnishings integral to a well running parish or school.

- To promote a consistent methodology for categorizing, recording and reporting parish and school fixed assets on parish and school financial statements.
- To provide parishes and schools with tools and templates for maximizing [asset](#) use.
- To identify and prioritize of upcoming capital projects, and responsibly fund asset repairs, replacements and new capital purchases.

Please see Section 9 Debt on page 101, Section 14 Payables and Expense Recognition on page 284, and Section 16 Net Assets / Equity on page 348 for related information.

17-1 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted [Generally Accepted Accounting Policy \(GAAP\)](#) for recording the [parish](#) and [school](#) fixed assets. GAAP requires recording fixed assets on a [cost basis](#). They also require calculation and recognition of [depreciation](#) expense. Depreciation spreads the cost of an asset over the asset's [useful life](#).

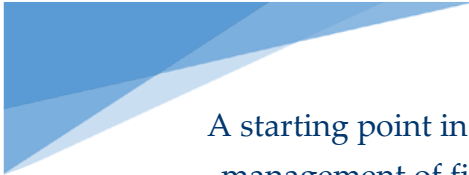
The Archdiocese of Saint Paul and Minneapolis has defined a [standardized chart of general ledger accounts](#) for use by all parishes and schools. Separate accounts have been established for parish and school fixed assets.

17-2 Scope

Fixed assets are the infrastructure, equipment and furnishings integral to a well running parish or school. Proactive financial management of fixed assets is critical for long-term financial and physical health of a parish and school. Proper asset management is critical for responsible stewardship of parish property, accurate record keeping, improved budgeting and reporting, proper funding of capital purchases and GAAP compliance.

A starting point in good financial management of fixed assets is to develop a detailed understanding of assets currently in use. This typically involves taking a physical inventory of buildings as well as their contents across all parish and school facilities. The document resulting from the physical inventory is the [Asset Listing](#).

The next step is to use the Asset Listing as a tool to identify when assets on the list will require maintenance services, repairs and replacement. When possible, financial estimates for repair and replacement should be tabulated and attached to realistic timeframes. This information can be used by parish and school personnel to plan funding required for maintaining existing assets and make proactive decisions without waiting for assets to break down unexpectedly or require emergency fundraising. This schedule is called the [Repair and Replacement Schedule](#).



A starting point in good financial management of fixed assets is to develop a detailed understanding of assets currently in use. This typically involves taking a physical inventory of buildings as well as their contents across all parish and school facilities.

Once existing assets have been inventoried and assessed, a [Capital Improvement Plan \(CIP\)](#) should be developed. The purpose of this schedule is to combine maintenance requirements and replacement timeframes for existing assets (on the Repair and Replacement Schedule) as well as plans for new asset purchases and/or building projects. Having this visibility to funding needs related

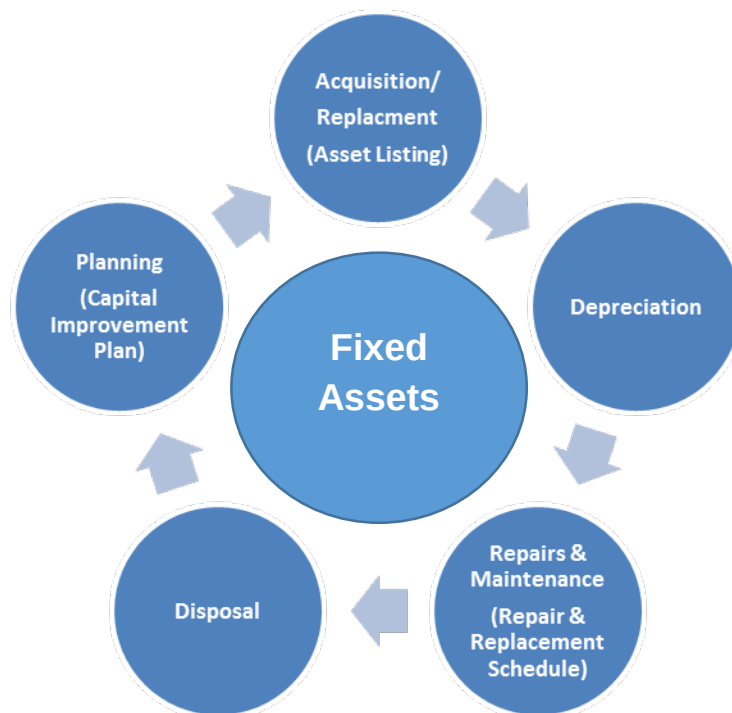
to existing assets and planned asset purchases, the coordination with the budget process can begin.

There are times when cash flow issues prevent the ability to create funding for necessary [capital repairs](#) and purchases. In these cases, the dollar value of unfunded capital maintenance should be calculated and addressed by the finance council and pastor.

17-3 Asset Life Cycle

The fixed asset life cycle begins when a parish acquires an asset and ends when a parish disposes of an asset. The life cycle includes depreciation expense, asset repairs and asset upgrades. Different accounting issues arise throughout the life of an asset, requiring accountants to make decisions regarding financial reporting or asset value.

- Acquisition
- Depreciation
- Repairs and Maintenance
- Disposal



17-3-1 Acquisition

17-3-1a Asset Valuation

Generally Accepted Accounting Principles (GAAP) requires recording fixed assets at original cost if it is known. All costs that contribute to acquiring an asset should be included in an asset's cost. If applicable, the invoice price, transportation costs, installation and setup should be included in the original asset cost.

It is important to keep invoices, contracts, and other documents that support the cost information recorded for assets. Parishes should establish permanent files to support fixed asset balances. In cases where assets are stated at values other than cost, accounting system adjustments will be required to properly reflect asset balances. Please see the Fixed Asset Policy Implementation Guide at the end of this chapter for additional guidance.



Recording assets on financial statements at insurance value is not recommended, nor is this practice permitted by GAAP.

Note: Recording assets on financial statements at insurance value is not recommended, nor is this practice permitted by GAAP.

17-3-1b Receipt of Donated Assets

Asset donations are recorded at [market value](#) when received if the parish or school has a measurable and objective basis for determining the value. For instance, if a the Knights of Columbus donates new desks to a school, the desks would be recorded at the invoice price. Whenever possible, a parish should ensure donors provide documentation of the value. If

values cannot be reasonably determined, other methods may be used, such as, appraisers, tax experts, blue book value (motor vehicles), or comparison to the purchase prices of similar items. In cases of donated assets where original costs are unknown, values should be established based on market values of similar assets at the time donated assets are placed into service.

If a parish does not record donated assets properly, fixed asset account balances in the general ledger and annual report will be understated. This in turn, will result in an understatement of net assets.

The following examples outline common donated asset scenarios:

- A parish receives a donation of a piece of land. Due to the nature of real estate, the value may be difficult to determine. A reasonable fair market value can be supplied by the tax assessor or a real estate appraiser. The appraisal serves as support for the amount. The parish should [capitalize](#) this as a fixed asset on the general edger and add it to the Asset Listing.
- A piano is donated to a parish. According to a local piano salesman, its value is approximately \$9,500. The parish should [capitalize](#) this as a fixed asset on the general ledger and add the piano to the Asset Listing \$9,500.
- An air conditioning unit is donated to a rectory. Because of the unit's age and physical condition, it is difficult to estimate a reasonable fair value. According to a heating and air conditioning contractor, the unit is probably worth less than



Donated property should be recorded in the general ledger at the appraised value as of the date of donation.

\$500. Therefore, the fixed asset is not [capitalized](#) as this is below the asset [capitalization threshold](#) at this parish. Even if the asset is not added to the general ledger, it must be added to the Asset Listing.

17-3-1c Special Assets



Special assets such as antique furniture and original works of art may require professional appraisal for insurance purposes. Generally, these assets are capitalized at appraised value at the time of purchase or donations based upon a parish or school's individual capitalization policy but are *NOT* depreciated. Additional financial disclosure is required for these assets.

If, as of the date of this policy, a parish or school has been using a different method for recording special assets, it may be most practical to leave previously recorded values unchanged and begin recording newly acquired assets in accordance with this policy.



Antique furniture and works of art are capitalized at appraised value at the time of purchase/donation but are **NOT** depreciated.

17-3-1d Proxy Process and Requirements

As many asset purchases exceed the limits requiring a proxy from the Corporate board, see the detailed proxy process and proxy requirements in Section 9 Debt on page 101.

17-3-1e Asset Classification

Automobiles - Cars, vans and buses should be listed in a manner similar to that used for other fixed assets. Vehicle serial numbers can be used as unique identifiers in listing these assets.



Buildings and Improvements - Buildings should be valued at their original purchase price or construction cost.

Where these are unknown, a professional appraisal or tax assessment as of the date of the original construction or improvement may be used.

Existing buildings, new construction of buildings, building additions, and major repairs and replacements which are expected to prolong the useful life of the building should be capitalized and recorded in this category.

Depending upon the organizations Capital Improvement Plan (CIP) and its designated dollar amount threshold, the cost of new carpeting, replacement of parking lots and roofs, could be capitalized and recorded in this category as well if they extend the useful life of the primary asset.

Construction in Progress - Parishes which are constructing new buildings or major additions to existing buildings may choose to record construction costs in the Construction in Progress expense account. When the building is completed, all construction costs should be moved to the appropriate Building Asset accounts.



Furnishings and Equipment - This fixed asset category includes furniture, office equipment, statues and fixtures which can be easily removed. Installed fixtures, or fixtures of a permanent nature which cannot be easily removed, should be recorded as building improvements.

Land and Improvements, Undeveloped

Land - Land should be recorded at its purchase price. If purchase price information is not available, it should be recorded at appraised value at the time of purchase. Land improvements include any additions or changes to land, including preparations that make the land suitable for building construction, but not the construction costs.

Fees paid to a professional landscaping company for mulching and planting grass and shrubs would not be considered part of the land's value. These items would be expensed and recorded on the Statement of Activities.

17-4 Depreciation

Depreciation is the process in which an asset's cost is allocated over the duration of asset's useful life. The purpose of recording depreciation as an expense is to spread the initial cost of the asset over the period when the asset will be in use.

Depreciation expense calculated using the straight-line depreciation method is calculated by taking the original cost of the asset and dividing it by the estimated useful life of the asset in years. Generally, the straight-line method is adequate, but other methods of calculating depreciation are available if necessary.

17-5 Asset Useful Lives

Accounting useful life guidelines by asset category are as follows:

Buildings	30 - 50 years
Building Improvements	10 - 40 years
Furniture, Fixtures and Equipment	5 - 10 years
Telephone Systems	5 - 10 years
Office Machines	5 - 10 years
Playground Equipment	15 - 20 years
Machinery	7 - 15 years

Note: In many cases, computers and printers are recorded as expense items due to low cost and/or limited useful life. In certain cases, such as with large technology purchases, computers and related installation costs may be capitalized.

17-6 Repairs and Maintenance



Ordinary repairs and maintenance are necessary to maintain assets in good operating condition. Ordinary repairs and replacements are part of the normal course of parish and school activities. These expenses should be recorded in operating expense accounts in the current Statement of Activities.

Some examples of ordinary expenses are routine maintenance costs include painting a building and reconditioning small parts of equipment.

On the other hand, major repairs and replacements are made not just to keep an asset in its normal good state of repair, but also to extend its useful life beyond original estimates. Extraordinary repairs and replacements should be recorded in the fixed asset accounts in the Statement of Financial Position and added to the Asset Listing.

Some examples of extraordinary capital spending and improvements include building additions, roof replacements and repairs that extend the useful life of an asset. These improvements are capitalized, added to the Asset Listing and recorded on the Statement of Financial Position.

17-6-1 Repair and Replacement Schedule

The Repair and Replacement Schedule includes information related to a parish or school's existing assets. The schedule builds on information already included in the parish or school Asset Listing. In addition to basic identification and cost information, it also contains the number of years before predicted repair or replacement, estimated current repair or replacement costs and, future replacement costs.

As of the effective date of this policy, the Archdiocesan Insurance Plan Administrator, Catholic Mutual, requires an annual update to every parish's itemized list of assets and property including roofs, windows, sidewalks, HVAC, parking lots, flooring, tuck pointing,



and other capital assets that will need repair or replacement. Currently, submitting this documentation, along with other [PACE/PRISM](#) program requirements, qualifies parishes and schools for discounted property insurance rates. Further information on Repair and Replacement Schedule and the PACE/PRISM program are available from the Archdiocesan Insurance Plan Administrator.

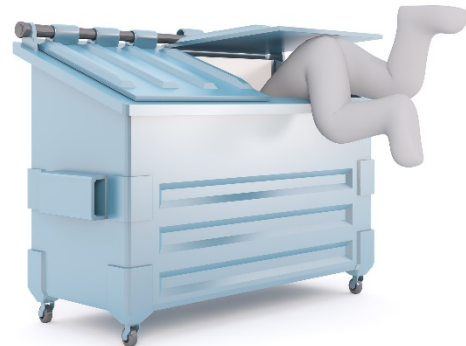
The information included in Repair and Replacement Schedule is useful in maintaining the Asset Listing as well as identifying upcoming projects to be included in the Capital Improvement Plan (CIP), and its associated Capital Improvement Budget (CIB).

For more information on how to develop a Repair and Replacement Schedule, see 17-13 Fixed Assets Step-by-Step Guide on page 387.

17-7 Disposal of Assets

Adjustments to both the Asset Listing and Repair and Replacement Schedule and General Ledger are required when an asset has been removed from service.

Capitalized asset disposals should be deleted from the Asset Listing and be recorded in the general ledger as a decrease in the Fixed Asset account balance. When an asset is sold or otherwise disposed of, the cost or other carrying value as reflected in the fixed asset accounts should be removed.



1-1-1a Example Disposal of Parish Property

Chart of Account #	Description	Debit	Credit	Project
Parish disposes of a phone system with an original cost of \$8,000 of which \$6,000 has been expensed as depreciated to date. The phone system is removed from the Asset Listing and a journal entry is entered:				
1360	Accumulated Depreciation	6,000		
4190	Sale of Property/Equipment/Land	2,000		
1350	Furniture and Fixtures		8,000	

If a parish or school has not kept an Asset Listing in the past, or if acquisitions and disposals have not been recorded accurately in the general ledger, the parish or school will need to adjust fixed asset account balances so they agree with the Asset Listing.

17-7-1 Deferred Maintenance

For a variety of reasons, parishes sometimes delay purchasing essential equipment and/or performing necessary asset improvements. This situation creates what is called a deferred maintenance liability. Deferred maintenance weakens a parish's ability to plan effectively for the future because parish assets are not being properly cared for.

Deferred maintenance may eventually lead to run down facilities and/or the perception that parish leadership has taken a short-sighted approach regarding asset maintenance. Deferred maintenance also increases the risk that leadership will have to ask for additional funding in an emergency situation or borrow funds at unfavorable terms.

Although cash flow may always be tight for parishes and schools, it is a good financial practice to build and maintain an adequate capital reserve fund. Even a regular pattern of small deposits into the fund will benefit the parish. Over time, the habit of setting aside capital reserve money will become part of the ongoing budgeting

and planning process. Even with limited reserves, parishes will benefit from the creation of a Capital Improvement Plan and a corresponding reserve fund.

17-8 Capital Improvement Plan (CIP)

A capital improvement plan (CIP) is a comprehensive long-range schedule (greater than 3 years) which identifies capital projects and equipment purchases as well as funding sources for these projects.

There are many potential benefits to maintaining a Capital Improvement Plan that include the following:

- Provides a process to evaluate all potential projects at the same time.
- Prioritizes projects to correspond to the mission of the parish.
- Offers a proactive approach to funding projects, major repairs and asset replacements.
- Acts as a tool to communicate implementation of pastoral/strategic plan with parishioners, staff and parents.
- Stabilizes funding and enables consolidation of projects in order to reduce borrowing costs.
- Stabilizes parish operations by projecting and prioritizing projects and the corresponding funding.

A Capital Improvement Plan contains the following information:

- A listing of the capital projects to be completed and assets requiring replacement
- Purpose of each project on the list
- Priority ranking of projects
- A financing plan
- A timetable for project completion

For more information on how to develop a Capital Improvement Plan, see 17-13 Fixed Assets Step-by-Step Guide on page 387.

17-9 Recordkeeping

Each parish or school should have a detailed list of all fixed assets to support the fixed asset balances in the Statement of Financial Position. Best practices suggest that a physical inventory observation of all fixed assets be performed on an annual basis.

If not already in place, a detailed Asset Listing should be developed by every parish and school. Assets on the list should be described in enough detail so they are easily identifiable in future accounting periods. Fixed asset tags having unique identification numbers may be utilized for ease of identification. For more information on how to develop an Asset Listing, see 17-13 Fixed Assets Step-by-Step Guide on page 387 for additional guidance.

Asset records should be maintained on an ongoing basis. All asset acquisitions should be added to the Asset Listing (noting dates acquired) at original cost at the time of acquisition.

Acquisitions should also be recorded in the general ledger as either an increase in the Fixed Asset account balance or a capital expense in the Statement of Activities. Accounting treatment for asset acquisitions depends upon asset type and capitalization policy guidelines.

With regard to capitalized assets, the Asset Listing should provide accurate support for Fixed Assets balances recorded in the general ledger. That is, the sum of the values on the Asset Listing should always equal the fixed assets balance recorded in the general ledger. The Asset Listing should be reconciled to the general ledger account balances at least annually.



Annual inventory of fixed assets can eliminate assets no longer in use, or whose useful life has expired.

Verify your Asset Listing annually against insurance premiums for assets that should no longer be in your inventory.

17-9-1a Example Purchase of New Office Furniture

Chart of Account #	Description	Debit	Credit	Project
Parish purchases new desks, chairs and credenza for the office. The new furniture is added to the Asset Listing and the check is issued to Staples.				
1350	Furniture and Fixtures	8,500		
1000	Cash		8,500	

1-1-1a Example School adds new Classroom Space

Chart of Account #	Description	Debit	Credit	Project
Parish adds the classrooms to the Asset Listing and issues a check to the general contractor at the total construction cost.				
1312	Buildings - School	110,000		
1000	Cash		110,000	

1-1-1a Example Donated Vehicle

Chart of Account #	Description	Debit	Credit	Project
A parishioner donates a truck to the parish. Parish consults Kelly Blue Book to obtain a fair market value based on year, make, model and condition. Parish chooses to utilize the truck in its operations, and sends donor IRS Form 1099-C and written acknowledgement of donation. The truck is added to the Asset Listing and a Journal Entry is entered:				
1320	Equipment	15,000		
4050	Contributions Revenue		15,000	

1-1-1a Example Selling Parish Property

Chart of Account #	Description	Debit	Credit	Project
Parish sells their old truck for \$6,000. Original cost of the vehicle was \$10,000 of which \$3,000 has been expensed as depreciation to date. The Asset Listing is updated and the journal entry is entered.				
1000	Cash	6,000		
4190	Sale of Property/Equipment/Land	1,000		
1360	Accumulated Depreciation	3,000		
1320	Equipment		10,000	

1-1-1a Example Depreciation Expense

Chart of Account #	Description	Debit	Credit	Project
Parish utilizes straight-line depreciation method on all tracked assets. Reviews the Asset Listing to obtain the amount of depreciation for all affected Assets. Records the following journal entry annually.				
6280	Depreciation Exp	15,000		
1360	Accumulated Depreciation		15,000	



17-10 Capitalization Policy

A Capitalization policy is used to set a dollar threshold over which items are considered fixed assets rather than recorded as expenditures. Any item valued below this threshold is recorded as an expense when [incurred](#). The capitalization process recognizes an item as a fixed asset instead of an expense.

Capitalization threshold levels can vary depending upon the size of a parish or school. A capitalization policy may also outline whether certain expenditures are accounted for as separate assets, or as part of a larger asset. For example, a policy could state that roof of a building be classified separately from the rest of the structure.

A capitalization policy may set separate classifications for assets with different maintenance requirements than similar assets or assets nearby. For example, a capitalization policy could state that a group of assets be classified as a single asset if they share common maintenance requirements.

The capitalization policy may also state circumstances where leased assets are recorded as fixed assets. There may also be policy for donated assets, artwork or historical treasures. It is not recommended that assets be capitalized by location due to tracking issues that occur if assets are moved from one location to another.

Generally accepted accounting principles (GAAP) require identifying actual costs that pertain to the purchase and/or installation of each asset. Only costs that contribute to acquiring an asset should be capitalized as part of an asset's cost. If an asset is purchased, the invoice price, transportation costs, installation and setup should be included in the capitalized value. For example, the purchase of a boiler for a building would be capitalized as an asset to include the cost of the boiler as well as transportation and installation costs.

A parish or school should capitalize assets with a useful life of three years or more and a value over a range from \$500 to \$3,000 depending upon the size and complexity of the organization.

Parish leadership may exercise discretion in which assets they choose to capitalize and should insure that the fixed asset balances reported are reasonably reflective of the value of parish assets.

17-11 Fixed Asset Budgeting

17-11-1 Funding and Reserves

It is critical to include fixed asset purchases and capital improvements in the budget process. By using the information from the Repair and Replacement Schedule as well as the Capital Improvement Plan, parish leadership will have visibility to upcoming funding needs.

During the budget process, identification and prioritization of upcoming capital projects will improve the parishes/schools visibility regarding future funding needs. By using information from the Capital Improvement Plan, parish leaders will be better equipped to communicate project priorities and solicit support from parishioners, staff, and school parents. Capital Improvement Plan information may also be used when obtaining funding from outside lenders, annual stewardship drives and capital campaigns.

17-12 Fixed Asset Reporting

Fixed assets and related transactions affect all key financial statements including the Statement of Financial Position, Statement of Activities and Statement of Cash Flows.

17-12-1 Statement of Financial Position

Fixed Assets are recorded at cost and are included on the Statement of Financial Position by asset category. The detailed Asset Listing should be reconciled to the general ledger on a regular basis, at least quarterly.

Note: The asset cost and the effects of depreciation expense, or [accumulated depreciation](#), are presented in separate lines to yield [asset book value](#). The accumulated depreciation balance is also reported on the Statement of Financial Position.

17-12-2 Statement of Activities

Depreciation expense is recorded on the Statement of Activities. See Section 18 Financial Statement on page 402.

17-12-3 Statement of Cash Flow

Depreciation is added back to Net Surplus/Deficit to arrive at Cash Flow from Operations. Investing Activities includes the purchase or sale of an asset. See Section 18 Financial Statement on page 402.

17-12-4 Footnote Disclosure

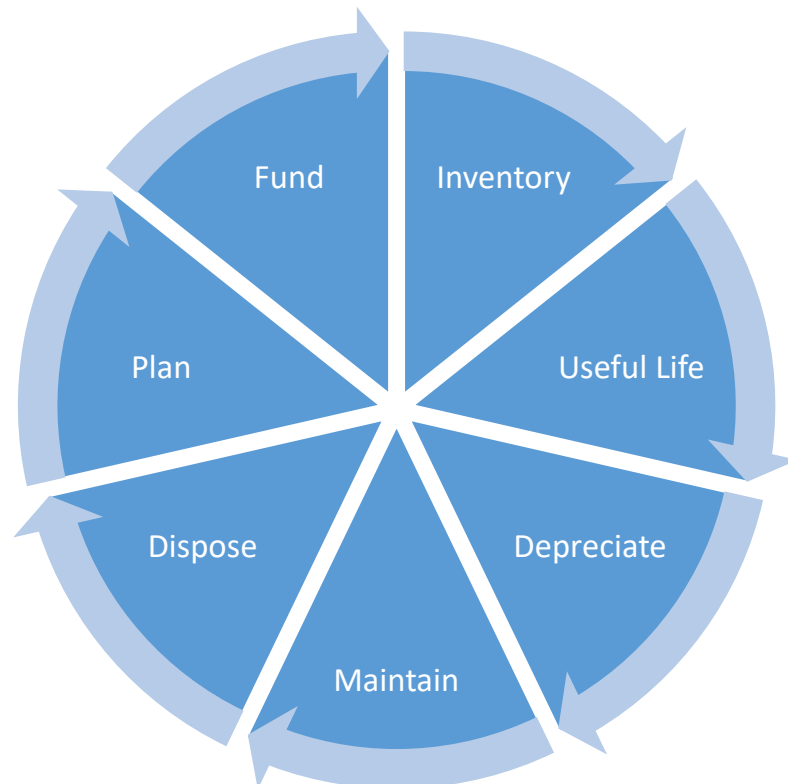
The following topics should be considered for fixed asset footnote disclosure; asset classes by nature and function, useful life guidelines, depreciation methods, accumulated depreciation by class or in total, depreciation expense for the period, capitalization policy, repairs and maintenance policy, capitalized interest and deferred maintenance. If fixed assets are impaired or being held for disposal, there are additional disclosures required.

17-13 Fixed Assets Step-by-Step Guide

17-13-1 Purpose

The purpose of this implementation guide is to provide tools and templates for parish staff and leaders as they manage their organization's physical assets. Proper care, maintenance, tracking, financing and reporting of [fixed assets](#) is essential to vibrant parish life and strong financial position.

This guide is organized into a detailed list of steps that occur throughout the fixed asset life cycle. Key documents pertaining to each step are mentioned in the narrative and illustrated at the end of the guide.



17-13-2 Step 1: Inventory

Create and maintain an inventory listing of assets on hand

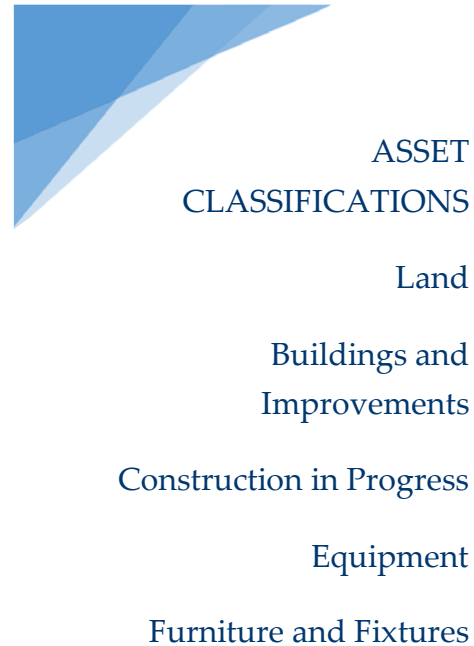
The [Asset Listing](#) is a detailed inventory of all physical assets in use by a parish or school. It includes all assets that are currently capitalized along with other assets that are material but were previously expensed. It also includes assets that have been fully depreciated but are still in use.

The Asset Listing should be updated when new assets are acquired or disposed of. The listing should be validated on a periodic basis, by verifying the existence of assets through a physical examination, also known as a physical inventory. The asset inventory can be done in a summary fashion to include just major assets or it may be performed on a very detailed level. With proper supervision and coordination, physical inventory is often done with the assistance of volunteers.

Along with identifying information for each asset on the Asset Listing, acquisition dates, historical cost values and other information is included on the Asset Listing. Note that total historical cost, [depreciation](#) and [accumulated depreciation](#) related to all capitalized assets should tie to the general ledger.

The following list provides additional details regarding the creation and maintenance of the Asset Listing.

1. Conduct a physical inventory examination of assets on a regular basis – at least annually.
2. Create or update the [Asset Listing](#) –all physical assets including those assets that are [capitalized](#), recorded in



expense accounts and assets that are fully depreciated but still in use.

- a. Maintain a spreadsheet or [subsidiary ledger](#)
- b. Determine Asset Classification

3. State asset at cost value

- a. Use invoices, contracts from construction company or other sources to determine cost.
- b. If assets are received as a donation, record assets at [market value](#) at time of donation.

If invoices are unavailable, try to determine the cost by one of the following:

- Obtain original [proxy](#) request documents if applicable.
- Review additions submitted to Catholic Mutual (need to know year).
- Review additions submitted to the Archdiocese via the Annual Parish Financial Reports (the Assessment calculation) (need to know year).
- If the above are not available, estimate purchase cost at estimated market value at time the asset was placed into service.

<i>Item</i>	<i>Asset Class</i>	<i>Building</i>	<i>Purchase Date</i>	<i>Asset Cost</i>	<i>Useful Life</i>
100 Main Street	Land	Land	1/1/1970	\$100,000.00	0
200 Main Street	Land	Land	6/30/1974	\$200,000.00	0
				\$300,000.00	
Office Computer	Equipment	Convent Building	12/1/2018	\$2,250.00	3
Forklift	Equipment	Church Building	1/1/2015	\$20,000.00	15
Floor Cleaner	Equipment	Church Building	10/31/2015	\$10,000.00	10
				\$32,250.00	
Church Carpet	Building Interior	Church Building	6/24/2017	\$10,000.00	7
Church Boiler/Furnace	Mechanical	Church Building	6/6/1994	\$50,000.00	30
Parish Office HVAC	Mechanical	Convent Building	6/6/1994	\$20,000.00	30
Parish Office Windows	Building Interior	Convent Building	6/29/2017	\$65,000.00	30
New Rectory Building	Buildings & Improvements	Rectory Building	6/30/2010	\$250,000.00	50
				\$395,000.00	
Office Bulletin Boards	Furniture and Fixtures	Convent Building	6/22/2000	\$3,500.00	15
Parish Office Lighting	Furniture and Fixtures	Convent Building	6/30/2004	\$1,250.00	15
Office Mail Shelving	Furniture and Fixtures	Convent Building	6/30/2017	\$1,800.00	10
				\$6,550.00	

17-13-3 Step 2: Useful Life

For new capital asset purchases, determine an asset's useful life

The useful life of an asset is generally determined by the type of asset. Once determined, the useful life estimate is used in depreciation

Buildings	30 - 50 years
Building Improvements	10 - 40 years
Furniture, Fixtures and Equipment	5 - 10 years
Telephone Systems	5 - 10 years
Office Machines	5 - 10 years
Playground Equipment	15 - 20 years
Machinery	7 - 15 years

expense calculations. Parish staff should use a reasonable estimate for the life of each asset – this may or may not correlate to the physical life of the asset.

17-13-4 Step 3: Depreciate

Allocate the historical cost over the useful lives of the assets by recognizing depreciation expense

Depreciation is the process in which an asset's cost is allocated and expensed over the duration of its useful life. The purpose of recording depreciation as an expense is to spread the initial price of the asset over the period in which the asset will be used. Note that if a parish or school is implementing a new fixed asset policy, adjustments and estimates will be needed to properly account for assets already in use.

Yearly Depreciation =

Cost of Asset ÷ by Useful Life

1. To calculate depreciation, divide the cost of the asset by the useful life in years. This calculation is known as the straight-line method and is generally acceptable for parish assets.

2. In the year of asset acquisition and the year of asset disposal, prorate the depreciation expense for the number of months the asset was in service during that year.
3. Recognize depreciation expense in the financial statements.
4. Include depreciation as an expense in budget planning.
5. Set aside funds for future asset purchases. Depreciation expense, repair and replacement requirements and future capital purchases should be considered in totality when calculating funding reserve requirements.

17-13-4a Example Asset Listing:

Asset Listing										
Item	Asset Class	Building	Purchase Date	Asset Cost	Depreciation Cost Base	Useful Life	Expiration Date	Current Year Depreciation	#PY	Prior Year(s) Depreciation
100 Main Street	Land	Land	1/1/1970	\$100,000.00		0	1/1/1970	\$0.00		
200 Main Street	Land	Land	6/30/1974	\$200,000.00		0	6/30/1974	\$0.00		
				<u>\$300,000.00</u>	<u>\$0.00</u>					
Office Computer	Equipment	Convent Building	12/1/2018	\$2,250.00	\$2,250.00	3	12/1/2021	\$750.00	0	
Forklift	Equipment	Church Building	1/1/2015	\$20,000.00	\$20,000.00	15	1/1/2030	\$1,333.33	4	\$4,000.00
Floor Cleaner	Equipment	Church Building	10/31/2015	\$10,000.00	\$10,000.00	10	10/31/2025	\$1,000.00	3	\$2,000.00
				<u>\$32,250.00</u>	<u>\$32,250.00</u>					
Church Carpet	Building Interior	Church Building	6/24/2017	\$10,000.00	\$10,000.00	7	6/24/2024	\$1,428.57	2	\$1,428.57
Church Boiler/Furnace	Mechanical	Church Building	6/6/1994	\$50,000.00	\$50,000.00	30	6/6/2024	\$1,666.67	25	\$40,000.00
Parish Office HVAC	Mechanical	Convent Building	6/6/1994	\$20,000.00	\$20,000.00	30	6/6/2024	\$666.67	25	\$16,000.00
Parish Office Windows	Building Interior	Convent Building	6/29/2017	\$65,000.00	\$65,000.00	30	6/29/2047	\$2,166.67	2	\$2,166.67
New Rectory Building	Rectory Building	Rectory Building	6/30/2010	\$250,000.00	\$250,000.00	50	6/30/2060	\$5,000.00	9	\$40,000.00
				<u>\$395,000.00</u>	<u>\$395,000.00</u>					
Office Bulletin Boards	Furniture and Fixtures	Convent Building	6/22/2000	\$3,500.00	\$3,500.00	15	6/22/2015	\$0.00	19	\$3,500.00
Parish Office Lighting	Furniture and Fixtures	Convent Building	6/30/2004	\$1,250.00	\$1,250.00	15	6/30/2019	\$0.00	15	\$1,250.00
Office Mail Shelving	Furniture and Fixtures	Convent Building	6/30/2017	\$1,800.00	\$1,800.00	10	6/30/2027	\$180.00	2	\$180.00
				<u>\$6,550.00</u>	<u>\$6,550.00</u>					
Grand Total				\$733,800.00	\$433,800.00			\$14,191.90		\$110,525.24
Accumulated Depreciation					-\$124,717.14					
Net Fixed Assets					\$309,082.86					
New Assets										
Sprinkler System	Mechanical	Church Building								
Statue	Furniture and Fixtures	Church Building								

17-13-5 Step 4: Maintain

Repair and Replacement Schedule

The [Repair and Replacement Schedule](#) builds on information already included on the parish and school's [Asset Listing](#). In addition to the basic identification and historical cost information, it also contains the number of years before predicted repair or replacement, estimated current repair or replacement costs and the future replacement costs.



Catholic Mutual requires an annual update to every parish's itemized list of assets and property that will need repair or replacement, along with other [PACE/PRISM](#) program requirements, qualifies parishes and schools for discounted property insurance rates.

As of the effective date of this policy, Catholic Mutual requires an annual update to every parish's itemized list of assets and property including roofs, windows, sidewalks, HVAC, parking lots, flooring, tuck pointing, and other [capital assets](#) that will need repair or replacement. Currently, submitting this documentation, along with other [PACE/PRISM](#) program requirements, qualifies parishes and schools for discounted property insurance rates. Further information, a sample Repair and Replacement schedule and PACE/PRISM program details are available from Catholic Mutual at 651-290-1605.

The following list provides additional details regarding the creation and maintenance of the Repair and Replacement Schedule.

1. Create or update Asset Listing (or obtain a template from Catholic Mutual).
2. Add the following information for each asset:
 - a. Add historical cost value if not already stated.

- b. Determine physical life of each asset. Note that this may be different from the [useful life](#) used in the [depreciation](#) calculation.
- c. Estimate current annual inflation rate.
- d. Calculate future replacement cost.
- e. Update the [Repair and Replacement Schedule](#) on a regular basis – at least annually.
- f. Circulate the schedule on a regular basis for review by building and grounds committee members, facility manager, maintenance staff and other key stakeholders.
- g. Sort the schedule by funding requirements, project priority and fiscal year. Provide annual funding requirements to parish administrator, pastor, finance council members and other key parish leaders.

17-13-5a Example Repair & Replacement Schedule:

Asset Listing			Repair and Replacement Schedule				
			Current Fiscal Year Annual Rate of Inflation		6/30/2019 2.00%		
Item	Asset Class	Building	Year Installed	Expected Life in Years	Replace Year	Est Cost Today's \$	Adjust for Inflation
100 Main Street	Land	Land	N/A	N/A	N/A	N/A	N/A
200 Main Street	Land	Land	N/A	N/A	N/A	N/A	N/A
Office Computer	Equipment	Convent Building	2018	3	2021	\$2,250.00	\$2,250.00
Forklift	Equipment	Church Building	2015	20	2035	\$21,600.00	\$23,200.00
Floor Cleaner	Equipment	Church Building	2015	13	2028	\$10,600.00	\$11,200.00
Church Carpet	Building Interior	Church Building	2017	7	2024	\$10,400.00	\$10,800.00
Church Boiler/Furnace	Mechanical	Church Building	1994	30	2024	\$75,000.00	\$100,000.00
Parish Office HVAC	Mechanical	Convent Building	1994	30	2024	\$30,000.00	\$40,000.00
Parish Office Windows	Building Interior	Convent Building	2017	30	2047	\$67,600.00	\$70,200.00
New Rectory Building	Rectory Building	Rectory Building	2010	50	2060	\$295,000.00	\$340,000.00
Office Bulletin Boards	Furniture and Fixtures	Convent Building	2000	15	2015	\$4,830.00	\$6,160.00
Parish Office Lighting	Furniture and Fixtures	Convent Building	2004	15	2019	\$1,625.00	\$2,000.00
Office Mail Shelving	Furniture and Fixtures	Convent Building	2017	10	2027	\$1,872.00	\$1,944.00
Grand Total			\$520,777.00 \$607,754.00				
Accumulated Depreciation							
Net Fixed Assets							
New Assets							
Sprinkler System	Mechanical	Church Building					
Statue	Furniture and Fixtures	Church Building					

17-13-6 Step 5: Dispose

Upon asset disposal, remove from the Asset Listing

Adjustments to both the Asset Listing and the Repair and Replacement Schedule must be made when an asset has been removed from service. These adjustments also need to be made within the general ledger.

The following list provides additional details regarding asset disposal adjustments.

1. If applicable, calculate accounting gain or loss related to asset disposal.
2. Remove asset from the Asset Listing.
3. If applicable, remove asset historical cost and [accumulated depreciation](#) from the [Statement of Financial Position](#).
4. Record any accounting gain or loss on the [Statement of Activities](#).

17-13-7 Step 6: Plan

Maintain or create pastoral/strategic plan for assets

A Capital Improvement Plan (CIP) is a comprehensive long range plan (greater than 3 years) which identifies desired/required capital projects and equipment purchases. A Capital Improvement Plan also identifies funding sources for these projects.

There are many benefits to maintaining a Capital Improvement Plan which include the following:

- Provides a process to evaluate all potential projects at the same time
- Prioritizes projects to correspond to the mission of the parish
- Offers a proactive approach to funding projects, major repairs and asset replacements

- Acts as a tool to communicate implementation of pastoral/strategic plan with parishioners, staff and parents
- Stabilizes funding and enables consolidation of projects in order to reduce borrowing costs
- Stabilizes parish operations by projecting and prioritizing projects and the corresponding funding

The Capital Improvement Plan builds upon information in the [Asset Listing](#) and [Repair and Replacement Schedule](#) by evaluating future asset purchases, replacements and major improvements.

To create and/or maintain a [Capital Improvement Plan \(CIP\)](#), perform the following tasks.

1. Take/update inventory of physical assets. (see Step 1)
2. Review Repair and Replacement Schedule for potential parish and school projects. (Step 4)
3. Solicit and evaluate new project requests.
4. Prioritize projects.
5. Assess financial capability.
6. Develop funding plan.
7. Manage approved projects.
8. Update both the Asset Listing and the Repair and Replacement Schedule upon the completion of projects.
9. Set achievable goals and timeframes.
10. Communicate on a regular basis to staff and parishioners the priority and status of projects on the Capital Improvement Plan.

17-13-7a Example Capital Improvement Plan:

Asset Listing			Capital Improvement Plan	
<i>Item</i>	<i>Asset Class</i>	<i>Building</i>	<i>Planned Purchase Year</i>	<i>Amount Required</i>
100 Main Street	Land	Land	N/A	N/A
200 Main Street	Land	Land	N/A	N/A
Office Computer	Equipment	Convent Building	2021	\$2,385.00
Forklift	Equipment	Church Building	2035	\$28,000.00
Floor Cleaner	Equipment	Church Building	2028	\$12,600.00
Church Carpet	Building Interior	Church Building	2024	\$11,400.00
Church Boiler/Furnace	Mechanical	Church Building	2024	\$80,000.00
Parish Office HVAC	Mechanical	Convent Building	2024	\$32,000.00
Parish Office Windows	Building Interior	Convent Building	2047	\$104,000.00
New Rectory Building	Rectory Building	Rectory Building	2060	\$500,000.00
Office Bulletin Boards	Furniture and Fixtures	Convent Building	2015	\$4,550.00
Parish Office Lighting	Furniture and Fixtures	Convent Building	2019	\$1,625.00
Office Mail Shelving	Furniture and Fixtures	Convent Building	2027	\$2,160.00
Grand Total				\$778,720.00
Accumulated Depreciation				
Net Fixed Assets				

New Assets

Sprinkler System	Mechanical	Church Building	2020	25000
Statue	Furniture and Fixtures	Church Building	2021	10000
				35000

\$813,720.00**Annual Capital Funding Requiren**

Row Labels	Sum of Amount Required
2015	\$4,550.00
2019	\$1,625.00
2020	\$25,000.00
2021	\$12,385.00
2024	\$123,400.00
2027	\$2,160.00
2028	\$12,600.00
2035	\$28,000.00
2047	\$104,000.00
2060	\$500,000.00
Grand Total	\$813,720.00

17-13-8 Step 7: Fund

Funding for Fixed Assets

One of the primary goals of fixed asset management is to work towards proper fixed asset funding. [Depreciation](#) expense, repair and replacement requirements and future capital purchases should be considered in totality when calculating funding reserve requirements.

The following list includes typical tasks associated with funding capital spending and using a [Repair and Replacement Schedule](#) and [Capital Improvement Plan](#).

1. Review Asset Repair and Replacement Schedule and Capital Improvement Plan on a regular basis – at least annually. Update as needed.
2. Include depreciation expense in budget planning cycles and set aside depreciation funds accordingly.
3. Determine other asset funding requirements as outlined on the Asset Repair and Replacement Schedule and Capital Improvement Plan and set aside funds accordingly.



If adequate funding is not available, determine the next steps:

- Spread out the timing of fixed asset repairs, replacements or additions.
- Solicit funds from parishioners via a capital campaign or in-parish request.
- Borrow money for purchases in accordance with Archdiocesan policies.
- Sell unused or unneeded assets.

provide for emergency capital spending. If capital reserve savings policies exist, build reserves in accordance with policies.

5. Communicate with parishioners, staff and key stakeholders throughout all phases of fixed asset funding process.



17-13-8a Example Illustration of fixed asset schedule relationships

Fixed Asset Schedule Relationship

Asset Listing										Repair and Replacement Schedule					Capital Improvement Plan	
										Current Fiscal Year Annual Rate of Inflation					6/30/2019 2.00%	
Item	Asset Class	Building	Purchase Date	Asset Cost	Depreciation Cost Base	Useful Life	Expiration Date	Current Year Depreciation	Prior Year(s) #PY Depreciation	Year Installed	Expected Life in Years	Replace Year	Est Cost Today's \$	Adjust for Inflation	Purchase Year	Amount Required
100 Main Street	Land	Land	1/1/1970	\$100,000.00		0	1/1/1970	\$0.00		N/A	N/A	N/A	N/A	N/A	N/A	N/A
200 Main Street	Land	Land	6/30/1974	\$200,000.00		0	6/30/1974	\$0.00		N/A	N/A	N/A	N/A	N/A	N/A	N/A
				\$300,000.00	\$0.00											
Office Computer	Equipment	Convent Building	12/1/2018	\$2,250.00	\$2,250.00	3	12/1/2021	\$750.00	0	2018	3	2021	\$2,250.00	\$2,250.00	2021	\$2,385.00
Forklift	Equipment	Church Building	1/1/2015	\$20,000.00	\$20,000.00	15	1/1/2030	\$1,333.33	4	2015	20	2035	\$21,600.00	\$23,200.00	2035	\$28,000.00
Floor Cleaner	Equipment	Church Building	10/31/2015	\$10,000.00	\$10,000.00	10	10/31/2025	\$1,000.00	3	2015	13	2028	\$10,600.00	\$11,200.00	2028	\$12,600.00
				\$32,250.00	\$32,250.00											
Church Carpet	Building Interior	Church Building	6/24/2017	\$10,000.00	\$10,000.00	7	6/24/2024	\$1,428.57	2	2017	7	2024	\$10,400.00	\$10,800.00	2024	\$11,400.00
Church Boiler/Furnace	Mechanical	Church Building	6/6/1994	\$50,000.00	\$50,000.00	30	6/6/2024	\$1,666.67	25	1994	30	2024	\$75,000.00	\$100,000.00	2024	\$80,000.00
Parish Office HVAC	Mechanical	Convent Building	6/6/1994	\$20,000.00	\$20,000.00	30	6/6/2024	\$666.67	25	1994	30	2024	\$30,000.00	\$40,000.00	2024	\$32,000.00
Parish Office Windows	Building Interior	Convent Building	6/29/2017	\$65,000.00	\$65,000.00	30	6/29/2047	\$2,166.67	2	2017	30	2047	\$67,600.00	\$70,200.00	2047	\$104,000.00
New Rectory Building	Rectory Building	Rectory Building	6/30/2010	\$250,000.00	\$250,000.00	50	6/30/2060	\$5,000.00	9	2010	50	2060	\$295,000.00	\$340,000.00	2060	\$500,000.00
				\$395,000.00	\$395,000.00											
Office Bulletin Boards	Furniture and Fixtures	Convent Building	6/22/2000	\$3,500.00	\$3,500.00	15	6/22/2015	\$0.00	19	2000	15	2015	\$4,830.00	\$6,160.00	2015	\$4,550.00
Parish Office Lighting	Furniture and Fixtures	Convent Building	6/30/2004	\$1,250.00	\$1,250.00	15	6/30/2019	\$0.00	15	2004	15	2019	\$1,625.00	\$2,000.00	2019	\$1,625.00
Office Mail Shelving	Furniture and Fixtures	Convent Building	6/30/2017	\$1,800.00	\$1,800.00	10	6/30/2027	\$180.00	2	2017	10	2027	\$1,872.00	\$1,944.00	2027	\$2,160.00
				\$6,550.00	\$6,550.00											
Grand Total				\$733,800.00	\$433,800.00			\$14,191.90	\$110,525.14				\$520,777.00	\$607,754.00		\$778,720.00
Accumulated Depreciation					-\$124,717.14											
Net Fixed Assets					\$309,082.86											

New Assets

Sprinkler System	Mechanical	Church Building	2020	25000
Statue	Furniture and Fixtures	Church Building	2021	10000
				35000

\$813,720.00

Annual Capital Funding Required

Row Labels	Sum of Amount Required
2015	\$4,550.00
2019	\$1,625.00
2020	\$25,000.00
2021	\$12,385.00
2024	\$123,400.00
2027	\$2,160.00
2028	\$12,600.00
2035	\$28,000.00
2047	\$104,000.00
2060	\$500,000.00
Grand Total	\$813,720.00

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Section 18 Financial Statements

18-1 Purpose

The objective of Financial Statements is to provide information about the financial status of a parish or school. Reviewing the financial statements on a regular basis is important to aid leadership in making decisions that impact operations of the parish/school.

18-2 Accounting Policy

The Archdiocese of Saint Paul and Minneapolis has adopted the [accrual method of accounting](#) for recognition of parish and school revenue and expenses.

The Archdiocese of Saint Paul and Minneapolis has defined a standardized chart of accounts for use by all parishes and schools. See Section 10 Chart of Accounts on page 125.

18-3 Scope

The purpose of parish financial reporting is to accurately reflect the parish or school financial activity on a timely basis, summarize financial transactions in a consistent manner and provide budget information in order to benchmark against operating activity.

The format and content of financial reports depends upon the audience to which the information is presented. Parishioners at large, parish leaders (finance council, parish council and parish staff), and the Archdiocese are three key recipients of financial information.



18-3-1 Disclosure to Parishioners

It is the responsibility of the parish to report back to the parishioners the financial condition of the parish.

18-3-2 Disclosure to Parish Leadership

It is imperative for leadership to receive accurate and timely information in order to make informed decisions. Parish financial statements and accompanying [notes to the financial statements](#) should provide information that addresses questions about the operations of the parish/school. Some questions to consider when reporting to [leadership](#) may include:

- How are current financial results compared to the [budget](#) and to prior year?
- What are [cash](#), investment and debt balances?
- How much debt is wise or sustainable?
- What is estimated for the projected cash flow in the coming year?
- Parishes with a school may consider:
 - Is the school operating as budgeted?
 - What is the enrollment trend?
 - What is the average tuition income collected per student?
 - What is the cost to educate each student?
 - Is the level of parish investment affordable for the parish?
 - Are capital needs adequately addressed?

18-3-3 Disclosure to Archdiocese

The **Annual Representation Letter** was adopted by the Archbishop for fiscal year 2013 and thereafter upon the recommendation of the Accounting Practices Committee. The primary purpose of the Annual Representation Letter is for parish leaders to report on when they published financial results and

[budgets](#) to parishioners and that regular Finance Council meetings took place. See [405 – Annual Representation Letter Template](#).

The [Annual Parish Financial Report](#) (APFR) contains the financial results from general parish operations, ministry programming, capital activities, and special collections. This report also contains the calculation of Archdiocesan assessment dollars owed to the diocese.

Each year, the Annual Representation Letter and Annual Parish Financial Report (APFR) must be submitted in accordance with appropriate filing deadlines.

18-4 Basic Financial Statements

There are three basic financial reports for parishes and schools. These three reports include the [Statement of Financial Position](#), the [Statement of Financial Activity](#) and the [Statement of Cash Flows](#).

18-4-1 Statement of Financial Position (balance sheet)

The Statement of Financial Position is a financial report that includes parish assets, liabilities and net assets. It indicates financial health at a given point in time. The asset accounts represent what the parish owns. The liability accounts represent what the parish owes to other organizations and the net assets is the equity built up over time.

The statement of financial position follows the following formula:

$$\text{Assets} = \text{Liabilities} + \text{Net Assets}$$

It is common to look at this report on a monthly, quarterly and annual basis. It is also common to compare this report to the previous [fiscal year](#) at the same point of time and in some cases, compare the results to the previous fiscal year end.



Asset Accounts

- [Cash](#)
- Investments
- [Fixed assets](#)
- Receivables (including tuition)
- [Prepaid expenses](#)

Liability Accounts

- [Accounts payable](#)
- Accrued liabilities
- Archdiocesan collections to be remitted
- Payroll accrual
- Deferred revenue
- Debt balances

Net Asset Account

- Without Donor Restrictions
- With Donor Restrictions (Temp)
- With Donor Restrictions (Perm)



The fundamental accounting equation applicable to any entity, from the smallest parish to the largest corporation, is:

$$\text{Assets} - \text{Liabilities} = \text{Net Assets}$$

Another way to state the equation is:

$$\text{Assets} = \text{Liabilities} + \text{Net Assets}$$

18-4-1a Example GAAP Statement of Financial Position*Sample Parish***GAAP Compliant Statement of Financial Position**
June 20XX

	Year to Date Last Year	Year to Date Balance
Assets		
Checking Account Totals:	11,833	10,761
Petty Cash Fund Totals:	170	200
Savings/Money Market Investment Totals:	37,936	80,662
Certificates of Deposit Investment Totals:	28,110	28,110
Prepaid Expenses Totals:	927	690
Land Totals:	50,000	50,000
Buildings - Church Totals:	250,000	250,000
Total Assets:	378,976	420,422
Liabilities		
Accounts Payable Totals:	5,606	0
HSA Deduction Totals:	(75)	0
Operation Rice Bowl Collection Totals:	0	16
Holy Land Collection Totals:	0	220
Global Solidarity Sunday Collection Totals:	0	20
Peter's Pence Collection Totals:	0	25
Campaign for Human Development Totals:	0	150
Catholic Services Appeal Totals:	0	135
Pass-through Collections Totals:	0	451
Clearing Account Totals:	(30)	0
Total Liabilities:	5,501	1,017
Net Asset Accounts		
Unrestricted Net Assts Totals:	365,642	371,916
Net Assets - With DR (Temp) Totals:	645	1,568
Total Net Asset Accounts:	366,286	373,485
Current Period Changes to Net Assets		
Without Donor Restrictions	6,274	44,529
With Donor Restrictions	914	1,392
Total Current Period Changes to Net Assets:	7,188	45,921
End of Period Net Asset Summary		
Without Donor Restrictions	371,916	416,445
With Donor Restrictions	1,558	2,960
Total End of Period Net Asset Summary:	373,475	419,405
Total Liabilities & Net Assets:	378,976	420,422

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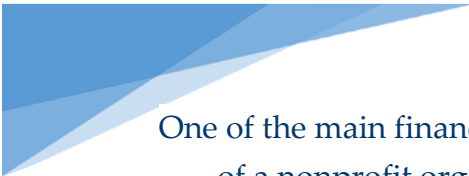
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GAAP Compliant Statement of Financial Position

18-4-2 Statement of Activities

The statement of activity (income statement) reports the revenue and expense for a period of time such as monthly, quarterly or annually.

This report can be detailed to include every account, or it may be summary in nature. The level of detail included in the report should match the reader of the report as shown in the following table:



One of the main financial statements of a nonprofit organization. This financial statement reports the revenues and expenses and the changes in the amounts of each of the classes of net assets during the period shown in its heading. This statement is issued by a nonprofit instead of the income statement issued by a for-profit business.

[AccountingCoach.com](https://www.accountingcoach.com)

Audience:	Level of Detail:
Parishioners	Summary of key revenue and expense categories by entity (parish, school, cemetery and capital)
Finance Council	Summary by ministry areas and supplemental information as needed and detailed financial statement on a periodic basis
Parish Council	Summary by ministry areas
Staff	Typically used for budget preparation and analysis, detailed statements for specific program areas and summary of other parish or school areas. <i>NOTE: Avoid disclosure of confidential information, such as detailed salary and benefit information, when preparing detailed financial reports.</i>

Software packages typically offer a variety of standard financial reports such as:

- Parish Operations only, to core mission

- Income and expense, listed by ministry
- Income and expense, listed by Entity (Parish Operations, Cemetery Operations, Capital Campaign, Regional School)
- Income and expense, listed by restriction type

18-4-2a Example GAAP Statement of Activities*Sample Parish***GAAP Compliant Statement of Activities**

June 20XX

	YTD Actual Without Donor Restrictions	YTD Actual With Donor Restrictions	YTD Actual Total
Income			
General Operations Totals:	145,981	(150)	145,831
Festivals Totals:	21,733	0	21,733
Liturgy Totals:	251	0	251
Liturgical Environment Totals:	1,232	0	1,232
Parish Outreach Totals:	850	1,542	2,392
Men's Group Totals:	1,711	0	1,711
Women's Group Totals:	1,574	0	1,574
Youth Group Activities Totals:	0	0	0
Income Totals:	173,333	1,392	174,724
Expense			
General Operations Totals:	74,079	0	74,079
Festivals Totals:	2,899	0	2,899
Church Building Totals:	8,172	0	8,172
Liturgy Totals:	15,964	0	15,964
Music Totals:	7,041	0	7,041
Liturgical Environment Totals:	161	0	161
Clergy Services Totals:	14,871	0	14,871
Bereavement Totals:	300	0	300
Parish Outreach Totals:	150	0	150
Youth Formation Totals:	579	0	579
Men's Group Totals:	2,149	0	2,149
Women's Group Totals:	2,029	0	2,029
Youth Group Activities Totals:	410	0	410
Expense Totals:	128,803	0	128,803
Income - Expense:	44,529	1,392	45,921
Net Assets (Beginning of Year):	371,916	1,558	373,475
Total Net Assets:	416,445	2,950	419,395

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GAAP Compliant Statement of Activities

18-4-3 Subsidiary Ledgers/Project Summary

In addition to the [Statement of Financial position](#) and [Statement of Activities](#), there is supplemental information included in other reports such as bank reconciliation reports and [subsidiary ledgers](#). Subsidiary ledgers are tools that help organize and maintain detailed transactions. Examples of accounts that may have subsidiary ledgers include restricted fund balances, accounts receivables, [fixed assets](#), contribution ledgers and accounts payable.

18-4-3a Example ParishSOFT Accounting - Project Summary

<i>Sample Parish</i>						
Project Summary						
June 2019						
	Fiscal Year Beginning Balance	Month Revenue	Month Costs	YTD Revenue	YTD Costs	Ending Balance
With Donor Restrictions (Perm)						
CCF - Perm Restricted	718,796.49	(24,992.21)	0.00	(26,896.35)	0.00	691,900.14
With Donor Restrictions (Perm) Totals:	718,796.49		0.00	(26,896.35)	0.00	691,900.14
With Donor Restrictions (Temp)						
Envelope Flower Donations	0.00	0.00	0.00	2,674.50	0.00	2,674.50
Envelope Music Donations	126,583.63	0.00	0.00	(126,583.63)	0.00	0.00
Food Shelf	2,198.03	0.00	0.00	2,733.85	1,907.85	3,024.03
Fund-A-Need	16,253.79	0.00	0.00	(16,253.79)	0.00	0.00
Sample Project	8,783.42	0.00	1,802.71	2,422.30	2,653.52	8,552.20
St Paul Statue	1,385.00	0.00	0.00	100.00	0.00	1,485.00
With Donor Restrictions (Temp) Totals:	155,203.87	0.00	1,802.71	(134,906.77)	4,561.37	15,735.73
Total for Selected Projects:	874,000.36	(24,992.21)	1,802.71	(161,803.12)	4,561.37	707,635.87
Printed: 7/8/2019 9:32:55 AM By: Mary Breault Project Summary Page 1 of 1						

18-5 Cash Flow Statement vs Cash Flow Forecast

18-5-1 Cash Flow Forecast

With a well prepared cash flow forecast, you'll be able to see which months you're likely to experience a cash surplus, and which months may result in a deficit. This is important for a number of reasons:

- It helps you identify potential problems. A lack of cash can be a big problem for small parishes, but having an accurate forecast can help you spot potential shortfalls several months in advance.
- You can then prevent or mitigate the impact. By knowing what is coming you can take steps to mitigate the impact of a cash flow shortage. Consider stepping up collections, invoicing tuition earlier, negotiating better terms from suppliers, refinancing debt, or drawing on a line of credit from your bank.
- You will also ensure you have cash on hand to pay bills and make payroll.
- It can help you stay profitable. If you foresee a cash deficit, this may impinge on your ability to fund marketing and growth, and pay the employees who help you achieve success.
- It will satisfy your bank manager. If you are seeking funding, your lender will want to see your forecast to determine your future ability to repay the loan.

Your cash flow forecast should contain your estimated cash revenues for a time period and your cash expenditures per month. By reconciling these two numbers (extract expenditures from cash revenues) you'll have some assumptions to play with.

18-5-2 Cash Flow Statement

Just as planning for the future is critically important, you also need to review past performance. For that you'll need a cash flow statement.

But how is this different to your cash flow forecast? Just as your bank statement tells you the state of your finances over previous months, your cash flow statement records the cash that has

entered and exited your business over the past month, quarter, or year.

By comparing your opening and closing balance you'll be able to see how much cash your business is generating and how it's moving in (via sales, dividends, investments, etc.) and out of your business (payroll, loan repayments, bills, etc.).

This is important for several reasons:

- A cash flow statement can inform your cash flow position. If your parish is generating more cash than it is spending, then you are in a cash flow positive situation. However, if your outgoings for the period exceed the amount of cash you have coming in, or the timing of the cash exiting and entering is not coordinated, then you are experiencing a cash flow problem.
- Potential lenders will review your statement to gauge your historical cash flow position and how it is tracked over time.
- It can also inform your forecast. Your cash flow statement is a useful tool in helping you develop your cash flow forecast. For example, if a particular time period is consistently problematic (such as year-end or your quiet season) build that into your forecast and, again, take steps to alleviate any impact well ahead of time.
- It sheds light on your forecasting ability. If your cash flow forecast is working for you, your cash flow statement will reflect it. If not, then revisit your projections and work through any discrepancies. It's also a good idea to talk to an accountant to see how you can better plan for the future.

18-5-2a Statement of Cash Flows

The [statement of cash flows](#) reconciles the cash activity for a period of time. It categorizes cash activities into operating, investing and financing sections. The statement of cash flows corresponds to the [Statement of Activities](#) and [Statement of Financial Position](#) which are distributed on a monthly, quarterly or annual basis.

Statement of Cash Flows For the Fiscal Year Ended 6/30/20XX <i>+ (plus), = (equals)</i>	
	Source (use) of Cash from Operations
+	Source (use) from Investing Activity
+	Source (use) from Financing Activity
=	Total Source (use) of Cash for All Activity
+	Beginning Cash Balance at 7/1/20XX
=	Ending Cash Balance at 6/30/20XX

Examples of activity included in each category are as follows:

Source (Use) from operations includes most changes in current assets and liabilities including the following examples:

- Change in net assets (net [surplus](#) or [deficit](#))
- Depreciation expense
- Change in [tuition receivable](#)
- Change in [prepaid expenses](#)
- Change in accounts payable and accrued liabilities
- Loan interest payments
- [Endowment fund](#) spending for operating needs

Source (Use) from investment activity includes investments and fixed asset activity including the following examples:

- Endowment account donations
- Acquisition and disposal of [fixed assets](#)
- Acquisition and sale of investments
- Endowment fund spending for fixed assets or investment purchases
- Source (Use) from financing activity includes obtaining and repayment of debt including the following examples:
 - Acquisition of debt (loan principal)
 - Loan principal payments
 - Capital campaign contributions

18-5-2b Example Statement of Cash Flow:

<i>Sample Parish</i>		
Statement of Cash Flow		
June 20XX		
	<u>Current Month</u>	<u>Year to Date</u>
Cash Flows from Operating Activities		
Net Income	1,482.66	42,132.05
Adjustments to reconcile net income to net cash provided by operating activities.		
1100.00P Prepaid Expenses	0	236.91
2100.00P Accounts Payable	(3,615.12)	(4,553.48)
2131.00P Federal Payroll Tax Withholding	0	0
2132.00P FICA - SS/Medicare Withholding	0	0
2133.00P MN State Payroll Tax Withholding	0	0
2142.00P Dental Insurance Deduction	0	0
2145.00P Misc Benefit Deduction	0	0
2149.00P HSA Deduction	0	75
2161.00P Operation Rice Bowl Collection	31.07	32.07
2162.00P Holy Land Collection	236	236
2164.00P Global Solidarity Sunday Collection	20	20
2165.00P Peter's Pence Collection	0	25
2167.00P Campaign for Human Development	0	150
2169.00P Catholic Services Appeal	0	135
2180.00P Pass-through Collections	0	451
2240.00P Clearing Account	0	30
2420.00P Deferred Revenue	0	0
<i>Net Cash provided by Operating Activities</i>	<u>(1,845.39)</u>	<u>38969.55</u>
Cash Flows from Investing Activities		
1300.00P Land	0	0
1311.00P Buildings - Church	0	0
<i>Net Cash provided by Investing Activities</i>	<u>0</u>	<u>0</u>
Cash Flows from Financing Activities		
3000.00P Unrestricted Net Assts	0	0
3100.00P Net Assets - With DR (Temp)	0	10
3200.00P Net Assets - With DR (Perm)	0	0
<i>Net Cash provided by Financing Activities</i>	<u>0</u>	<u>10</u>
Net Cash Increase/Decrease for Period		
1000.01P Checking Account-Disbursements	0	819.04
1000.02P Checking Account	(1,845.39)	(4,952.90)
1010.00P Petty Cash Fund	0	30
1020.01P Savings-MN Catholic Credit	0	42725.2
1020.03P Savings-Disbursements	0	0
1030.00P Archdiocese Inter Parish Fund Investment	0	0
1040.01P Certificate of Deposit #1	0	(1,333.59)
1040.02P Certificate of Deposit #2	0	1323.74
1040.03P Certificate of Deposit #3	0	368.06
<i>Net Cash Increase/Decrease for Period</i>	<u>(1,845.39)</u>	<u>38979.55</u>
Cash at Beginning of Period	118874.01	78049.07
Cash at End of Period	117028.62	117028.62
Printed: 6/30/20XX 5:00:00 PM By: Sample User Statement of Cash Flow		

18-5-3 Cash Flow Projection/Forecast

In contrast to the [Cash Flow Statement](#) which reports historical activity, [cash forecasting](#) projects cash balances into the future. The purpose of cash projecting is to plan future cash flow needs and analyze timing of cash flow pattern. If temporary or long-term cash flow shortages are identified, cash forecasting should provide parish [leadership](#) with time to adjust operations and/or obtain adequate funding.

The cash forecast is based upon the current budget, updated financial information, if known, and any new developments since budget approval. Cash forecasting may be done within accounting software and/or in a spreadsheet. See [Catholic Finane Corporation \(CFC\) Cash Forecasting Template](#).



CASH FLOW FORECAST

A cash flow forecast will help your Parish predict what your cash balance will be in the future.

Start with current cash balance and add the amount of cash you expect to receive during the forecast period.

This could be cash from contributions, loan proceeds, or cash from investors.

Then, deduct your expected cash outflows for the period including things such as unpaid bills to vendors, loan payments, payroll, and other fixed expenses that must be paid during the period. A cash flow forecast is typically reported by a specific period such as week, month, or quarter.

The cash flow formula:

Beginning cash + projected inflows – projected outflows = Ending cash

18-5-4 Notes to Financial Statements

The [notes to the financial statements](#) should include the basic accounting policies of the parish/school. It should also contain information that is useful to the readers of the financial statements and may include the following:

- Accounting method such as cash versus accrual basis
- Investments (see Section 8 Investments on page 73)
- Outstanding receivable balances including aging (see Section 13 Receivables and Revenue Recognition on page 232)
- [Depreciation](#) policy (see Section 17 Fixed Assets on page 368)
- Long term [notes receivable](#) (see Section 13 Receivable on page 232)
- [Prepaid expenses](#), if material
- Outstanding [accounts payable](#), and if appropriate, an aging of outstanding payables.
- Accrued liabilities with explanation of ongoing accruals (for example: teachers' salaries)
- Deferred revenue if material (Section 13 Receivables and Revenue Recognition on page 232)
- Outstanding debt including terms and maturity (see Section 9 Debt on page 101)
- Material transactions or balance
- Net Asset Classifications along with detail of items in each category as needed

- Explanation of variances on the [Statement of Activities](#) – use 5% over (under) budget as guideline for notating but also consider [materiality](#)
- Other explanations for unusual items as needed

18-5-5 Additional Financial Reports

In addition to the above statements, there are other reports that are helpful to the parish administrator when reviewing the financial status of a parish and school. This information may be shared in summary format to staff, councils and parishioners depending on the nature of the situation. Confidential information should be shared only with the appropriate audience on a need to know basis.

Additional statements may include the following reports:

1. Financial statements by fund separates operations from cemetery and capital finances.
2. Accounts payable aging report details the listing of outstanding bills. This report assists with determining cash flow.
3. [Accounts receivable](#) aging report details the listing of outstanding receivable balances. (See Section 13 Receivables and Revenue Recognition on page 232).
4. Aging of [tuition receivable](#) that details the listing of school tuition and fee payments due from school families. Only summary information should be provided to report readers.
5. Stewardship analysis reports may include giving trends, pledges collection rates and many other giving statistics. Only summary information should be provided to report readers.
6. [Fixed Assets](#) Ledger includes a detailed listing of parish and school assets.

Contribution Ledger includes parishioner donations and must tie to the total giving reported on the [Statement of Activities](#).

18-5-6 Chart of Accounts

The Archdiocese has adopted a standardized chart of accounts designed to facilitate parish financial reporting. The chart of accounts is organized by account type (asset, liability, net asset, revenue and expense), and by entity, ministry code and account number. See Section 10 Chart of Accounts on page 125.

18-5-7 Cut Off Considerations

Cutoff is a term that refers to recording transactions in the [proper fiscal period](#). Cut off period is a length of time that the parish/school continues to keep its accounting records open to record invoices or other expenses or revenue that relate to the open period. It is recommended to leave the records open only until the bank statements for current assets are received and accounts reconciled. This may be 5-7 days from the last day of the fiscal month.

However, at [fiscal year](#) end, it is recommended to leave the records open for three to four weeks to capture as much of prior year financial activity as possible. In accrual accounting it is important to record transactions in the period that they are [incurred](#) (for expenses) or earned (for revenue, although it may be deferred revenue if it relates to the next fiscal year).

When information comes to light after an accounting period is closed, it is prudent to consider whether an unrecorded transaction would be [material](#) enough to warrant reopening an accounting period. Information is material if its omission or misstatement could influence the economic decisions of the parish/school leadership taken on the basis of the financial statements.

In an audit, cut off procedures are usually tested to make sure that the financial data is recognized in the proper accounting period.

18-5-8 End of period considerations

After the end of each month, balance sheet accounts such as [cash](#), receivables and payroll liabilities should be reconciled to [subsidiary ledgers](#) or other outside documentation. After the accounts have been reconciled and reviewed for accuracy, the accounting period should be closed within the accounting software to prevent recording any new transactions or adjustments. After the period is closed, financial statements should be distributed. Once financial statements have been issued, accounting records for the corresponding periods should not be revised in any way.

Closing the financial statements enables consistent financial information to be presented to key stakeholders. This practice ensures integrity of the statements. In the rare event that there is a material adjustment needed, an accounting period may be reopened for the adjustment. The financial statements should be reissued noting the reason for the adjustment.

At the end of each year, a parish may need consolidation entries such as:

- parish school investment expense
- school parish investment revenue
- borrowing between operating restricted and operating funds

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Section 19 Recordkeeping & Retention

Records management is the practice of maintaining the records of an organization from the time they are created up until their eventual disposal or transfer to an archives. In order to assist parishes with the process of records management the Archdiocese of St. Paul and Minneapolis released a comprehensive parish records retention schedule in June of 2012.

The schedule details which records must be kept, how long they must be kept, and whether they should ultimately be destroyed or saved. The complete records retention schedule can be accessed online at [204 - Records Retention Policy](#).



If a disaster strikes, good records can help the parish get back up-and-running quickly.

19-1 Reasons for Implementing a Records Management Program:

There are many important reasons to invest the time and effort needed to implement a records management program. These include:

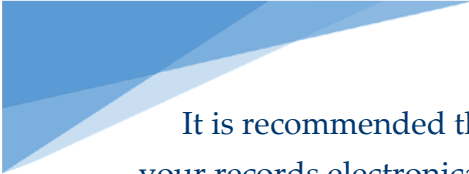
- There are state, federal, and canon laws that govern how long records must be maintained. By following the Parish Records Retention Schedule, you ensure that your parish is in compliance with these laws, which can be especially critical if you are audited or sued.
- Good record keeping is important for business continuation. If an employee moves on organized records can help his or her successor take over with a minimum of disruption to the parish. If a disaster strikes, good records can help the parish get back up-and-running quickly.
- Good recordkeeping results in good archives. By following the parish records retention schedule you ensure that documents with important historic or informational value are preserved for posterity.

- The records retention schedule clarifies which records you may destroy. Many parishes have large backlogs of older records that can be shredded, resulting in a reclamation of storage space.
- Records management can be time consuming on the front end, during the initial work of organizing documents. It does, however, save a tremendous amount of time on the back end when needed records can be easily located.

19-2 Paper and Electronic Records

A *record* refers to all documents, both paper and electronic, generated and received during the course of conducting business. Receipts, personnel files, emails, Word documents, photographs, offering envelopes, and bank statements are all examples of records. The Parish Records Retention Schedule applies to all of your records, regardless of their format. For example:

- One parish may receive its monthly bank statement electronically. Another parish may receive its monthly bank statement on paper. The records retention schedule stipulates that all bank statements must be kept for seven years. Whether the parish chooses to keep the statement for the duration of those seven years electronically or on paper is its individual choice. The only requirement is that the statement be accessible for all seven years, regardless of the format



It is recommended that if you keep your records electronically, save them as PDF files on your own backed-up computer system.

Some third parties, such as banks, may purge records after a period of time has elapsed. Saving a copy locally provides you with access to the records when you need them.

- The staff of one parish may receive a handwritten thank you note on paper from a bride and groom who celebrated their wedding at the parish. The staff at another parish may receive the same thank you message from a bride and groom via an email. The records retention schedule indicates that thank you notes fall under the category of “general correspondence” and only need to be kept as long as they are useful to the parish. In either case, the parish is free to shred the paper note or to delete the email message once it has been shared.



Sacramental registers must always be retained on paper.

Storing the information in ParishSOFT Family Suite can help you find the right location of a paper document, but it is not to be used as a substitute for paper records.

Some parishes have asked if they can scan their inactive paper records and keep these electronically. The answer is yes, but the parish will need to make sure to migrate them every time they change software programs. The key is that the parish must be able to ACCESS all records the entire time the retention schedule requires they be kept. If you are scanning records, it is recommended you save them as .pdfs, a comparatively stable file format. Electronic files should be backed up regularly. Conversely, parish staff can print out electronic records and simply keep paper copies if this is their preference.

Sacramental records constitute a major exception to the rule that paper and electronic records are essentially equivalent. You may also keep copies of your registers electronically, including in ParishSOFT Family Suite, but electronic copies can never replace the official paper register.

19-2-1 Organizing Paper and Electronic Records

19-2-1a Paper Records

Facing a closet, garage, or basement full of overflowing filing cabinets or mountains of dusty cardboard boxes can be daunting. Recognize upfront that the backlog of records was likely created over many years and will take time to organize. The important thing is to take the first step and get started. Once you begin to see your progress you will likely be inspired to continue.

If you are facing piles of paper and do not know where to begin, try sorting the paper into four piles:



1. **Active** records are records you use in the course of conducting business every day. These will usually be kept in your office, the filing cabinets closest to your desk, or any other place that is convenient. Your active records may include files for current construction projects, liturgies in the planning stage, and other documents you need to access often.
2. **Inactive** records are those you are no longer currently using but that are scheduled to be destroyed eventually. These can be stored in any secure location. You most likely do not want them taking up prime real estate in your office. Six-year-old invoices and receipts are examples of inactive records.
3. **Archival** records are those with long-term historic value that need to be kept in perpetuity. Canon law (535) specifies that every parish must have archives. These records shall be kept in a secure location, preferably in a climate-controlled area (such as a locked room in the parish center rather than in an unheated attic or garage). If you have questions regarding the preservation of your records, please call the Department of Archives and

Records Management at the Chancery. We are also happy to assist you in the event of a disaster, such as a water leak in your archives.

4. Records that are ready for **destruction** are past their stated retention schedule and can be destroyed. This will likely be your biggest pile.

19-2-2 Electronic Records

Many people find electronic records to be easier to organize than their paper counterparts because the work can be done sitting at a desk and no heavy lifting is required. To begin organizing your electronic records:

- Delete old emails, Microsoft Office files, and any other electronic records that the records retention schedule indicates you do not need to keep. Again, email should be treated the same as any other correspondence, as defined in the records retention schedule.
 - Create folders in your email, Microsoft Office, or any other electronic applications you use that mirror the records retention schedule. This will make maintaining your electronic records simpler in the future. For example: The records retention schedule indicates that successful grant applications should be kept for three years after the funds are dispersed. The person at the parish who manages grants can save the application in a folder titled “successful grants” and on a yearly

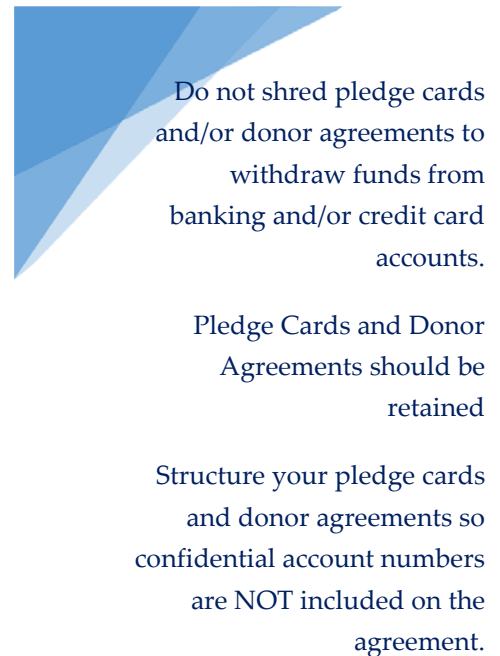


basis simply delete any applications past their stipulated retention period.

- It is preferable to print out and save in paper form any records that the retention schedule indicates belong in the archives.

19-3 Security and Privacy

Any records that contain personal, financial, or otherwise sensitive information slated for destruction according to the retention schedule must be shredded. Unless your parish has a very small amount of shredding, you will find it more convenient and cost effective to hire a professional shredding company rather than to shred in-house. Some neighboring parishes have collaborated with each other to split the cost of shredding services. Remember that parishes are entrusted with extensive private information on both their employees and their parishioners. It is paramount that you preserve this trust by handling confidential information with care. Records shall be kept in a secure location that is not accessible to unauthorized parishioners, staff, students, or volunteers. Parish records shall never be kept in the home of an employee or volunteer.



19-3-1 PCI Compliance

Payment Card Industry (PCI) Compliance refers to the technical and operational standards that businesses must follow to ensure that credit card data provided by cardholders is protected. PCI compliance is enforced by the PCI Standards Council, and all businesses that store, process or transmit credit card data electronically are required to follow the compliance guidelines.

PCI Compliance standards require parishes and schools to handle credit card information in a secure manner that helps reduce the likelihood that cardholders would have sensitive financial data stolen. If parishes and schools do not handle credit card information properly, the card information could be stolen and used to make fraudulent purchases. Additionally, sensitive information about the cardholder could be used in identity fraud.

Being PCI compliant means consistently adhering to a set of guidelines set forth by companies that issue credit cards. The guidelines outline a series of steps that credit card processors must continually follow.

All companies that process credit card information are required to maintain PCI compliance, regardless of their size or the number of credit card transactions they process.

While PCI Compliance is not a law and parishes can still process credit card payments and not be compliant, there are several consequences to not being PCI Compliant:

- Typically parishes are required to promise to adhere to PCI Compliance when opening a bank account.
- Monthly fines of \$10 to \$50,000 (depending on circumstances) imposed by processors and acquirers.



Parishes who utilize a 3rd party processor, such as ParishSOFT Giving, Vanco Services, or OSV must still complete PCI compliance.

However, utilizing a 3rd party processor may cut down on your risk exposure and reduce the effort to validate compliance.

- Parish would be responsible for the cost of a forensic investigation and remediation costs, such as credit card monitoring and identity theft insurance, should a data breach occur. Lawsuits from those contributors whose data was endangered are also a possible outcome.
- Not being PCI Compliant could impact insurance coverage.
- Credit card company can deny the parish's ability to accept credit cards in the future.
- Should a data breach occur, particularly due to non-compliance, the parish's reputation can suffer. This loss of trust with your contributors can impact future giving.

All companies are broken into merchant levels based upon the number of transactions that are processed during a specified period.

19-3-2 Example of merchant levels as defined by Visa³⁸

Merchant Level	Description
1	Any merchant — regardless of acceptance channel — processing over 6M Visa transactions per year. Any merchant that Visa, at its sole discretion, determines should meet the Level 1 merchant requirements to minimize risk to the Visa system.
2	Any merchant — regardless of acceptance channel — processing 1M to 6M Visa transactions per year.
3	Any merchant processing 20,000 to 1M Visa e-commerce transactions per year.
4	Any merchant processing fewer than 20,000 Visa e-commerce transactions per year, and all other merchants — regardless of acceptance

³⁸ Each brand of credit card (Visa, MasterCard, Discover, and American Express) establishes their own Merchant Level.

	channel — processing up to 1M Visa transactions per year.

If the parish or school is unsure of the merchant level in which they fall, calculate the number of transactions separated by credit card brand and contact the bank or 3rd party processor that processes the transactions.

Most parishes and schools will fall into Merchant Level 3 or 4. Please review [What does a small-to-medium sized business \(Level 4 merchant\) have to do in order to satisfy the PCI DSS requirements?](#) for additional details on PCI Compliance.

For additional information, please review [PCI Frequently Asked Questions](#).

19-4 For Further Information

If you have questions regarding the parish records retention, schedule or if you would like personalized guidance please feel free to contact the Department of Archives and Records Management directly at records@archspm.org. You will also find additional resources on [The Office of Archives and Records Management](#) webpage.

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Section 20 Resources

20-1 Example of Authorization for Automatic Payments via Electronic Funds Transfer (EFT)

The Pastor/Administrator authorizes the Business Manager/Accountant to pay the Vendor listed below using an Electronic Funds Transfer.

Please complete the following:

Vendor Name:	
Vendor Address:	
Vendor Account #:	

Payment Information:

Invoice Number:	
Invoice Date:	
Invoice Amount:	
Amount to be paid:	

Pastor/Administrator Information and Authorization:

Pastor Name:	
Authorized Signature:	
Date:	

20-2 Example of Check Request*Parish Name and Address***Check Request**

Attach original receipts, invoice, W-9, or other relevant paperwork showing the amount requested. Requests will not be processed without proper paperwork attached.

Amount:		Account:	
Today's Date:		Check Needed: (Date)	
Issue Check to:			
Address:			
City, State, Zip			
Explanation:			
W-9 Attached: ☐ W-9 On File: ☐	Date(s) of Service:	Musician: ☐ Sub-Teacher: ☐ Extra Clergy: ☐	
Mail Check to a different name and address from above:			
Name:			
Address:			
City, State, Zip			
Requested By:		Date:	
Approved By:		Date:	
Approved By:		Date:	

20-3 Example of Missing Receipt Affidavit

When a receipt is lost or otherwise unavailable and all measures to obtain a copy have been exhausted, the Missing Receipt Affidavit should be completed. It should be signed by the employee and the employee's supervisor and submitted with the employee's reimbursement request.

NOTE: A Missing Receipt Affidavit is not required for tips.

I am missing a receipt for:_____

I incurred this expense at: _____ on: _____ or: _____
Business Name Date Expense
Amount

The receipt was (check applicable):

☐ Lost ☐ Never Received

☐ Other _____

The form of payment I used (check applicable):

☐ Personal Credit Card ☐ Check ☐ Cash ☐ Other

I understand that a Missing Receipt Affidavit should be used on rare occasion and may not be used on a routine basis. I further understand that excessive use of a Missing Receipt Affidavit may revoke the privilege of providing a declaration in lieu of a receipt.

I certify that the amount shown is the amount I actually paid; that I have not and will not submit a duplicate claim; and that I have not and will not seek a claim, for these expenses from any other source.

Employee Signature

Supervisor Signature

Employee Name (Printed)

Supervisor Name (Printed)

Date _____

Date _____

20-4 Example of Pledge Cards:

Front of Form Intent to Pay	Parish 2013 Sunday Giving Support Pledge January 1, 20xx – December 31, 20xx

This pledge is an estimated intention to give (budgetary purposes only) for the period from January 1, 20xx to December 31, 20xx

Name: _____

My (our) **Sunday Giving support** pledge for 20xx: \$ _____ Per Year

\$ _____ Monthly

☐

I want to participate in the 20xx monthly direct withdrawal payments option.

☐

Attached is a "voided" check as I am a new participant **OR** banking account information has changed.

(Please complete back of this form.)

Comments:

Back of Form Intent to Pay

Signature: _____ Phone: _____

Date: _____

*Please return this form by November 15 to _____. Mail it to the Parish office or bring it to the _____ meeting in a sealed envelope. **(Add any special instructions)***

20-5 Example of Promise to Pay Cards:**Front of Form
Promise to Pay****Parish Pledge – Promise to Give**

This pledge is a promise to give a single gift as of _____ **or**
Installment payments from the period _____ to _____.

Name: _____

Address: _____

Telephone Number: _____

My (our) pledge for 20xx:

\$ _____ Per Year

\$ _____ Monthly

(Please complete the back of this form.)

Comments:

**Back of Form
Promise to Pay**

Signature: _____ Phone: _____

(Add any special instructions)

Date: _____

20-6 Example of Non-Cash Contribution Receipt Letter:

Date

Parish Name

Parish Address

Parish City, State, Zip

**Non-Cash Giving
Statement**

Mr. and Mrs. John Doe

123 Main Street

City, MN Zip

Dear Mr. and Mrs. John Doe,

Thank you for the following donations to support the mission of <Parish or School Name>. We are extremely grateful for your generosity.

Donations:

Date	Non-Cash Contribution Description
Date	Non-Cash Contribution Description
Date	Non-Cash Contribution Description

Please accept this letter as a receipt for tax purposes.

Under IRS rules, the <Parish or School Name> as a 501(c)(3) entity, has no power to appoint an amount to be added to your contribution record. Therefore, your contributions will not be reflected on your record, but you can use this verification letter as a receipt as part of the claim process via IRS forms allowing for “non-cash contributions”.

No goods or services other than intangible religious benefits were provided in consideration of this contribution.

Sincerely,

Name

Parish Business Administrator

20-7 Example of Time or Service Contribution Receipt Letter:

Date

Parish Name

Parish Address

Parish City, State, Zip

Time or Services Giving Statement

Mr. and Mrs. John Doe

123 Main Street

City, MN Zip

Dear Mr. and Mrs. John Doe,

By law, non-profit organizations cannot provide a donor with the dollar value of a gift of time or services. Such valuations when applicable, relative to “fair market value” of time or service gifts, need to be professionally assessed and certified elsewhere, if they can be, and that is the responsibility of the donor. This certification subsequently needs to be resolved with the professionals and others who prepare the donor’s tax forms, whose work in turn will need to be reconciled with IRS regulations. In instances where time and service are donated, no tax break whatsoever is allowed, as the IRS Publication 526 clearly states, “You cannot deduct the value of your time or services...”

While, according to IRS regulations, you will not be allowed to declare the value of your donation from our acknowledgment, we can say that, but for your generosity, we likely would have had to expend approximately \$_____ for what you gave as a contribution of your time or service. These are dollars saved which we are able to apply directly to support the programs and services we provide for the well-being of those whom we serve in our community.”

The specific IRS publication cited in the above reference can be located at this web address. <https://www.irs.gov/pub/irs-pdf/p526.pdf>

Sincerely,

Name

Parish Business Administrator

20-8 Example of Key Holder Agreement:**<Parish or School Name>, <Parish or School Address>****Key Holder Agreement**

It is important for you to understand the responsibilities associated with being a key holder. As a key holder, you agree to:

- Maintain control of your key. Do not copy. If the key assigned to you is lost or stolen, you will report it to the church immediately. You will not borrow another's key, or provide the key assigned to you to anyone with the exception of a church employee at his or her request.
- You will assure that the building is secure after the event for which you have opened the church: ensure all lights are turned off and areas of use will be returned to the original condition.
- Return the key to the church when your need to be a key holder is no longer valid.
- If needed, you may be called to open the church for a mass or other event.
- Communicate with church staff in a timely manner of any concerns you may have.

Key holder Name		Date:
Key holder Address		City/State
Home Phone	Cell Phone	Email:
Parish Member? Yes No	Background Check? Yes No Year?	Code of Conduct & Virtus needed? Yes No
Reason to be a key holder?		
Frequency of accessing building?		
Approved by:		Date:
Type of Key Given:		
Key holder Signature:		

20-9 Example Counter's Collection Report Form A**<Parish Name> Collection Report Form A****Bag Serial Number:** _____**Date:** _____ **Mass:** _____ **Counter Name:** _____Regular Collection ☐ Holy Day: _____ Second Collection ☐ Description _____

Loose Offering		Envelopes		Summary	
Currency		Currency			
\$100	.00	\$100	.00		
\$50	.00	\$50	.00		
\$20	.00	\$20	.00		
\$10	.00	\$10	.00		
\$5	.00	\$5	.00		
\$2	.00	\$2	.00		
\$1	.00	\$1	.00		
Total:	.00	Total:	.00	Total Currency: _____	
Coins		Coins			
\$1		\$1			
50¢		50¢			
25¢		25¢			
10¢		10¢			
5¢		5¢			
1¢		1¢			
Total:		Total:		Total Coins: _____	
Checks		Checks			
Total:	_____	Total:	_____	Total Checks: _____	
Loose Offering Total:		Envelopes Total:		Collection Total: _____	
Bank Deposit Summary					
		_____ Mass	Total:		
		_____ Mass	Total:		
		_____ Mass	Total:		
Additional Deposit Items:					
Account #	Description	Cash	Checks		
				(Bank Deposit Amount)	
Should match the Total Deposit Amount on Collections Summary				GRAND TOTAL: _____	

20-10 Example Counter's Summary Report Form B

<Parish Name> Collection Summary Form B					
Bag Serial Number: _____					
G/L #	Description	Currency	Coin	Checks	Total
4000	Sunday/Holy Day Env & Plate				
4030	Sunday/Holy Day Special Collection				
4040	Bap/Wed/Funeral Stole Offering				
4080	Mass Stipends				
4100	Votive Candles				
4110	Building Fund Collection				
4050	Contributions - Other				
2161	Operation Rice Bowl				
2162	Holy Land Collection				
2163	Catholic Home Missions Appeal				
2164	Global Solidarity Sunday Collection				
2165	Peter's Pence Collection				
2166	World Mission Sunday Collection				
2167	Campaign for Human Development				
2168	Retirement Fund for the Religious				
2169	Catholic Services Appeal				
2170	Archbishop Special Collections				
2180	Other Pass-Through Collections				

Total Deposit

Total Cash for Deposit	Total Coin for Deposit	Total Checks for Deposit	Total of the Bank Deposit <i>Should match Grand Total from Collection Report Form A and Deposit Slip</i>

Counter's Signatures:

1. _____
2. _____
3. _____
4. _____

20-11 Example Constitution for Parish Cemetery Committee

CONSTITUTION FOR THE

<PARISH NAME/CEMETRY NAME> CEMETERY COMMITTEE

Purpose of the Cemetery Committee

The Catholic Church's involvement in cemetery ministry is a long-standing part of its history. The Church's care for deceased members is a Corporal Work of Mercy and an external sign of our belief in Jesus Christ and the resurrection from the dead. It is an effective outreach to others in a time of need and sadness and a witness to our faith and love.

<CEMETRY NAME> Cemetery is a ministry of the parish family of <PARISH NAME>. **It is the purpose of the Cemetery Committee to assist in the plans for the overall direction of the cemetery, to develop rules and regulations of the cemetery, and make operational and financial recommendations to maintain a viable cemetery operation.** In so doing, the Committee shall act in an advisory capacity to the pastor. This Committee will at all times be operated and conducted in conformance with the laws, teachings, and doctrines of the Roman Catholic Church in the Archdiocese of St. Paul and Minneapolis.

Per the Archdiocesan *Handbook for Parish Cemeteries* (p. I-12), the main work of the Cemetery Committee should be:

- a) The development of policies and procedures for implementation in the parish cemetery;
- b) The ongoing development and support of outreach ministries;
- c) The facilitation of collaboration with other ministries in the parish;
- d) The interpretation of policies and procedures should there be questions or situations that arise which are not able to be resolved by the parish cemetery administration.

Additionally, the Cemetery Committee is responsible for preserving the history of the cemetery.

The Cemetery Committee is accountable to the <PARISH NAME> Pastoral Leadership Council. The Pastoral Leadership Council, which exists "to act as an advisory body to the Pastor, to assist him with specific tasks in establishing his goals for the parish" (Pastoral Council Constitution), will oversee the ministry and mission of the cemetery. The Cemetery Committee shall provide a report on its activities to the Pastoral Council at least once per year, delivered in person by a Committee member. The <PARISH NAME > Finance Commission maintains an oversight over all parish finances and in this capacity will oversee the finances of the cemetery. It is the intention of this structure to integrate the cemetery into the life of the parish.

Members

1. The membership of the Committee shall be comprised of no fewer than six (6) and no more than eight (8) members of the parish at large. Members are appointed by the pastor. Membership terms normally begin in July and are not to exceed three (3) years. An exception to this is the possible staggering of initial terms so no more than three

members leave the Committee at any one time. With the pastor's approval, a member may renew his or her term once, thus serving for up to six years.

2. Chair. One of the members of the Cemetery Committee shall be designated as chair, for up to the duration of her or his term.
3. The cemetery caretaker, whether an independent contractor or an employee of the parish, is not a member of the Committee. The caretaker may attend meetings but may not vote. Depending on the business before the Committee, the caretaker may be asked to not attend a particular meeting. Per the terms of his contract or employment, the caretaker reports directly to the parish administrator or other designated parish representative.
4. The pastor and the parish administrator are non-voting ex-officio members of the Committee.

Meetings

1. Cemetery Committee meetings shall be held at least four times per year, on dates established by the Committee. The day and time of meetings shall be set at a time that is most convenient for the pastor, the majority of members, and any interested parishioners to attend.
2. The Chair of the Cemetery Committee shall facilitate all meetings. In his or her absence, the Chair may designate another member or the parish administrator or pastor to facilitate a particular meeting.
3. A simple majority of Committee members present will constitute a quorum.
4. All business coming before the Cemetery Committee shall be conducted in a courteous and respectful manner. Recommendations by the Committee shall be made through consensus of the members present. Failing consensus, recommendations may be made by simple majority vote.
5. Minutes will be taken of Committee proceedings by a recording secretary appointed from among the Committee membership. This can be a rotating or ongoing appointment.

Approved by the Cemetery Committee, <DATE>

Adopted by the <PARISH NAME> Parish Leadership Council, <DATE>

Section 21 Glossary

501(c)(3) IRS Status	A federal tax-exempt status provided to some nonprofits by the IRS in section 501(c)(3) of the Internal Revenue Code , which enables donors to deduct contributions in accordance with Code section 170.
§315.15 Minnesota Statute	Minnesota Statute §315.15 governing the corporate structure of parishes, outlining the (arch)bishop, vicar general, parish pastor and two lay members roles as corporate members, policies for corporate member designation, and succession rules for each office.
Accountable Plan	A plan that follows IRS rules on reimbursing employees or volunteers for business-related expense on a tax-free basis provided the parish has the right to direct and control how the volunteers perform their duties. a) any expenses being reimbursed are incurred for a nonprofit business purpose b) the volunteer adequately accounts for the expenses within a reasonable period of time—no more 60 days after the expense was incurred, and c) the volunteer returns any amounts received in excess of the actual expenses incurred within a reasonable period of time—no more than 120 days after receipt of the excess money.

Accounting Integration	Function of ParishSOFT Offering system that automatically posts a Deposit to ParishSOFT Ledger & Payables system when batch in ParishSOFT Offering is closed.
Accounting Standards	An accounting standard is a common set of principles, standards and procedures that define the basis of financial accounting policies and practices. ... In the United States, the Generally Accepted Accounting Principles form the set of accounting standards widely accepted for preparing financial statements.
Accounts Payable	Money that a parish/school owes to vendors for products and services purchased on credit. Items appear on the Statement of Financial Position as current liabilities, since the expectation is that the amounts due will be fulfilled in less than a year.
Accounts Receivable	Amounts owed to an institution by individuals or corporations for goods or services that have been delivered or used but not yet paid. Amount is due within 12 months.
Accounts Receivable/Tuition Receivable	Money owed by individuals or corporations to an institution in exchange for goods or services that have been delivered or used, but not yet paid for. Receivables are usually due within a relatively short time period, ranging from a few days to one year. Accounts receivable is considered an asset because it represents a legal obligation to be paid by another entity to a parish/school.
Accrual Method of Accounting	Method of accounting that recognizes revenue when earned rather than when collected. Expenses are recognized when incurred rather than when paid.

Accrued Liability	An expense incurred by an institution that has not yet been paid.
Accumulated Depreciation	Total depreciation on a fixed asset added up to a specified point in time. This amount is subtracted from the original cost or valuation of the asset to arrive at an asset's book value. Accumulated depreciation represents only the expired value of an asset.
Affiliate	Officially attach or connect (a subsidiary group) to an organization.
Agent	Receives assets from the donor and agrees to transfer those assets to a specified unaffiliated beneficiary, who can compel the organization to make distributions to it or on its behalf. FSAS136
Agency Fund	This fund is similar to a long term saving account. The fiduciary institution manages and invests these funds as an agent for parishes, schools and other institutions. Deposits and withdrawals are made at the direction of the respective organization. Either party may terminate an agency agreement at any time.
Allocation	To distribute cost or revenue throughout multiple operational accounts. For example, a parish must decide how to allocate the cost of running its school in order to determine the profitability or sustainability of the program.

Allowance for Doubtful Accounts	A determination is made of outstanding receivable balances that may be uncollectible. The total of those amounts are recorded in this account. A review is made, at least annually, to update the balance in this account.
Amortization Schedule	The schedule of payments for paying off a loan. An amortization schedule breaks down the payments into interest and principal. Although the monthly payment remains the same each month, the principal and interest amounts vary with each payment. Typically, an amortization schedule will also include additional information such as the amount of interest and principal paid, as well as the remaining principal balance .
Amortize	The gradual elimination of a liability, such as a mortgage, in regular payments over a specified period of time. Such payments must be sufficient to cover both principal and interest.
Annual Parish Financial Report (APFR)	The Annual Parish Financial Report provides the Archdiocese and the Archbishop with an overview of the financial condition of each parish and satisfies the Canon Law requirement for annual reporting to the Archbishop. Additionally, the financial information provided on this report is used to calculate the parish assessment.

Annual Representation Letter	A letter certifying that the parish Finance Council executed its fiscal management responsibilities, communicating financial statements to parishioners and specifying meeting dates during the previous fiscal year.
Anticipated	Regard as probable; expect or predict.
Appraisal	A professional opinion, usually written, of the market value of a property, such as a home, business, or other asset whose market price is not easily determined. This is usually required when a property is sold, taxed, insured or financed.
Asset	A resource with economic value that an individual or entity owns or controls with the expectation that it will provide future benefit.
Asset Book Value	The net dollar value at which an asset is carried on an organization's balance sheet. For example, a building that was purchased for \$900,000 but has depreciated \$200,000 has a book value of \$700,000.
Asset Classes	Groups of securities that exhibit similar characteristics, behave similarly in the marketplace, and are subject to the same laws and regulations. The three main asset classes are equities (stocks), fixed-income (bonds) and cash equivalents (money market instruments). Each class is expected to reflect different risk and return investment characteristics, and will perform differently in any given market environment.

Asset Listing	A detail listing of all parish or school assets. For tracking purposes, this may include assets that are not capitalized. However, all assets that are capitalized should be included and be reconciled to the general ledger.
Auxiliary	A person or thing providing supplementary or additional help and support.
Balance Sheet	Financial Statement name used in for-profit accounting. See Statement of Financial Position.
Balloon Payment	A large, lump-sum payment scheduled at the end of a series of considerably smaller periodic payments. A balloon payment may be included in the payment schedule for a loan, lease, or other stream of payments.
Best Practice	A best practice is a method or technique that has been generally accepted as superior to any alternatives because it produces results that are superior to those achieved by other means, or because it has become a standard way of doing things.
Board-Designated Endowment Fund	An endowment fund created by a not-for-profit entity's (NFP's) governing board by designating a portion of its net assets without donor restrictions to be invested to provide income for a long but not necessarily specified period. See Agency Fund.
Bond	Loans with a maturity date and a promised percentage rate of return.
Brokerage Accounts	A generic term for investment accounts.

Budget	An estimate of income and expenditure for a set period of time. A plan quantified in monetary terms. There are various budgets including operating, capital and non-operating.
Building and Improvement Account	An asset classification that includes the cost of a building along with major improvements to the asset.
Business Administrator	Parish employee who supports the ministry of the pastor and parish by overseeing the administration of the parish to ensure its congruency with the parish's mission and the pastors stated intentions. Oversees the financial processes of the parish, manages parish property, and manages office and employment procedures of the parish in a manner that supports the work of the pastor and enables all parish ministries to function effectively. Assure a responsive administrative liaison between pastor and all staff.
Capital Asset	All tangible property which cannot easily be converted into cash and which is usually held for a long period, including real estate and major equipment.
Capital Asset Value	Asset value including any costs that contribute to acquiring an asset. If an asset is purchased, the invoice price, transportation costs, installation and setup should be included in the capitalized value. A parish/school should capitalize assets with a useful life of three years or more and a value over a range beginning from \$500 to \$3,000 depending upon the size and complexity of the organization.

Capital Fund (Entity)	A highly organized effort on the part of an organization to raise significant dollars in a specified period of time, to fund specific needs for the organization
Capital Improvement Budget (CIB)	The portion of the parish/school budget reflecting Capital Improvement costs to be expensed during a fiscal year, adopted in conjunction with the operating budget for such fiscal year.
Capital Improvement Plan (CIP)	A schedule to include upcoming asset purchases and/or future building projects.
Capital Lease	Discontinued in FASB ASU 2016-02. In accordance with Topic 840, all existing leases that were classified as capital leases will be classified as finance leases.
Capital Repairs	Money spent to acquire or upgrade physical assets such as buildings and machinery. This is also called capital spending or capital expense.
Capitalization Threshold	The dollar amount at which a long-lived asset is treated as a fixed asset rather than an expense.
Capitalize	A process of recording long-term assets for accounting purposes on Statement of Financial Position versus recording them as expenses on the Statement of Activities.
Cash	A current asset account that includes currency, coins, checking accounts, and undeposited checks.
Cash Basis Method of Accounting	Method of bookkeeping by which revenues and expenditures are recorded when they are received and paid.

Cash Equivalents	Cash equivalents are one of the three main asset classes, along with stocks and bonds . These securities have a low risk, low-return profile. Cash equivalents include U.S. Government Treasury bills, bank certificates of deposit, bankers' acceptances, corporate commercial paper and other money market instruments.
Cash Flow Forecast	A cash flow forecast is an estimate of the amount of money you expect to flow in and out of your business. It includes all your projected income and expenses and usually covers the next year, though it can also cover a shorter period such as a week or month.
Cash Instruments	Cash instruments are financial instruments whose value is ascertained directly by markets. Cash instruments can be classified into two types as securities and other cash instruments such as loans and deposits.
Cemetery	A consecrated place dedicated for the burial of the faithful and others for the religious and charitable purposes of the church including the grounds, facilities and personnel involved in the interment and memorialization of the dead. All property for earth burials and mausoleums for crypt entombment.
Certificate of Deposit (CD)	A savings certificate entitling the bearer to receive interest. A CD bears a maturity date, a specified fixed interest rate and can be issued in any denomination. CDs are generally issued by commercial banks and are insured by the FDIC . The term of a CD generally ranges from one month to five years.

Closing Costs	These are fees and expenses over and above the amount of a loan incurred by the borrower and/or lender in the borrowing transaction. Examples are lawyer's fees, survey charges, and deed filing fees. This is also called settlement costs.
Commercial Paper	An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
Common Stock	Represents an equity ownership in a company and entitles stockholders the right to vote on management issues. Stockholders may or may not receive dividends.
Construction in Progress	An account to keep track of expenditures for major projects. Once a project is complete, an adjustment is made to move the assets into the proper fixed asset categories.
Construction Loan	Financing specifically arranged for an institution's building renovation or new building construction.
Contra Account	An account on an entity's financial statement that offsets the balance of a related and corresponding account. A contra account is generally established to reduce an account to amounts that can be realized or collected.
Cost Basis	The original value of an asset for accounting or tax purposes (usually the purchase price or fair market value at date of donation). This value is used to determine gain and loss accounts that are equal to the difference between the investment's cost basis and current market value.

Cost Center	See Ministry Code.
Covenant	Provisions included in a loan agreement that establish the financial management standards by which a lender will agree to extend financing to a parish/school. For example, a bank may require parish/school to maintain certain levels of capital or financial ratios.
Cut Off	Cut off relates to whether transactions and events have been recorded in the correct accounting period.
Debt	An amount owed to a person or organization for funds borrowed. Debt can be represented by a loan note, bond, mortgage or other form stating repayment terms and, if applicable, interest requirements. These different forms all imply intent to pay back an amount owed by a specific date, which is set forth in the repayment terms.
Debt Securities	A creditor relationship with another entity. They include bonds, commercial paper, U.S. Treasuries and convertible debt that must be redeemed.
Debt Service Requirements	The amount necessary each period to make required minimum loan payments, including interest and principal.
Default – Debt Service	Debt service default occurs when the borrower fails to make a scheduled payment of interest or principal. Consequences of default vary and are generally outlined in the loan agreement.

Default – Technical	Technical default occurs when loan covenant is violated. Consequences of default vary and are generally outlined in the loan agreement.
Deferred Maintenance	The practice of postponing maintenance activities such as repairs on both real property (i.e. infrastructure) and personal property (i.e. machinery) in order to save costs, meet budget funding levels, or realign available budget monies.
Deferred Revenue	Advance payments or unearned revenue, recorded on the recipient's Statement of Financial Position as an accrued liability, until services have been rendered. Deferred revenue is a liability because it refers to revenue that has not yet been earned. Deferred revenue liabilities represent products or services that are owed to the payee. As products or services are delivered over time, they are recognized as revenue on the Statement of Activities.
Deficit	Expenditures exceed revenue over a given period of time.
Depreciation	A process of expensing the cost of an asset over the useful life of the asset. The formula for straight-line depreciation = original asset cost ÷ estimated useful life of an asset (in years).
Designee	Designee refers to a person who has been designated to perform some duty or carry out some specific role. A Pastor can designate a person (staff, volunteer, finance council, trustee, etc.) to perform certain duties on their behalf.

Disbursements	The act of paying out or disbursing money.
Discounts	A deduction from the usual cost of something, typically given for prompt or advance payment or to a special category of buyers. School tuition discounts may include need based, employee, multi-child, etc.
Donor-Imposed Restriction	A donor-imposed restriction is a limitation on how a contributed asset can be used. This restriction can address the purpose to which an asset is put, the time period during which it can be used, or both. A restriction may be permanent, or limited to a specific period of time or an event, after which the restriction is lifted.
Donor-Restricted Endowment Fund	An endowment fund that is created by a donor stipulation (donors include other types of contributors, including makers of certain grants) requiring investment of the gift in perpetuity or for a specified term. Some donors or laws may require that a portion of income, gains, or both be added to the gift and invested subject to similar restrictions.
Earned Revenue	Earned revenue accounts for goods that have been provided and/or services that have been performed, that are fully or primarily completed.

Endowment Fund	Endowments may generally be described as assets set aside so that the original assets (known as the “corpus”) grow over time as a result of income earned from interest on the underlying invested funds. The corpus may also be added to over time.
Equity Securities	An ownership interest in another entity. They include common stock and preferred stock.
Exempt Employee	An employee in a position that can be documented as meeting the tests for one of the exempt classifications as defined by the Fair Labor Standards Act. This would normally be individuals in jobs that meet both the duties and salary tests for executive, professional, or administrative positions.
Expense	Money a parish or school spends on administration, programs, fundraising. Typically these expenses are reported in the Statement of Activities by Function (Ministry Code) and Natural (Object Code) classification.
FDIC	The Federal Deposit Insurance Corporation is an entity started in 1934 by the federal government to give consumers confidence in the banking industry during the Great Depression. Today, most types of consumer bank accounts are insured against loss for up to \$250,000 per investor.
Fiscal Year	A period that a company uses for accounting purposes and preparing financial statements. The fiscal year may or may not be the same as a calendar year.

Fixed Assets	Assets that are physical property and provide a benefit beyond the current accounting period. Included in fixed assets are land, land improvements, buildings and building improvements. Can also include certain fixtures, vehicles, furniture, maintenance equipment and office equipment.
Functional Expense Classification	A method of grouping expenses according to the purpose for which costs are incurred. The primary functional classifications of a not-for-profit entity are program services and supporting activities. (Financial Accounting Standards Board (FASB), 2016)
Fundraising	Fundraising or fund-raising (also known as "development" or "advancement") is the process of seeking and gathering voluntary financial contributions by engaging individuals, businesses, charitable foundations, or governmental agencies. Although fundraising typically refers to efforts to gather money for non-profit organizations, it is sometimes used to refer to the identification and solicitation of investors or other sources of capital for for-profit enterprises.
Fundraising Event	Fundraising Events are used to increase visibility and support for an organization as well as raising funds. Events can include featured activities for the group such as speakers, entertainment, raffle, and/or charity auction. Events and their associated fundraisers can be a major source of a group's revenue, visibility and donor relations.

Funds Functioning as Endowment	Net Assets Without Donor Restrictions designated by an entity's governing board, to be invested to provide income for generally a long but not necessarily specified period. A board-designated endowment, which results from an internal designation, is generally not donor-restricted and is classified as net assets without donor restrictions.
Generally Accepted Accounting Policy (GAAP)	A commonly used set of accounting principles, standards and procedures for compiling financial statements. GAAP are a combination of authoritative standards (set by policy boards) and simply the commonly accepted ways of recording and reporting accounting information.
Graduated Payment Mortgage Loan (GPM)	A loan with low initial monthly payments that gradually increase over a specified period. GPM is a form of negative amortization loan.
Gross Tuition	Gross tuition is calculated by multiplying stated tuition, the highest published rate of tuition, by enrollment.
Highly Liquid Assets	Anything having commercial or exchange value that can be easily converted into cash, or that is already in cash form.
Hyperlink	A link from a hypertext file or document to another location or file, typically activated by clicking on a highlighted word or image on the screen.
Imprest	A fund used by a business for small items of expenditure and restored to a fixed amount periodically.

Income	Income is the gross revenue received by a parish or school from its normal business activities before any expenses have been deducted. Income may be received as cash or cash equivalent and it typically generated from contributions or the rendering of services.
Income Statement	See Statement of Activities.
Incurred Expense	A word used by accountants to communicate that an expense has occurred and needs to be recognized on the income statement even though no payment was made. The second part of the necessary entry will be a credit to a liability account.
Interest	The fee charged by a lender to a borrower for the use of borrowed money, usually expressed as an annual percentage of the principal; the rate is dependent upon the time value of money, the credit risk of the borrower, and the inflation rate.
Interest Only Payments	An optional payment plan for certain types of capital loans. Interest alone is paid on a loan for a certain period. This arrangement significantly reduces the amount due each month; however, the loan balance does not decrease during this period.
Interest Rate	A rate that is charged or paid for the use of money. An interest rate is often expressed as an annual percentage of the principal. It is calculated by dividing the amount of interest by the amount of principal.
Interest Rate – Adjustable	Any interest rate that changes on a periodic basis.

Interest Rate – Fixed	A loan in which the interest rate does not change during the entire term of the loan.
Intermittent	Occurring at irregular intervals, not continuous or steady.
Internal Control	Financial management practices that are systematically used to prevent errors, misuse and misappropriation of assets, such as occur through theft or embezzlement.
Investment Risk	The probability that an actual return on an investment will be lower than the investor's expectations.
Juridic Person	An artificial construct under canon law that allows a group of persons or things to function and be treated under canon law as a single unit.
Kiosk	A small, stand-alone booth or iPad typically placed in high-traffic areas for business purposes. Kiosks can contain applications for accepting payments and/or contributions, and providing information and registration for programs.
Leadership, Parish	Parish leadership includes the Corporate Board, the pastor, two trustees, and members of the pastoral and finance councils.
Leave Time	Any pre-arranged time out of the office as defined in employee handbooks . This commonly includes leave for holidays, vacation, sick, funeral, jury duty, and personal days.
Lessee	One who holds the lease of a property; a tenant.

Lessor	One who leases or lets a property to another; a property owner.
Liabilities	An entity's legal debts or obligations that arise during the course of business operations. Liabilities are settled over time through the transfer of economic benefits including money, goods or services. Liabilities are recorded on the Statement of Financial Position and include loans, accounts payable, mortgages, deferred revenues and accrued expenses. Current Debts or obligations due within the next 12 months Long Term.
Liability – Current	A category of debt on Statement of Financial Position that equals the sum of all money owed and due within one year. It is also called payables or current debt.
Liability - Long-Term	A category of debt on Statement of Financial Position that does not need to be repaid during the upcoming twelve months, but that instead needs to be repaid in a year or more.
Line of Credit	An arrangement with a lender whereby a parish/school may borrow money when necessary within certain limits. Monthly payments are calculated based on borrowed balance outstanding during the period. Credit limits are updated periodically by the lenders.

Loan	An arrangement in which a lender gives money or property to a borrower and the borrower agrees to return the property or repay the money, usually along with interest, at some future point(s) in time. Usually, there is a predetermined time for repaying a loan, and generally the lender has to bear the risk that the borrower may not repay a loan.
Loan Agreement	A contract between a borrower and a lender that regulates the mutual promises made by each party. There are many types of loan agreements, including lines of credit and term loans. Loan agreements are documented via a compilation of the various mutual promises made by the involved parties.
Loan Modification	A process where the terms of a mortgage are modified outside the original terms of the contract agreed to by the lender and borrower (i.e. mortgagee and mortgagor).
Loan Payment Reserve Funds	Some lenders require borrowers to maintain a certain level of cash reserves during the life of the loan. For example, a lender may require an amount equivalent to three months of monthly principal and interest payments.
Local Ordinary	Shall mean the Roman Catholic Archbishop of the Archdiocese of Saint Paul and Minneapolis.
Management and General Activities	Supporting activities that are not directly identifiable with one or more program, fundraising, or membership-development activities.

Market Value	The price that a given property or asset would be valued in the marketplace. In the context of securities, market value is often different from book value because the market takes into account future growth or loss potential.
Marketable Securities	Any equity or debt instrument that is readily salable and can be converted into cash, or exchanged with ease. Stocks , bonds , short-term commercial paper and certificates of deposit are all considered marketable securities because there is a public demand for them and because they can be readily converted into cash.
Materiality	Relates to the significance of transactions, balances and errors contained in the financial statements. Materiality defines the threshold or cutoff point after which financial information becomes relevant to the decision-making needs of the institution leadership. Information contained in the financial statements must therefore be complete in all material respects in order for them to present a true and fair view of the affairs of the institution. Materiality is relative to the size and particular circumstances of individual institution.
Ministry Codes	A department or other unit within an organization to which costs may be charged for accounting purposes. Also known as Cost Center.

Misappropriation	The intentional, illegal use of the property or funds of another person for one's own use or other unauthorized purpose. Accounting misappropriation can also include false entries or entries into incorrect accounts. When misappropriation has occurred, the financial reports will display incorrect information. Misappropriation is often used to cover up fraud, embezzlement schemes and skimming.
Money Market Account	A money market account (MMA) or money market deposit account (MMDA) is a financial account that pays interest based on current interest rates in the money markets. MMA's pay interest and typically allow a limited number of checks to be written each month. Because MMA's are a type of bank account, they are subject to the FDIC insurance program.
Money Market Fund	An open-ended mutual fund that invests in short-term debt securities such as US Treasury bills (also known as a money market mutual fund). Because money market funds are a type of investment, they are not FDIC insured.
Musician	Lead and develop musical programs such as a choir, leads hymn selection for worship service (Cantor) and playing an instrument like, the organ or piano, to accompany hymns.

Mutual Fund	A mutual fund is a collection of stocks and/or bonds. Mutual funds are managed by a professional and are typically set up with a specific strategy and risk tolerance in mind. Investors own shares, which represent a portion of the holdings of the fund. Mutual funds are not FDIC insured.
Natural Expense Classification	A method of grouping expenses according to the kinds of economic benefits received in incurring those expenses. Examples of natural expense classifications include salaries and wages, employee benefits, professional services, supplies, interest expense, rent, and utilities, and depreciation.
Near-Cash Equivalents	Investment securities that are short term have high credit quality and are highly liquid. They include U.S. government Treasury bills, bank certificates of deposit, bankers' acceptances, corporate commercial paper and other money market instruments.
Negative Amortization	Condition that occurs whenever a loan payment for any period is less than the interest charged over that period so that the outstanding balance of the loan increases. As an amortization method, the shorted amount (difference between interest and repayment) is then added to the total amount owed to the lender. Also referred to as NegAm, deferred interest or graduated payment mortgage.

Net Assets	The excess or deficiency of assets over liabilities of a not-for-profit entity, which is divided into two mutually exclusive classes according to the existence or absence of donor-imposed restrictions. See Net Assets with Donor Restrictions and Net Assets without Donor Restrictions.
Net Assets with Donor Restrictions	The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).
Net Assets without Donor Restrictions	The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).
Net Deficit	The negative result when subtracting expenses from revenues on the Statement of Activities.
Net Surplus	The positive result when subtracting expenses from revenues on the Statement of Activities.
Net/Collected Tuition	Discounts such as parishioner, multiple children or early payment, financial aid, scholarship expenses or qualified registration fees that are subtracted from gross tuition .
Non-Accountable Plan	A non-accountable plan is a way to provide employees with an allowance for business expenses or travel that does not need to be justified to an employer. Money provided to employees in a non-accountable plan is considered taxable income and should appear on an employee's W-2.

Non-Exempt Employee	All other employees who are not able to be classified as exempt under the Fair Labor Standards Act (FLSA) must have their hours of work recorded, be paid for all time worked and be paid overtime (time and a half) when their hours worked in a work week are over 40/48 hours.
Note Payable	An unconditional promise made by a parish/school in a contract to repay a debt at a specified time or on demand under definite terms.
Note Receivable	Amounts owed to a parish or school by individuals or corporations for goods or services that have been delivered or used but not yet paid. Amount is due over more than 12 months.
Notes to the financial statements	Additional information provided in a parish's financial statements. Notes (also known as footnotes) to the financial statements report the details and additional information that are left out of the main reporting documents, such as the Statement of Financial Position and Statement of Activities. May be a requirement by certain lenders.
Operating Lease	A lease that does not provide ownership to the lessor after the end of the lease term is completed.
PACE	Protecting All Church Employees (PACE) is a program developed to offer parishes and institutions rewards for taking basic preliminary precautions in the day-to-day personnel/employee workplace situations to safeguard Church employees and to reduce claim exposure to Workers Compensation.

PACE/PRISM	The PACE and PRISM credit programs were developed as an incentive, not only to safeguard the employees and protect the premises, but also to decrease premium costs for Workers' Compensation and Property/Liability Insurance.
Parish	An ecclesiastical community of the faithful that is established as a juridic person under the authority of the Archbishop, and that is incorporated as a church corporation under MN Statute §315.15
Petty Cash Fund	A small fund of cash kept on hand for purchases or reimbursements.
Preferred Stock	A stock that entitles the holder to a fixed dividend, whose payment takes priority over that of common-stock dividends.
Prepaid Expense	Prepaid expenses are future expenses that have been paid in advance, or costs that have been paid but are not yet used up or have not yet expired.
Principal Balance or Principal Debt	The amount due as of a specific date on a mortgage. The principal balance does not include interest or other charges.
PRISM	Property Responsibility In Service to Mission (PRISM) is a program developed to offer parishes and institutions rewards for taking basic preliminary precautions in day to day operations to safeguard Church property and minimize liability and property claims.
Program Director	Staff or volunteer who oversees or supervises a program or activity.

Programmatic Investing	The activity of making loans or other investments that are directed at carrying out a not-for-profit entity's purpose for existence rather than investing in the general production of income or appreciation of an asset (for example, total return investing). An example of programmatic investing is a loan made to lower-income individuals to promote home ownership.
Proper Fiscal Period	Recognizing the expense in the month it was incurred. Recognizing the Income in the month it was received (contribution) or earned (tuition, fee, rent).
Proxy	A proxy is a written document executed by the Archbishop and Vicar General, as members of the parish corporation, to be used at a meeting that they are unable to attend, giving authority to the Pastor, a member of the corporation, to cast their votes in favor of a specific corporate resolution stated in the proxy.
Realized Gains/Losses	The total gains or losses from selling or disposing of an asset at a higher or lower price than the original purchase price, or locking in any increase in value, which could potentially disappear if you continued to hold the investment..
Receipt	An original written acknowledgement of having received, or taken into one's possession, a specified amount of money, goods, etc.

Reclassification of Net Assets	Simultaneous increase of one class of net assets and decrease of another. A reclassification of net assets usually results from a donor-imposed restriction being satisfied or otherwise lapsing.
Refinance	When a borrower pays off an existing loan with the proceeds from a new loan, usually of the same size, and using the same property as collateral.
Refinance - Cash Out	The process of taking out of a new mortgage at an amount that exceeds the existing balance on the current mortgage in order to refinance the original mortgage and receive additional cash for other use.
Refinance – No Cash Out	The process of taking out a new loan designed to cover only its remaining debt and fees for getting a second loan.
Regional School	An independent Catholic school sponsored by parishes in a region of the Archdiocese. Sponsoring parishes exercise a stipulated role in support and governance of the school.
Registrar	An official responsible for keeping a register or official records.
Reimbursement	The action of repaying a person who has spent money on the behalf of a parish or school.
Remuneration	Money paid for the work that has been performed.
Repair and Replacement Schedule	A detailed listing of existing assets along with useful life and cost estimates to repair or replace them.

Request for Proposal (RFP)	A solicitation made, often through a bidding process, by a parish/school interested in procurement of a commodity, loan, service or valuable asset, to potential suppliers/lenders to submit business proposals.
Reserves	The existence of cash or investments resulting from the net accumulation of surpluses over time.
Restrictively Endorse	Endorsement that limits further negotiability of a check. For example, For Deposit Only on the back of a check will block its cashing over the counter and endorsement to another party.
Revenue Recognition	A generally accepted accounting principle (GAAP) that determines the specific conditions in which revenue is recognized or accounted for when earned.
Reverse Amortization	See Negative Amortization
School, Regional	A Catholic school sponsored by parishes in a region of the Archdiocese. Sponsoring parishes exercise a stipulated role in support and governance of the school.
School, Parochial	A private school supported by a particular church.
Segregation	Separation of duty has, as its primary objective, the prevention of fraud and errors. This objective is achieved by disseminating the tasks and associated privileges for a specific business process among multiple users.
Short Term Obligations	Amounts due to be paid within 12 months for accounts payable or outstanding debt.

Standardized Chart of Accounts (COA)	A standard chart of accounts is a formal list of the accounts used in the general ledger of an Arch/Diocese.
Stated Tuition	Highest published rate of tuition before consideration of any discounts, scholarship awards or financial aid deductions.
Statement of Activities	A financial statement that measures an entity's financial performance over a specific accounting period. Financial performance is assessed by giving a summary of how an entity incurs its revenues and expenses. It also shows the net surplus or deficit incurred over a specific accounting period, typically over a fiscal month, quarter or year.
Statement of Cash Flow	A financial statement that reports the change in the cash balance. It is subdivided by activity such as operating, investing and financing activity.
Statement of Financial Position	A financial statement that summarizes an entity's assets, liabilities and net assets at a specific point in time. These three segments give readers an idea as to what an entity owns and owes. The Statement of Financial Position follows the following formula $\text{Assets} = \text{Liabilities} + \text{Net Assets}$ See Chapter 1 Introduction for more detailed information.
Stocks	A stock (also known as "shares" or "equity") is a type of security that signifies proportionate ownership in the issuing corporation. This entitles the stockholder to that proportion of the corporation's assets and earnings.
Straight Line Depreciation Method	$\text{Original cost of the asset} \div \text{estimated asset life (in years)}$.

Subsidiary Ledger	A spreadsheet or software package that contains transactional data (Project Groups/Codes in ParishSOFT Accounting). The ledger contains more information than the accounting software.
Substitute Teacher	A substitute teacher is a person who teaches a school class when the regular teacher is unavailable; e.g., because of illness, personal leave, or other reasons
Surplus	Revenue exceeds expenditures over a given period.
Tax-Exempt Bond	A bond issued by a government entity (county, state or municipality) and the interest payments are not subject to taxes – federal, state and sometimes local.
Terms & Conditions	Specific mutually agreed upon aspects of the loan agreement defining rights and responsibilities of all parties concerned. Examples include loan term, interest rate, covenants and time frames.
Time Value of Money	The idea that a dollar now is worth more than a dollar in the future, even after adjusting for inflation, because a dollar now can earn interest or other appreciation until the time the dollar in the future would be received. This theory has its base in the calculation for present value.
Tuition Receivable	Amount due from families for tuition owed for the school year.

Underwater Endowment Fund	A donor-restricted endowment fund for which the fair value of the fund at the reporting date is less than either the original gift amount or the amount required to be maintained by the donor or by law that extends donor restrictions.
Uniform Prudent Management of Institutional Funds Act (UPMIFA)	The Uniform Prudent Management of Institutional Funds Act (abbreviated UPMIFA) is a uniform act that provides guidance on investment decisions and endowment expenditures for nonprofit and charitable organizations.
United States Conference of Catholic Bishops	The United States Conference of Catholic Bishops (USCCB) is the episcopal conference of the Catholic Church in the United States.
Unrealized Gains/Losses	Unrealized gains or losses refer to profits or losses that have occurred on paper, but the relevant transactions have not been completed.
Unrelated Business Income Tax (UBIT)	Unrelated Business Income Tax (UBIT) in the U.S. Internal Revenue Code is the tax on unrelated business income, which comes from an activity engaged in by a tax-exempt 26 USCA 501 organization that is not related to the tax-exempt purpose of that organization.
US Treasury Bond	A Treasury bond (T-bond) is a marketable, fixed-interest U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semiannually, and the income received is only taxed at the federal level.

Useful life	The typical operating service life of an asset. This does not always coincide with the actual physical life of the asset.
Variance Power	Variance power is the power to redirect the use of transferred assets to a different beneficiary. The donor of an asset grants variance power to the recipient by making a variance power statement in the documentation authorizing the asset donation. In this situation, the pass-through organization can record the donation as revenue and the subsequent forwarding of funds to the third party as an expense.
Volunteer Services - GAAP	Professional services, often called pro bono services, donated by a person or business for which a parish would typically have to pay and that a parish would report on their financial records. This time is not tax deductible for the volunteer; however, donors may be able to deduct some of the costs associated with volunteering, such as mileage.
Volunteer Services - Non-GAAP	Services that are performed by individuals that do not require a specialized skill and are not reported on the parish financial records. This time is not tax deductible for the volunteer; however, donors may be able to deduct some of the costs associated with volunteering such as mileage.

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Section 22 Acknowledgements

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- f. [Archives and Records Management](#)
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- j. [Finance & Accounting](#)
- k. [Financial Standards and Parish Accounting](#)
- l. [Human Resources & Benefits](#)
- m. [Ministerial Standards and Safe Environment](#)
- n. [Mission of Catholic Education](#)
- o. [Parish & Clergy Services](#)

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Section 23 Table of Revisions

To assist users with updates to the Parish Finance Manual, the following Table of Revisions outlines the Action: Inserted (new text), Updated (changed text) and Deleted (removed text). Section numbers, including sub-section numbers are included, along with the reason for the change, the old text and new text.

23-1 Revision 1 Changes, Additions, Deletions released 12/31/2019

Date	Action	Page	Section / Sub-Section	Reason	Old	New
7/8/19	Update	206	11-3-17 Budget Implementation and Review	ParishSOFT Update	Project Report –reference to old report	Project Summary – reference to new report
7/8/19	Update	351	16-3-2 ParishSOFT Accounting GAAP Compliance	ParishSOFT Update	Project Report –reference to old report	Project Summary – reference to new report
7/8/19	Update	410	18-4-3a Example ParishSOFT Accounting - Project	ParishSOFT Update	Project Report – old sample report	Project Summary – new sample report
7/8/19	Update	30	4-5 Parish Finance Council	Type-o	emphasis	emphasize
7/8/19	Insert	53	5-2 Recording and Reporting	Missing Account Reference	N/A	Added 2100 Accounts Payable sub-account to Credit Card recording.
7/8/19	Insert	57	5-4-1a Example Credit Card Transactions and Payment	Missing Example	N/A	Added example of credit card transaction and payment.
7/29/19	Update	134	Clergy Services Ministry Code	Name Change on Policy	Salary Schedule for Priests	Compensation Schedule for Priests
7/29/19	Update	178	5055 Clergy Living Maintenance Exp	Name Change on Policy	Salary Schedule for Priests	Compensation Schedule for Priests
8/7/19	Update	1	Welcome	Welcome Update	Welcome	Welcome
8/8/19	Insert	442	20-11 Example Constitution for Parish Cemetery Committee	Parish Request	N/A	20-11 Example Constitution for Parish Cemetery Committee
8/14/19	Update	107	Example Lessee Accounting for Finance Lease	Missing Account Numbers	XXXX	1365, 2450, 1370

Date	Action	Page	Section / Sub-Section	Reason	Old	New
8/14/19	Update	108	Example Lessee Accounting for Operating Lease	Missing Account Numbers	XXXX	2455, 1375, 6215
08/20/19	Insert	416	Cash Flow Projection/Forecast	Link to CFC Cash Flow Forecast from SCM2019 Conference	N/A	Link to CFC Cash Flow Forecast from SCM2019 Conference
11/22/19	Insert	94	8-12-1d Example of Perpetual Care Fund	Missing Example	N/A	New Example
11/22/19	Insert	93	8-12-1c Cemetery Perpetual Care Fund	Policy finalized, added suggested percentage amounts, added underwater percentage amounts	N/A	Added language
11/25/19	Insert	322	Minnesota Wage Theft Law	New Law 7/1/2019	N/A	New Text
11/25/19	Insert	337	Recording Accrued Wages	Request from Parish	N/A	New Text
11/25/19	Insert	150	10-3-1h Liability 2115 Accrued Wages	Inserted for Accrued Wages Guidance		2115 Accrued Wages
11/25/19	Insert	150	10-3-1h Liability 2116 Accrued Payroll Taxes	Inserted for Accrued Wages Guidance		2116 Accrued Payroll Taxes
11/25/19	Insert	309	15-2-1 Proper Identification of Workers	Parish Request	N/A	What about Musicians?
11/25/19	Insert	49	5-1-8 Start Up Cash/Cash Box	Parish Request	N/A	Typical Start-Up Cashbox amounts per Catholic Mutual.
11/26/19	Insert	257	13-8-1b Conditional Fees (Deferred) Revenue	Parish Request	N/A	Recording returnable fees for volunteer activities
11/26/19	Update	32	4-7 Annual Representation Letter	Updated Policy	Reference to old policy	New Policy link, separated into its own section
11/26/19	Update	33	4-8 Annual Parish Financial Report (APFR)	Separated into own section	Combined with APFR	Separated into own section

Date	Action	Page	Section / Sub-Section	Reason	Old	New
11/26/19	Insert	33	4-9 Audit, Review, and Agreed Upon Procedure (AUP) Policy	New Policy	N/A	New policy description, link to policy, AUP questionnaire
11/26/19	Update	303	14-9 Contracts	Missing insurance language	N/A	Added insurance requirements for contracts from Catholic Mutual
11/26/19	Update	310	15-2-1b Independent Contractor:	Missing insurance language	N/A	Added insurance requirements for contractors from Catholic Mutual
11/26/19	Update	Multiple	Multiple	Name change on Entity 4	Consolidated/ Regional School	Regional School
11/26/19	Update	248	13-5-9 Volunteer Time	Parish Request	N/A	Link to Time/Service (aka In Kind) Contribution Receipt Letter Example
11/26/19	Insert	438	20-7 Example of Time or Service Contribution Receipt Letter:	Parish Request	N/A	Example of Time/Service (aka In Kind) Contribution Receipt Letter
12/10/19	Update	437	20-6 Example of Non-Cash Contribution Receipt Letter:	Auditor Request - delete the tax advice paragraph	<i>"If your gift is in excess of \$500, you must procure IRS form 8283. For gifts valued at more than \$5,000, an appraisal is required."</i>	Removed paragraph
12/10/19	Update	33	4-8 Annual Parish Financial Report (APFR)	New Handbook	N/A	Link to Annual Parish Financial Report (APFR) Handbook
12/10/19	Update	193	11-3-1 Leadership Involvement and Responsibility	Updated Policy	N/A	Add link to new Annual Representation Letter policy

Date	Action	Page	Section / Sub-Section	Reason	Old	New
12/10/19	Update	164	10-3-1j Income 4380 Grant Rev	Updated language for FASB ASU 2016-14 clarification	Standard Use of Account: Award bestowed by an agency (called the grantor) for specified purposes to an eligible recipient (called the grantee). Grants are usually conditional upon certain qualifications as to the use, maintenance of specified standards, or a proportional contribution (i.e. matching grant) by the grantee or other grantor(s). Add'l Notes: Record at gross. Catholic United Financial, CCF Aim Higher, Healthy Living, Matching Grants. Record expenses in 6380 Grant Expenses. May use 4810 Restricted Income (Temp) and Project Code to track restricted grant monies.	Standard Use of Account: Unrestricted award bestowed by an agency (called the grantor) for general purposes to an eligible recipient (called the grantee). Add'l Notes: Record at gross. Use 4810 Restricted Income (Temp) and Project Code to track restricted grant monies where funds are conditional upon certain qualifications as to the use, maintenance of specified standards, or a proportional contribution (i.e. matching grant) by the grantee or other grantor(s).
12/10/19	Insert	177	10-3-1k Expense 6700 Expenditures of Restricted Donations	Missing		Expenditures that require allocation to restricted funds.

Date	Action	Page	Section / Sub-Section	Reason	Old	New
12/11/19	Insert	359	16-5-1 Standard Net Asset Entry Protocol	Missing		Instructions for requesting direct transaction to Net Asset accounts.
12/11/19	Insert	229	12-9-7 Closing Capital Campaign	Parish Request		Instructions for closing out a Capital Campaign
12/12/19	Insert	318	15-3-2a Year End Cash Gift or Bonus	Guidance from ASMP Controller		Additional guidance on EOY Bonuses and 403b
12/17/19	Insert	212	12-2-3e Exhibitors and Vendors	New Policy 10/11/2019		Guidance on vendors selling to public at parish/school events.
12/31/19	Insert	77	8-7 Life Insurance	Parish Request		Instructions for recording Life Insurance Policy
12/31/19	Update	275	13-8-7 Property/Liability Insurance Proceeds	Parish Request		Guidance on recording proceeds on prior year or multi-year loss
12/31/19	Update	150	10-3-1h Liability	Tax Deferred Annuity (TDA) Deduction		403(b) Deduction
12/31/19	Insert	177	10-3-1k Expense			5065 Clergy 403(b) Employer Match Exp
12/31/19	Insert	177	10-3-1k Expense			5075 Lay 403(b) Employer Match Exp
12/31/19	Update	177	10-3-1k Expense	5060 Clergy Pension Exp	Old description included Defined Benefit and 403b	Clarified description for Defined Benefits Obligation Only
12/31/19	Update	177	10-3-1k Expense	5070 Lay Pension Exp	Old description included Defined Benefit and 403b	Clarified description for Defined Benefits Obligation Only

Date	Action	Page	Section / Sub-Section	Reason	Old	New
12/31/19	Insert	316	15-3-1a New Overtime Rule Effective January 1, 2020	New OT Rule		New OT Rule
12/31/19	Insert	329	15-5 Minneapolis Wage Theft Ordinance	New Ordinance		New Ordinance
12/31/19	Update	243	13-5-6 Donor Contributions Tax Implications	Parish Request		Added link to US Treasury & IRS rule on Timely Mailing Treated as Timely Filing
12/31/19	Update	209	12-2-1 General Fundraising	Parish Request		Additional Guidance
12/31/19	Insert	213	12-3-1a Corporate Sponsorships or Advertising?	Parish Request		Guidance on Corporate Sponsorships
12/31/19	Update	219	12-3-5 Gaming and Gambling	Missing Language		Added definition and language for additional guidance, Who May/May Not Play link
12/31/19	Update	237	13-5 Contribution	Parish Request		Added FASB definition and guidance

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