



DIOCESE OF
FORT WAYNE-SOUTH BEND

Policy Handbook for Parish Fiscal Management



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Parish Administration of Financial Goods

Canon law is the law of the Roman Catholic Church. The codification is referred to as the 1983 Code of Canon Law to distinguish it from the 1917 Code.

Can. 515 §1. A parish is a certain community of the Christian faithful stably constituted in a particular church [diocese], whose pastoral care is entrusted to a parish priest as its proper pastor under the authority of the diocesan bishop.

In the Diocese of Fort Wayne-South Bend, there are 81 parishes located in 14 counties. Each parish is a juridic person under canon law, defined as follows:

“A juridic person... is an artificial person, distinct from all natural persons or material goods, constituted by competent ecclesiastical authority for an apostolic purpose, with a capacity for continuous existence and with canonical rights and duties like those of a natural person... conferred upon it by law or by the authority which constitutes it and to which it is also accountable under canon law.”

Can. 532 In all juridic affairs the pastor represents the parish according to the norm of law. He is to take care that the goods of the parish are administered according to the norm of ⇒ cann. 1281-1288.

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

Per the United States Conference of Catholic Bishops’ Diocesan Financial Issues report, <http://www.usccb.org/about/financial-reporting/upload/Diocesan-Financial-Issues-Manual.pdf>, some general norms for pastors on the administration of parish property, goods, and finances include the following:

“Canon 1284

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

§2 – For this reason they must:

1 – take care that none of the goods entrusted to their care is in any way lost or damaged and take out insurance policies for this purpose, insofar as such is necessary.

2 – take care that the ownership of ecclesiastical goods is safeguarded through civilly valid methods.

3 – observe the prescriptions of both canon and civil law or those imposed by the founder, donor, or legitimate authority; they must especially be on guard lest the Church be harmed through the nonobservance of civil laws.

4 – accurately collect the revenues and income of goods when they are legally due, safeguard them once collected and apply them according to the intention of the founder or according to legitimate norms.

5 – pay the interest on a loan or mortgage when it is due and take care that the capital debt itself is repaid in due time.

6 – with the consent of the ordinary invest the money which is left over after expenses and which can be profitably allocated for the goals of the juridic person.

7 – keep well-ordered books of receipts and expenditures.

8 – draw up a report on their administration at the end of each year.

9 – duly arrange and keep in a suitable and safe archive the documents and deeds upon which are based the rights of the Church or the institution to its goods; deposit authentic copies of them in the archive of the curia when it can be done conveniently.”

Guidelines for Parish Finance Councils

Parish Finance Council Definition

Can. 537 In each parish there is to be a finance council which is governed, in addition to universal law, by norms issued by the diocesan bishop and in which the Christian faithful, selected according to these same norms, are to assist the pastor in the administration of the goods of the parish, without prejudice to the prescript of ⇒ can. 532.

Canon 532 states that the pastor represents the parish in all juridic affairs according to the norm of the law, and is responsible for administering the goods of the parish. Thus, the finance council acts as an advisory council to the pastor.

Purpose of the Parish Finance Council

1. Each pastor is to establish a Parish Financial Council over which he presides, and which is advisory to the pastor.
2. The purpose of the Parish Finance Council is to advise the pastor in administering the ecclesiastical goods of the parish according to universal and particular law.

Membership of the Parish Finance Council

1. This Council is composed of at least three (3) members of the Christian faithful truly skilled in financial affairs with expertise and experience in such areas as finance or accounting and of outstanding integrity.
2. The members of the Parish Finance Council are selected by the pastor, and are appointed by the pastor for a term of five (5) years, which term is renewable.
3. Members of the Finance Council are not to be members of the Parish Pastoral Council.
4. No parish employees or individuals with a conflict of interest are permitted to serve as a member of the Parish Finance Council. Parish employees may serve as support for the Parish Finance Council. Accordingly, people like a business manager should attend in a consultative, non-voting manner.

Meetings of the Parish Finance Council

1. The Parish Finance Council does not cease if the pastorate becomes vacant through transfer or death.

2. When a new pastor is appointed to a parish, he should convene the Parish Finance Council within three months of his appointment.

Note: All meetings of the Parish Finance Council should begin with a prayer.

Responsibilities of the Parish Finance Council

1. The Parish Finance Council's responsibilities include:
 - Assisting the pastor with preparation of the parish budget.
 - Reviewing the income and expenditures of that budget quarterly.
 - Reviewing the parish school budget and the actual expenditures and income quarterly.
 - Advising the pastor concerning the parish balance sheet.
 - Advising the pastor regarding school tuition and all other parish charges.
 - Advising the pastor regarding fundraising activities within the parish.
 - Advising the pastor regarding financial feasibility of proposed building projects.
 - Advising the pastor regarding salaries and hourly rates of pay for employees.
 - Advising the pastor regarding review and repayment of any parish debt.
 - Advising the pastor on all contracts which are not cancelable within thirty (30) days of notice and which exceed a total payment of \$5,000.
 - Being available as a resource to the parish pastoral council.
 - Being familiar with and advising on all diocesan guidelines for banking, fundraising, building and accounting.
 - Helping the pastor establish and manage a parish endowment program.
2. The Council should determine that proper accounting practices and internal control procedures are in place. The Council is to discuss and evaluate the report of the regular diocesan audit that is sent to each member. Advice should then be given to the pastor.
3. Council meeting minutes should be kept to maintain a record of business conducted.
4. The Council should review parish fiscal management policies and procedures annually.
5. Parish Finance Council members are to sign annually the statement sent from the Bishop, known as the "Parish Finance Council Verification Form," (see page 7 of the Policy Handbook or <https://diocesefwsb.org/wp-content/uploads/2020/08/Parish-Finance-Council-Verification-Form-20102.23.17.pdf>) stating the dates meetings were held in a fiscal year and that the Council members were adequately informed on the parish financial status. If the Council is not meeting at least once in a fiscal year or has not submitted the annual required statement to the Diocesan Business Office by October 1, the parish will be contacted by the Vicar for the Clergy.

Parish Finance Council Verification Form

By the following signatures, we wish to confirm that the Finance Council of _____ (Parish) _____ (City), met on the following dates during the ____/____ fiscal year (07/01/ ____ - 06/30/ ____).

This Parish Finance Council is to meet at least quarterly.
Dates met: _____

As part of our work, we reviewed and discussed monthly parish financial statements, the audit conducted by the diocesan auditor on _____, and we reviewed and approved the budget for the new fiscal year, _____ (Date).

Note: Parish employees may not serve as members of the Parish Finance Council.

Pastor _____
Parish/City _____
Signature _____

Name _____
Company of Employment _____
Profession/Title _____
Signature _____

Name _____
Company of Employment _____
Profession/Title _____
Signature _____

Name _____
Company of Employment _____
Profession/Title _____
Signature _____

Name _____
Company of Employment _____
Profession/Title _____
Signature _____

Name _____
Company of Employment _____
Profession/Title _____
Signature _____

Please return completed form by Oct. 01, to: Joe Ryan Business Office Diocese of Fort Wayne-South Bend P.O. Box 390 Fort Wayne, IN 46801.

Budgeting and Reporting

Annual Operating Budget

Canon 1284 §3. It is strongly recommended that administrators prepare budgets of incomes and expenditures each year; it is left to particular law, however, to require them and to determine more precisely the ways in which they are to be presented.

1. Purpose

All parishes are required each year to develop an annual operating budget to help guide and monitor their financial operations during the ensuing fiscal year. This budget forecasts revenue and expenses for the fiscal year beginning July 1. The annual budget is prepared by the pastor in conjunction with the Parish Finance Council to consult with and obtain input from parish financial staff and department/ministry directors or coordinators. The final version of the budget should be approved by the Parish Finance Council and the pastor and submitted to the diocesan business office on or before the date set by the diocesan chief financial officer each year.

Parishes should budget **REALISTICALLY** based on the best available information at the time you are budgeting. It is directed that parishes operate with revenue at least equal to operational expenses, not including depreciation expense. As such, all revenues should be budgeted conservatively, and expenses should be managed wherever possible. For example, do not budget a school enrollment increase without evidence of paid registrations; do not budget a 5% increase in Sunday collections if for the past five years the increase has always been 2%; never budget revenues from bequests; assume that something will break and require replacement or repair and budget for the replacement cost; do not cut maintenance expenses simply to “plug” the budget to balance to zero, etc. These budgeting principles should help steer the parish clear of financial difficulty or to realistically address problems sooner (when they are more easily fixed) rather than later.

The expectation is that all parishes will submit a balanced budget. A budget narrative may be provided as well explaining any deficit and answering questions such as *What challenges are you facing? If your budget is not balanced, how will you cover the shortfall? How long can you sustain the unbalanced budget based on current operating and savings cash? What is your plan for making changes that will allow you to balance your budget next year?*

2. Monitoring

Throughout the fiscal year, the pastor and Finance Council should monitor on at least a quarterly basis actual revenue and expenses against budgeted amounts. Such comparison helps to identify unapproved expenses or incorrectly posted transactions. Significant variances between budgeted and actual amounts should be investigated and explained.

Parish Financial Reporting

1. Closing Months in ParishSoft Accounting Software

Several major parish financial decisions are made during the year with the assistance of accurate and complete financial statements. Unless the month is closed in the accounting system, accurate and complete reports cannot be processed. Thus, on a monthly basis, the parish should close their accounting records by the 20th day of the following month. Financial statements are reviewed regularly by the diocesan business office.

Per Canon 1287 §1. Both clerical and lay administrators of any ecclesiastical goods whatever which have not been legitimately exempted from the power of governance of the diocesan bishop are bound by their office to present an annual report to the local ordinary who is to present it for examination by the finance council; any contrary custom is reprobated.

Parishes are required to close their books by July 31st for the fiscal year ending June 30 of each year, so that the diocesan business office can timely prepare diocesan reports. If a parish has difficulty meeting this schedule, the parish should contact the diocesan business office to seek an extension and assistance as needed.

2. Transaction and Journal Entry Details

All transactions and journal entries recorded in ParishSoft should include a detailed comment or explanation, if possible. This helps identify what each entry is recording.

3. Negative Balances

Typically, accounts should never report a negative balance. If there is a negative balance in any account, it should be researched to determine if an error was made or transaction posted to an incorrect account. Adjusted entries should be made timely.

4. Chart of Accounts

The Diocese has mandated the use of a standardized chart of accounts for general ledger accounts in ParishSoft. Such chart of accounts is available on the diocesan website at <https://diocesefwsb.org/wp-content/uploads/2021/06/Parish-ParishSoft-Chart-of-Accounts.pdf>.

Only the Diocese is authorized to set up a new account. However, these accounts are for use of the parish and are to be informative for every parish. Therefore, if a parish wants a new account set up, please notify the Diocesan Business Office before December of each year when new accounts are created. Parishes may create sub-accounts of an existing account but never create a new account.

5. Records Retention

The policy for records retention (how long various documents and papers are kept) is adopted from the United States Conference of Catholic Bishops (USCCB) and available at <https://www.dsj.org/wp-content/uploads/2019/02/USCCB-Records-Retention-Guidance.pdf>.

6. Annual Report to the Faithful

Per Canon 1287 §2. According to norms to be determined by particular law, administrators are to render an account to the faithful concerning the goods offered by the faithful to the Church.

Parishes are required to provide parishioners with a report of the financial condition of the parish at the end of each fiscal year due by September 30. At minimum, the report must include a summary of the fiscal year revenue and expenses (Statement of Activities). This report helps to increase parishioner awareness with regards to the financial operation of the parish and helps to reinforce the value of good parish stewardship.

Every two years, during the parish audit, the parish must submit a copy of both years' annual reports to the diocesan auditor.

Parish Financial Audits

According to a 2007 study by Villanova University's Center for the Study of Church Management, embezzlement had occurred, in a five-year period, in 85 percent of Catholic dioceses surveyed. In addition, in 11 percent of the cases, the amount stolen exceeded \$500,000. Clearly, the need for parish audits is crucial to the financial well-being of the parish and of the diocese.

The primary role of a parish audit is to help parishes with their internal fiscal management by a review of the financial statements of the parish as well as its internal controls. A parish audit provides increased transparency and accountability to the diocese and to its parishioners through verification that the parish is complying with policies of the diocese in addition to canon law and federal/state laws, such as employment laws, tax laws, and charity gaming laws.

Requirements

1. Each parish shall be subject to an audit on a periodic basis of approximately every two years.
2. The audit can occur throughout the year, not necessarily at the end of a fiscal year.
3. A parish audit will be required at the time of a pastor/administrator change for any reason, (i.e., transfer, retirement, death, etc.) as well as a bookkeeper or business manager change.
4. The parish audit will be performed by the diocesan parish auditor.
5. An unscheduled parish audit can be mandated at any time for any reason by the Bishop.

Procedures for a Parish Audit

1. The diocesan business office will prepare a tentative list of parishes to be scheduled for a formal audit in a given fiscal year with a rough timetable for on-site visits.
2. Approximately 4-6 weeks prior to the on-site visit, the diocesan parish auditor will review the parish financial reports and other information on file. An initial letter will be sent to the pastor/administrator to notify him that the parish is due for an audit and that he will be contacted to arrange a mutually convenient date among the pastor/administrator, bookkeeper/business manager, and parish auditor for the on-site visit.
3. After the on-site visit has been arranged, the parish auditor will confirm the scheduled date with the pastor/administrator by sending a confirmation letter. A copy of the Pre-Audit Questionnaire will also be sent at that time instructing that it be completed, signed, and returned to the parish auditor no later than one week prior to the scheduled on-site visit.

4. Once the pastor/administrator receives the Pre-Audit Questionnaire, he will confer with the bookkeeper/business manager and/or parish finance council to complete the questionnaire.

Areas of Interest for Parish Audit

1. Bank accounts including but not limited to parish operating account, Mass Stipend account, gaming account, SCRIP account, and/or lunch account.
2. Petty cash.
3. Fixed assets and depreciation including compliance with diocesan policies on approval for building and improvement projects.
4. Liabilities including but not limited to accounts payable, loans and special collections.
5. Internal controls for deposits and disbursements.
6. Compliance with record retention policy.
7. Payroll policies including classification of salaried and hourly employees, full-time and part-time status, overtime and bonuses/gifts, and fees paid to independent contractors.
8. Gaming activity and compliance with federal and state laws.
9. Offertory procedures.
10. SCRIP program, if any.
11. Priest allowances, i.e. food allowance, clergy medical reimbursement, clergy cell phone reimbursement, clergy retirement, etc.
12. Published annual financial report of parish.
13. Compliance with policies for pastoral and finance councils.
14. Teacher contracts, if applicable.
15. School tuition, if applicable.
16. Any other areas as requested.

Audit Report Procedures

1. Upon the conclusion of all fieldwork, the parish auditor will prepare and submit to the pastor/administrator a parish audit report of the detailed work performed, findings, recommendations and request for pastor/administrator's response regarding the financial condition of the parish and current internal controls.
2. A copy of the parish audit report will be given to the Bishop, Vicar General, the Chief Financial Officer of the diocese, and all members of the parish finance council. A copy will also be retained in the parish file in the diocesan business office.
3. Within two to four weeks of the receipt of the audit report, the pastor/administrator will send to the parish auditor his responses to any recommendations made in the audit report including any corrective action that will be taken in regard to major issues.
4. Should any pastor/administrator choose not to respond to the recommendations made in the audit report or respond in a noncollaborative way, a letter will be sent from the Chief Financial Officer with a copy to the Bishop.

Cash Handling

Incoming Mail

All mail should be received directly in the parish office. Incoming mail should be opened and date-stamped by someone besides the bookkeeper or business manager, if possible.

Cash Receipts

All checks received should be endorsed for deposit upon receipt and deposited to the parish's account(s). Deposits should be made frequently. For deposits are not made on a daily basis, cash and checks should be kept in a locked safe until a bank deposit can be made.

The handling of cash should be separated from the accounting for cash. In the accounting activities, the same person should not be responsible for billing, collections, and deposits. These duties should be split where possible.

When a bookkeeper or business manager is hired, this decision should be made by the pastor with consultation from the parish finance council to ensure the candidate is fully qualified to perform the bookkeeping functions and with involvement by the Diocesan Business Office to help review resumes, sit in on interviews, and perform background checks. Either way a credit check will be run, and the potential new employee must pass such report.

It is also recommended that bookkeepers and business managers should take their earned vacation every year so they do not have exclusive and permanent access to the cash or records.

No corrections to a prior accounting period can be made without authorization from the diocesan business office. No entries may be made to "Prior Year – Equity" without the approval of the diocesan business office.

Bank Accounts

No more than five checking accounts as follows are allowed in a parish:

Parish Operating Account
Mass Stipend Account
Charity Gaming Account (as required by the state of Indiana)
Cafeteria or Lunch Account
SCRIP program Account.

The pastor must have control of all parish bank accounts. Only the pastor can open or close a bank account for the parish. All parish bank accounts must be set up using the parish name and federal tax identification number. If the account is for a particular purpose such as Mass stipend,

charity gaming, lunch or SCRIP, the fund name may be included along with the parish name. Bank statements must be sent to the parish address and not to an individual's address.

Related Organizations

Related organizations play an important role in the ministry of parishes and schools. However, if not subject to proper controls, opportunities exist for misuse of funds. Examples of related organizations that are sponsored by the parish include, but are not limited to: schools, cemeteries, men's clubs, rosary society, athletic, non-gaming fundraising, men's/women's auxiliaries, all sodalities, etc. The following policy should be utilized.

1. All related organization activity must be included in the parish operating account and must not have separate checking accounts. If the organization uses the parish's federal identification number (EIN), the funds should be kept in the parish general account.
2. All revenue and expenses should reflect on the parish or school ledger.
3. Chartered, independent organizations such as St. Vincent de Paul Society, Boy Scouts, or Knights of Columbus are not subject to the same controls as long as they are affiliated with and are reporting to a national or regional organization. The St. Vincent de Paul Societies should file for their own 501(c)(3) and open their own bank accounts.

All parish or school organization funds must flow through the parish's general account. This means that all deposits for parish or school organizations are made directly into the parish's general checking account. The deposits are posted to a fund restricted to that organization.

When receipting money for the organization:

Debit 110.110
Credit 220.---

When booking activity for societies, use Sub 01 for income and 02 for expenses. For example, if you receive money for the Altar Society, the entry would be:

Debit 110.110
Credit 220.210.01

To make a payment for a bill for the Altar Society:

Debit 220.210.02
Credit 110.110

The last day of every month, the parish bookkeeper should display by organization all activity in the liability accounts. This will show income and expenses for the month. It is the responsibility of the organization to verify the accuracy of these reports.

The pastor should not use these funds without first consulting the parish or school organization.

Checks should be written at least three times per month, and societies notified of those dates. Also, expense reimbursements should be handled timely.

The officers for these organizations should receive a monthly report of *all* receipts and disbursements that are made and a fund value at the beginning of every month.

Examples of Parish Related Organizations and ParishSoft Account Numbers:

| | |
|---------|-------------------------------|
| 220.210 | Altar Society |
| 220.220 | Booster Club |
| 220.230 | Memorial Funds |
| 220.240 | Mass Funds |
| 220.250 | Holy Name Society Funds |
| 220.260 | Miscellaneous Funds |
| 220.261 | Lunch Program Funds |
| 220.262 | Student Council Fund |
| 220.263 | Technology Fund |
| 220.264 | Outdoor Lab Fund |
| 220.265 | National Junior Honor Society |
| 220.266 | Latch Key Fund |
| 220.267 | Grotto Fund |
| 220.268 | Music Dept. Fund |
| 220.269 | Children's Choir Fund |
| 220.270 | Home & School Association |
| 220.275 | Rel Bookstore |
| 220.280 | Athletic Association |

Diocesan Savings and Loan Account

The Diocesan Savings and Loan Account is established by the Diocese to provide parishes and agencies with a source for low-cost funding for capital and technology projects. It is administered by the Chief Financial Officer of the Diocese. The parishes and agencies of the diocese are the sources for funding the Diocesan Savings and Loan Account. Each parish is required to deposit into the account any excess of anticipated cash receipts and disbursements for the following ninety (90) days (“Excess Funds”). The pastor or administrator should determine the necessary cash-in-bank funds required to operate the parish each month. All Excess Funds must be deposited in the Diocesan Savings and Loan Account, and a parish or agency may not invest such funds or deposit them in financial institutions. All deposits in the Diocesan Savings and Loan Account earn interest monthly at a rate in excess of the rates offered by local banking institutions throughout the Diocese for similar type savings accounts. Parishes and agencies shall have the right to withdraw deposits pursuant to established procedures. Withdrawals are not allowed for the purpose of establishing an endowment fund or quasi-endowment fund.

Each parish and agency may request loans from the Diocesan Savings and Loan Account for capital and technology projects. Loans shall bear interest at a rate using a reasonable spread over the above determined deposit rate in order for the whole of the Diocesan Savings and Loan Account to operate at or slightly above break-even level. Loans shall be subject to approval pursuant to established procedures and shall be evidenced by promissory notes or other written agreements establishing repayment terms. Parishes and agencies are prohibited from borrowing funds from any lender other than the Diocesan Savings and Loan Account without the express written consent of the Bishop and CFO.

Check Signers

1. Signers on **any and all** parish accounts are limited to the following positions:
 - a. The Pastor or Parochial Vicar (if applicable),
 - b. A member of the parish Finance Council, preferably the Chair,
 - c. The Vicar General of the Diocese,
 - d. The Chief Financial Officer of the Diocese.
2. Because the business manager/bookkeeper controls all the records of the parish, prepares the disbursement checks, and reconciles the bank account, the business manager/bookkeeper is not allowed to be an authorized signer on any parish bank accounts.
3. A copy of the new parish bank signature card should be sent to the Diocesan Business Office whenever a change is made.
4. Pre-signed blank checks to be left and filled out by anyone are never allowed.
5. Stamped signatures are not allowed.
6. A copy of every parish bank signature card should be sent to the Diocesan Business Office every five (5) years.
7. If computer signatures are used, there must be proper controls in place, such as the authorized signatory initialing every invoice paid and reviewing a vendor list for authorized vendors, limited individuals having access to the software program, etc. You are to contact the diocese business office for a list of proper controls.
8. As payment of utilities by ACH becomes more popular, proper controls must be in place. Please contact the diocesan business office for such controls.

Reconciliations of bank accounts must be performed in the parish accounting system for the parish operating account and optionally for any charity gaming, lunch or SCRIP accounts and must be done monthly for all accounts. Outstanding checks older than six months should be voided, investigated, and reissued if necessary.

All parish fund drives must go through the parish general checking account. Establishing additional bank accounts is not allowed. ParishSoft accounting system can properly segregate and account for all monies raised and or expended.

Parish and School Income

Father Henri Nouwen, a twentieth century Dutch Catholic priest and professor, describes the spiritual dimension of church fundraising:

“Fundraising is proclaiming what we believe in such a way that we offer other people an opportunity to participate with us in our vision and mission. Fundraising is precisely the opposite of begging. When we seek to raise funds we are not saying, ‘Please, could you help us out because lately it’s been hard.’ Rather, we are declaring, ‘We have a vision that is amazing and exciting. We are inviting you to invest yourself through the resources that God has given you—your energy, your prayers, and your money—in this work to which God has called us.’ Our invitation is clear and confident because we trust that our vision and mission are like ‘trees planted by streams of water, which yield their fruit in its season, and their leaves do not wither’ (Ps. 1:3).”

The most common forms of income for parishes are offertory collections, contributions and donations, school tuition and voucher income, grants, special event or fundraiser proceeds, and interest income. The following guidelines are to be used in the accounting and recording of such income. The adequacy of internal controls will be reviewed during parish audits with recommendations for improvement when material weaknesses are noted.

Sunday and Holy Day Collections

Collections refer to any and all contributions received through offertory whether it is from the general offertory envelope or a restricted parish envelope such as building and maintenance or preservation fund.

1. Collections should be immediately stored in a steel, fire-retardant, lockable safe in a secure location until ready for counting. The preferred type of safe has a tumble deposit slot and two (2) keys required to open the safe. If the parish does not have a safe, the Diocesan Central Purchasing Office can be contacted for a complete selection of good affordable safes. The safe should be located in a secure location, accessible to the parishioner count teams who are responsible for counting and recording the bank deposit for the weekly Mass collection.
2. All parishes are mandated to use tamper-evident security bags for transporting the offertory collections, as directed by the Voice of the Faithful.
3. Parishioner volunteer count teams should be organized to count, balance and deposit the collections. A minimum of three persons, preferably not related genetically or by marriage, should be recruited to count the collections. Several teams are preferable so rotation occurs frequently.

4. No one person should be left alone with the collections. This is for the protection of the individual as well as a sound practice of cash control.
5. All Mass collections should be counted on Sunday or Monday of the same week with deposits made the same day. The collections should never be held past the Monday following the weekend Masses.
6. Loose cash collections must always be recorded and deposited in total each week and never used for any other purpose (such as petty cash needs.) Loose parishioner and non-parishioner offertory checks should be recorded as "loose collections"; anything recorded differently is a grievous and fraudulent offense.
7. The parish bookkeeper can be used as a counter, but only if part of a parishioner count team. It is generally preferred that the parish bookkeeper is not used as a money counter. However, in cases where there is a shortage of volunteers, the bookkeeper can participate but should not control the actual deposit.
8. A count sheet must be filled out and signed by the individuals involved in the count.
9. When all the collections for the day have been counted, a bank deposit receipt which equals all loose and envelope contributions received is to be prepared in duplicate and initialed by the counters. The bank deposit slip and the count sheet must agree. Envelopes, adding machine tapes, bank deposit slip, and count sheets should be given to the bookkeeper.
10. Since the majority of money counters are not experienced in this field, errors in the count are inevitable. Recording bank deposits and corrections on the parish records can therefore become confusing. The preferred procedure is to record as a deposit the amount from the original offertory counters' worksheet. If the bank at a later date issues a correction, that item should also be entered, as either a debit or as a credit, to the cash account by a journal entry. The journal entry should be printed, and deposit receipt attached.
11. At least two persons from the count team should take the deposit to the bank. If only one can take it, then a staff person may accompany the counter. Every bank has a night depository, so the deposit should be made by Monday evening at the latest. Some banks offer a courier service that will pick up the offertory collections and other deposits. Do not hold over late Sunday collections until the following weekend.
12. As soon as the empty parishioner envelopes are available, the dollar amounts should be recorded under each parishioner's record. The totals posted each week should balance to the actual counts recorded on the deposit. Balancing to the actual count is extremely important to verify the accuracy of both the deposit and the parishioner's records. The use of a computer parishioner envelope recording system such as ParishSoft Family Suite

is highly recommended.

13. As the offertory collections represent the main source of parish income, it is important that every effort has been made to safeguard these collections each and every week.
14. To assure accuracy, the parish secretary, bookkeeper, or parish accountant should reconcile count forms and bank deposit slips to bank statements monthly.
15. All offertory collections from envelopes (except approved special national collection envelopes) must be recorded as parish collections, no matter the purpose of the envelope, i.e. building and maintenance, school tuition assistance, Christmas flower donations.
16. Any additional parish envelopes must be approved in advance use by the Vicar General.

Restricted Contributions

Contributions received must be used for the intended purpose of the donor whether it is for a specific purpose or the general purpose of the parish. Restricted donations must be recorded as income and used for the intention given. Such donations may be accounted for in a separate liability account until the funds are used for the purpose intended. For example, to record cash when restricted donations are received,

Debit 110.110
Credit 230.xxx

and to recognized income when restricted donations are used

Debit 230.xxx
Credit 320.130.

School Tuition

1. The collection of school fees and tuition should go through the parish office. Cash and/or checks received at the school office should be forwarded to the parish office on a daily basis or deposited in the parish operating account.
2. It is mandated that parishes use an outside service such as “FACTS” to collect and record all student tuition and fees that are not paid at the beginning of the school year. This eliminates the task of money handling and record keeping. In addition, automatic withdrawal of tuition reduces the risk of having delinquent tuition.
3. Tuition and fees not collected by the end of each school year must be approved for write-off by the pastor and principal.

4. The principal must have direct relationship and control of all school societies (HASA, athletic associations, youth groups, etc.) Financial statements should be required on a quarterly basis from each of these groups to be submitted to the pastor and principal.
5. All school fundraising drives must go through the parish accounting system.
6. Pre-numbered receipts should be issued for all tuition proceeds paid with cash or check.
7. The preferred way of booking tuition and fees is the accrual method – when tuition and fees income is earned instead of received. The calculation of tuition and fees should be based on estimated student enrollment, taking into consideration the students per family and applying the scheduled rates to each family to arrive at total gross tuition income and gross registration fees. This calculation does not take into consideration tuition assistance (i.e. school choice voucher income, scholarship granting organization grants, financial aid), delinquent or non-collection of tuition and fees. It represents a 100% collection of all tuition and fees.

Tuition Assistance

A policy must be set up to grant tuition assistance to student families that request such aid. This policy should be tailored to the parish needs and ability to grant such aid. Parishes may follow Policy 5150 – Need-based application for assistance shall be based on need and considered by the parish after the applicant has submitted sufficient financial information. Parishes may use FACTS grant and aid assessment. A committee must be formed to grant the aid; financial aid grants should not be decided by one person.

The accounting for tuition assistance should be accomplished as follows: approved dollars will be credited to the student account by the following entries for each student.

Parish Schools

Debit 410.871 Tuition Allowance – Grade School

Credit 355.110 Tuition - Elementary

Consolidated Schools

Debit 510.871 Tuition Allowance – Grade School

Credit 355.110 Tuition – Elementary.

The other factor that needs to be considered in budgeting school expenses would be delinquent or uncollectible tuition. This can be estimated on past experience and budgeted in account # 355.210 (Allowance for Bad Debt.) Then, at the end of the school year, the following entry would be made to account for uncollected tuition.

Debit 355.210 Allowance for Bad Debt

Credit 355.110 Tuition – Elementary.

Parish Gift Shops and Thrift Stores

All sales, inventory, cost of goods, and expenses of a parish gift shop or thrift store must be accounted for on the financial statements of the parish. It is mandated that Bookstore Manager software is utilized for proper accounting of gift store inventory. Also, an annual physical inventory must be conducted annually with periodic inventory counts. Please contact the Diocesan Business Office for a list of proper controls and accounting procedures.

Indiana Sales Tax

According to Indiana Department of Revenue Information Bulletin #10 – Sales Tax, sales of tangible personal property by qualified nonprofit organizations carried on for a total of not more than 30 days in a calendar year and engaged in as a fundraising activity to raise funds to further the qualified nonprofit purposes of the organization are exempt from sales tax. The 30-day rule applies to all such sales by the nonprofit organization.

If an organization conducts sales or fundraising activities for 31 or more days (not necessarily consecutive) in a calendar year, the organization is a retail merchant and must collect sales tax on all sales made during the calendar year. All organizations required to collect sales tax must register with the Department of Revenue and get a Retail Merchant Certificate. They also must register as nonprofit organizations. A single application (Form BT-1) is used to register with the Indiana Department of Revenue for sales tax, innkeepers' tax, and food and beverage tax. A separate application is required for each business location. The nonrefundable application fee for a Retail Merchant's Certificate is \$25. Form BT-1 can be completed online at <https://secure.in.gov/apps/dor/bt1/>.

To record the receipt of sales tax:

Debit 110 – xxx Cash In Bank
Credit 240 – 120 State Sales Tax

To record the disbursement of sales tax:

Debit 240 – 120 State Sales Tax
Credit 110 – xxx Cash in Bank.

However, when the nonprofit organization sells items, such as periodicals, books, or other property, that are intended primarily to further the educational, cultural, or religious purposes of the organization or for the improvement of the work skills or professional qualifications of the organization's members, and the sales are not used in carrying out a private or proprietary business, the 30-day restriction does not apply and the items may be sold exempt throughout the year.

Cafeteria

Cafeterias must follow the same controls as other parish accounts. Although a separate bank account is allowed for deposits and disbursements related to the cafeteria or lunch programs, revenue and expenses should be recorded on the parish ledger. Check signers include the pastor, parochial vicar, or finance council member.

All deposits should be made intact and expenses should follow normal disbursement policies. Payroll for cafeteria staff should be reimbursed from the cafeteria bank account to the parish operating account on a timely basis. Any state government program monies received in the parish operating account for free and reduced lunches should be transferred to the cafeteria account when received.

Duties should be segregated as much as possible, including deposits of lunch monies, preparation of checks, accounting for income and expenses, and reconciliation of bank statement.

Fundraisers/Charity Gaming

Fundraising events (bazaars, carnivals, festivals, auctions, etc.) serve at least two important purposes beside the obvious one of raising needed money for Parish ministries. First, they highlight the specific mission, importance, and needs of the organization which is raising the funds. Second, they help to build community within the Parish and enthusiasm for its ministries.

Proper internal control procedures help prevent, detect, and at least significantly reduce chances of the occurrence of “hidden” risks involved that could, if not addressed, have serious consequences.

Recommended Procedures to Minimize Risk

1. Ensure that start-up money for events is tracked and returned. Checks should not be written to cash for this purpose. They should be made payable to the individual who is custodian for the event, cashed by this individual, utilized at the event, and then separately accounted for, so 100% of start-up funds are redeposited.
2. For bazaars, carnivals, and similar events, tickets can be utilized rather than accepting cash at event booths to minimize risk for loss of funds.
3. Two unrelated individuals should be present with cash at all times from collection through deposit. Take measures to ensure persons involved in cash handling do not have the ability to remove cash from cash handling areas.
4. A count team of at least 3 unrelated individuals should be responsible for counting the funds. (Use the same procedures utilized for offertory collection count and deposit.) Signed count sheets should be maintained which agree with deposits made to the bank.

5. Amounts should be deposited as soon as possible after the event. A copy of the deposit receipt should be forwarded to the bookkeeper/business manager. Any amounts not deposited will be kept in a secure, fireproof safe.
6. Event coordinators should maintain lists of event participants and lists of fundraising expenses supported by invoices and receipts. All disbursements should be paid through normal check writing routines. Cash should not be used for any disbursements.
7. The event chairperson should prepare a detailed summary of receipts and disbursements.

Charity Gaming

Gambling is illegal in Indiana unless it is conducted by "qualified organizations", i.e., churches, schools, and other organizations listed in the law. Qualified organizations may engage in certain types of gambling as a fund-raising activity but only for the lawful purposes of the organization and only in the county where the organization is located. The Indiana Gaming Commission (IGC) is vested with the authority to enforce compliance with the charity gaming laws. Certain charity gaming laws were repealed, revised, and/or added under IC art. 4-32.3 effective July 1, 2019.

Bona fide games of skill whereby one can control the results or enhance their abilities through training are not considered charity gaming. This includes memory games, trivia night, sporting events, golf, scrabble, etc. Charity gaming, on the other hand, includes games of chance such as raffles, pull tabs, bingo, cards, dice, etc. and is subject to the charity gaming laws.

1. Once the parish has determined that it will conduct a charity gaming event, it must be registered as a qualified organization with the State of Indiana. Any proper licenses required by the IGC must be obtained in the timeframe set by the State.
2. IC 4-32.3-4-3 increased the threshold for exempt events as follows:
 - Exempt events only require qualified organizations to file with the IGC a notice 14 days in advance of the event,
 - Allows events with prizes up to \$7,500 annually to be exempt from licensure,
 - \$2,500 payout limit per event.
3. A separate bank account for charity gaming is required by the Indiana Gaming Commission. The bank account is subject to the same internal controls as the parish operating account. All net proceeds from an allowable event and related activities may be used only for the lawful purpose of the qualified organization. Expenses that are not allowed are: salaries, taxes (employee federal, state or county withholding taxes, sales taxes), and alcohol. A detailed list of allowable expenses is available on pages 28-30 of the Policy Handbook.
4. Per the IGC - in regard to allowable gaming expenditures, there are no transfers of money into or out of the segregated charity gaming account, including transferring funds from one bank account (charity gaming) to another (parish operating). Only gaming proceeds

go in the charity gaming account and can only come back out by check for an allowable expenditure or allowable donation. It should be noted that the parish cannot donate to itself as an entity.

5. The parish must file the required financial form for the event with the Indiana Gaming Commission by any due dates established by the Indiana Gaming Commission.
6. Visit the Charity Gaming Division's website <https://www.in.gov/igc/2339.htm> for updates, announcements, educational materials, and to subscribe for email updates. Contact us at CharityGaming@igc.in.gov or (317) 232-4646.

POLICIES for tax filings for gambling winnings

If a parish pays the winner or winners of a game more than a certain amount, it must report the amount and information about the winners to the IRS. The threshold amount at which winnings become reportable depends on the type of game involved.

Unless the winnings are from poker, keno, bingo or slot machines, a payment of winnings must be reported when the amount paid is:

- \$600 or more, and
- At least 300 times the amount of the wager.

This would include raffles and pull-tabs. In determining whether the \$600 threshold is met, the winnings may be reduced by the amount of the wager. In other words, if the payment was \$600, but the raffle ticket cost \$5, the \$595 would not have to be reported.

Winnings from a bingo game that are \$1,200 or more before deducting the amount of the wager must be reported. (There are also thresholds for slot machines, keno, and poker tournaments.) Each time the parish pays reportable winnings, it must complete a Form W-2G, Certain Gambling Winnings, to report those winnings to the IRS and to the person receiving the winnings (the payee). The Form W-2G should list the payer as the Diocese of Fort Wayne-South Bend, 915 South Clinton St., Fort Wayne, IN 46802, with tax identification number of 35-0876373. The payee should provide the parish with his or her name, address and Social Security number on Form W-9, and the parish should verify the information from the person's driver's license, Social Security card, voter registration card or other proper identification. Distribution of the prize winnings should not be made until the required forms are received from the recipient. The recipient receives copies B, C and 2 of Form W-2G.

Multiple Winners: When the payee is one of a group of two or more winners, or is not the actual winner, he or she must complete and sign a Form 5754, Statement by Person(s) Receiving Gambling Winnings, and give it to the parish. A separate Form W-2G is to be prepared for each winner listed in Part II of Form 5754.

Regular Income Tax Withholding. Income tax must be withheld from a payment of winnings when the proceeds from the wager are more than \$5,000.

The “proceeds from a wager” are the difference between the amount of the winnings and the amount of the wager. Tax must be withheld from the cash winnings at a rate of 24 percent. The amount subject to withholding is the entire amount, not just on that portion greater than \$5,000.

Example: Your parish/school conducts a raffle, and Mr. L purchases a \$1 ticket. At the drawing, Mr. L wins \$6,000. Because the proceeds from the wager are more than \$5,000 (\$6,000 prize minus \$1 ticket), you must withhold \$1,440 ($\$5,999 \times .24$) from the winnings.

A non-cash prize, such as a car, with a fair market value exceeding \$5,000 after deducting the amount of the wager is also subject to withholding. The tax is computed and paid under either of the following two methods:

- The winner pays the withholding tax to the parish/school (preferred method). In this case, the withholding amount is 24 percent of the fair market value of the non-cash item less the amount of the wager, or
- The parish/school pays the withholding tax for the winner. In this case, the withholding amount is 31.58 percent of the fair market value of the non-cash item less the amount of the wager. (The withholding percentage in this case is higher, because the winner gets not only the value of the prize but also the value of having the taxes paid by the parish/school.)

Backup Withholding The parish may be required to withhold 24 percent of gambling winnings (including winnings from bingo, keno, slot machines and poker tournaments) for federal income tax. This is referred to as backup withholding, and applies when:

- The winner of reportable winnings does not furnish a correct social security number or TIN;
- Regular gambling withholding was not withheld (currently 24%); and
- The winnings are at least \$600 and at least 300 times the wager (or the winnings are at least \$1,200 from bingo).

Example: Mr. B wins \$1,200 at the raffle and refuses to give you his taxpayer identification number. Because winnings of \$600 or more from a raffle are reportable winnings, you must report the winnings on Form W-2G. Raffle winnings of \$5,000 or less are not subject to regular withholding at the 24 percent rate, but because Mr. B refuses to give you his taxpayer identification number so that you can properly complete the Form W-2G, you must backup withhold \$288 ($\$1,200 \times .24$). If you mistakenly pay Mr. B the entire \$1,200, you will be responsible for paying the backup withholding amount of \$288.

The above-mentioned paperwork (Form W-2G excluding Copies B, C, and 2, Form W-9, and Form 5754, if required) along with a check made payable to the Diocese of Fort Wayne-South Bend for any withholding tax money should be sent to the Diocesan Business Office as soon as

possible after the gaming event. The Diocese will file the necessary forms with the IRS and submit all withholding taxes.

PROCEDURES for tax filings for gambling winnings

The INTERNAL REVENUE SERVICE mandates that Form W-2G must be filed for each person to whom is paid \$600.00 or more in gambling winnings.

Below is a summary of the necessary steps every parish/school must follow regarding any distribution of gambling winnings of \$600.00 or more:

1. A Form W-2G with the Diocese of Fort Wayne-South Bend listed as the payer (see below) must be filled out by the parish/school and signed by the recipient as the monies are distributed. The recipient receives Copy B, Copy C and Copy 2.

Payer: Diocese of Fort Wayne-South Bend
915 South Clinton St
Fort Wayne, IN 46802
35-0876373

2. A Form W-9 must be filled out and signed by the individual who is both the winner and payee as the monies are distributed. The form is kept for Diocesan records.
3. When the payee is one of a group of two or more winners, or is not the actual winner, he or she must complete and sign a Form 5754, Statement by Person(s) Receiving Gambling Winnings, and give it to you. A separate Form W-2G is to be prepared for each winner listed in Part II of Form 5754.
4. If an individual were to win cash more than \$5,000.00, then Federal Income Tax must be withheld at a rate of 24 percent.
5. For a noncash prize, the winner pays the withholding tax to the parish/school (preferred method) or the parish/school can pay withholding tax for the winner from its funds.
6. If an individual were to win \$600.00 or more and not submit his/her social security number, then the parish must backup withhold Federal Income Tax at a rate of 24 percent.
7. The above-mentioned paperwork (Form W-2G excluding Copies B, C, and 2, Form W-9, and Form 5754, if required) must be sent along with a check made payable to the Diocese of Fort Wayne-South Bend for any withholding tax money to the Diocesan Business Office as soon as possible after the gaming event. The Diocese will file the necessary forms with the IRS and submit all withholding taxes.

INDIANA GAMING COMMISSION - CHARITY GAMING DIVISION

(Last updated June 2021)

ALLOWABLE EXPENSES

Indiana Code 4-32.3-5-3(a) states that all net proceeds from an allowable event may be used only for the *lawful purposes* of the qualified organization. For most organizations, guidance regarding your lawful purpose can be identified by reviewing your bylaws. Below is a list of example items that may be paid for directly out of the separate and segregated charity gaming account. Your specific lawful purpose may encompass other compliant expenditures.

Additionally, Indiana Code 4-32.3-5-4(a) provides that a qualified organization that receives at least ninety percent (90%) of the organization's total gross receipts from any activity under this article must donate sixty percent (60%) of its gross charitable gaming receipts less prize payout to a qualified recipient that is not an affiliate, a parent, or a subsidiary organization of the qualified organization.

Indiana charitable gaming regulations require that organizations maintain accurate records of their charitable gaming income and expenditures. To that end, organizations must retain receipts or invoices that correspond to each expenditure made from its gaming proceeds.

Finally, it is advisable to seek input from the Internal Revenue Service (IRS) and the Indiana Department of Revenue (IDOR) to ensure there are no unintended consequences when it comes to compliance with tax laws and/or jeopardizing nonprofit status.

The following list provides the common examples of expenses which are allowed to be paid out of the charity gaming account. As noted above, your lawful purpose may provide/allow other expenditures.

- Donations of money or items to nonprofit organizations
- Donations of money or items to individuals or families as outlined in the Commission's March 23, 2020, memorandum, [Use of Charity Gaming Funds to Support Needy Individuals and Families](#)
- Mortgage/Rent Payments
- Property Tax
- Insurance (premises or general liability) on building where organization is located and/or where the organization conducts gaming
- Utilities - Electric, Water, Gas, Telephone, Internet, Cable

- Building and property maintenance
- Repairs, maintenance, or improvements on owned real property of the qualified organization and used for the organization's lawful purposes
- Computers and computer systems, and any required maintenance
- Janitorial services - must not be an employer-employee relationship
- Travel and lodging by specific members, only if required by the organization's constitution or bylaws to attend such meetings

Reasonable and Necessary Charitable Gaming Expenses

In addition to the gaming-related expenses permitted under IC 4-32.3-5-3(b), qualified organizations may use gaming proceeds for reasonable and necessary expenses related to the conduct of allowable gaming activities. Below is a list of items that may be paid for directly out of the separate and segregated charity gaming account. Receipts or invoices must be maintained for each expenditure.

Note: Charity Gaming regulations prohibit qualified organizations from entering into formal or informal agreements related to an allowable activity with persons affiliated with the organization. Such affiliations include, but are not limited to, members, officers, directors, or members of their family.

- Attorneys retained for the organization's creation or for charity gaming related issues
- Charity Gaming Prizes - including liquor, beer, or wine to be awarded at a charity gaming event. Organizations must comply with the requirements of IC 7.1-3-6.1 pertaining to any alcoholic beverage awarded as prize in a charitable gaming activity.
- CPA/Accounting or tax services - specific to charity gaming related issues
- Charity gaming equipment, supplies and devices, to include licensed supply (i.e., bingo supplies and equipment, pull tab games, raffle boards, sports-themed tip boards, prize wheels, etc.) and non-licensed supply (i.e., raffle tickets, cards, chips, etc.)
- Charity gaming license fees
- Charity gaming specific printing, such as newspaper postings, advertisements, or flyers
- Monthly Tax Return for Wagers, Federal Form 730
- Occupational Tax and Registration Return for Wagering, Federal Form 11-C
- Security systems and monitoring. An organization may employ not more than three (3) nonmember Indiana law enforcement officers or private detectives properly licensed in Indiana to perform

security services during an allowable event. An organization may not use more than three (3) security personnel unless the organization has prior written approval of the executive director or the executive director's designee.

Expenses Not Allowed

- Employee wages/salaries/benefits/insurance
- Taxes - employee federal, state or county withholding taxes, sales tax, etc.
- Alcoholic Beverage Taxes or Fees.
- Purchases of alcohol, beer, or wine for any purpose other than to be awarded as a prize in a licensed or approved charity gaming activity.
- Expenses that are not reasonable and necessary charitable gaming expenses, or that do not support the organization's lawful purposes as stated in its constitution, articles, charter, or bylaws (e.g., bands or entertainment in the bar area, food items for restaurant operation).

Contribution Reporting Requirements

It is mandated that calendar year-end contribution statements be sent to all donors who contribute during the year. This annual contribution report not only provides support for any federal income tax charitable contributions but also serves as a means for the internal accounting controls checks and balance system. A donor who claims their contribution statement is incorrect may be identifying a weakness in the parish's internal controls.

The Internal Revenue Code requires that all cash contributions, regardless of amount, be substantiated by either a bank record (such as a cancelled check) or a written communication from the charitable organization showing the name, date and the amount of the contribution.

- Under Section 170(f)(17) of the Internal Revenue Code, “no deduction shall be allowed under subsection (a) for any contribution of a cash, check, or other monetary gift unless the donor maintains as a record of such contribution a bank record or a written communication from the donee showing the name of the donee organization, the date of the contribution, and the amount of the contribution.” Thus, a record should be maintained for each donor showing the date and amount of each contribution.
- Under Section 170(f)(8), “no deduction shall be allowed under subsection (a) for any contribution of \$250 or more unless the taxpayer substantiates the contribution by a contemporaneous written acknowledgment of the contribution by the donee organization that ...includes the following information:
 - (i) The amount of cash and a description (but not value) of any property other than cash contributed.
 - (ii) Whether the donee organization provided any goods or services in consideration, in whole or in part, for any property described in clause (i).
 - (iii) A description and good faith estimate of the value of any goods or services referred to in clause (ii) or, if such goods or services consist solely of intangible religious benefits, a statement to that effect.

For purposes of this subparagraph, the term “intangible religious benefit” means any intangible religious benefit which is provided by an organization organized exclusively for religious purposes and which generally is not sold in a commercial transaction outside the donative context.”

“... an acknowledgment shall be considered to be contemporaneous if the taxpayer obtains the acknowledgment on or before the earlier of—

- (i) the date on which the taxpayer files a return for the taxable year in which the contribution was made, or
- (ii) the due date (including extensions) for filing such return.”

- Pursuant to the Internal Revenue Service Publication 1771, *Charitable Contributions—Substantiation and Disclosure Requirements*, such acknowledgements must include at least the following information:
 - Must be written.
 - Must include the name of the donee organization.
 - Must include the cash amount.
 - Must include the name of donor.
 - Must include the date on which the charity sent the acknowledgment.
 - Must indicate whether or not the donor received any goods or services from the charitable organization.
 - Description of good faith estimate of the values of any goods and services other than intangible religious benefits.
 - A description and good faith estimate of the value of any donated goods or services or, if such goods or services consisted solely of intangible religious benefits, a statement to that effect.
 - If no goods or services of value were provided, the statement sent to donors must include the following:

“In accordance with IRS regulations, (parish name) Catholic Church has not provided in whole or part, any goods or services to the above named donor in exchange for this gift.”
 - Must be received by donor prior to filing his/her income tax return.

Calendar year-end contribution statements must be sent to all donors who contributed during the year. These statements should be mailed by January 31 for the previous year’s contributions.

IRS Topic Number 506 – *“One document from the qualified organization may satisfy both the written communication requirement for monetary gifts and the contemporaneous written acknowledgement requirement for all contributions of \$250 or more.”* Therefore, one contribution statement combining the requirement for both a tax receipt under Section 170(f)(17) and a contemporaneous written acknowledgement under Section 170(f)(8) is acceptable.

- Separate contributions should not be combined to figure the “\$250 or more”. For example, if donor gives \$25 to his/her parish each week, the weekly payments should not

be combined. Each payment is a separate contribution.

- The Internal Revenue Code requires that when a donor receives goods or services in exchange for a contribution in excess of \$75 and receives goods or services in return, a statement should be issued to the donor describing what portion of the donation represents consideration for goods or services. If the goods or services are intangible religious benefits, token benefits or not distributed at the donor's request or consent, the donation is fully deductible.
- For any noncash donations, such as marketable securities, the parish must provide the same type of receipt and contribution letter except should not include a value for the noncash gift since determining the fair market value of a noncash gift is the responsibility of the donor. If the gift was a vehicle valued at more than \$500, the parish must issue IRS Form 1098-C.
- The IRA Charitable Rollover allows donors 70 ½ or older to transfer funds up to \$100,000 annually from an IRA to a public charity without first having to recognize the distribution as income. The IRS requires specific language to be used in the written contemporaneous acknowledgement.

Sample tax letter for cash gift of \$250 or more

January 15, 2021

Mr. and Mrs. (donor)
(Address)
(City, State, Zip)

Dear Mr. and Mrs. (donor):

Thank you for your generous cash gift of \$1,000.00 to St. John the Baptist Catholic Church. Your gift was donated on November 27, 2020.

Beyond intangible religious benefits, St. John the Baptist Catholic Church did not provide goods or services in exchange for your generous gift. Therefore, under Internal Revenue Service guidelines, your contribution is fully deductible to the extent allowed by law.

Should you have any questions about your cash gift transaction or how we have allocated your generous gift, please contact me at your convenience. Thank you again, and may God bless you for your generosity and give you peace.

Sincerely,

Father Andrew Budzinski
Pastor

Sample tax letter for stock gifts

January 30, 2021

Mr. and Mrs. (donor)
(Address)
(City, State, Zip)

Dear Mr. and Mrs. (donor):

Thank you for your generous gift of 6 shares of Home Depot, Inc. common stock to St. Mary of the Assumption Catholic Church. Your gift was donated on November 27, 2020. Per your request, this donation has been allocated as follows:

St. Joseph Catholic School, Decatur.

Beyond intangible religious benefits, St. Mary of the Assumption Catholic Church did not provide goods or services in exchange for your generous gift. Therefore, under Internal Revenue Service guidelines, your contribution is fully deductible to the extent allowed by law.

Should you have any questions about your stock gift transaction or how we have allocated your generous gift, please contact me at your convenience. Thank you again, and may God bless you for your generosity and give you peace.

Sincerely,

Father Dave Ruppert
Pastor

Sample tax letter for IRA charitable rollover

January 30, 2021

Mr. and Mrs. (donor)
(Address)
(City, State, Zip)

Dear Mr. and Mrs. (donor):

Thank you for your IRA charitable rollover gift of \$1,000.00 on November 27, 2020 transferred from your IRA custodian to St. Stanislaus Kostka Catholic Church.

This letter is to acknowledge that St. Stanislaus Kostka Catholic Church received your gift and that it is your intention that your gift comply with Sec. 408(d)(8) of the Internal Revenue Code as a qualified charitable distribution. In that connection, we warrant to you that St. Stanislaus Kostka Catholic Church is a qualified public charity under section 170(b)(1)(A) of the Internal Revenue Code and that your gift was not transferred to either a donor-advised fund or a supporting organization as described in section 509(a)(3). We further warrant that no goods or services of any value were or will be transferred to you in connection with this gift other than intangible religious benefits.

This accounting of your stewardship of treasure has been carefully prepared. Please retain this letter with your important tax documents and provide a copy to your tax preparer. If you have any questions, please contact us, and we will be pleased to help you.

Sincerely,

Father Robert Garrow
Pastor

Non-Deductible Donations

Following is a list of contributions which are not tax deductible. Please keep in mind that this is not an exhaustive listing. It is important to keep in mind that any donation for which a contributor receives a benefit is generally not deductible. Additionally, any donation that is restricted by the donor for an individual person(s) or for a purpose that is not charitable in nature is also not deductible. Again, the ultimate responsibility of tax deductibility rests with the taxpayer. However, a parish must not acknowledge a gift that is known to be non-deductible.

- **School Tuition/Fees** – By definition of law, a parish-set amount of school tuition and fees which are expected from school families may not be reported as a tax deductible gift. Additionally, a donor may not deduct a contribution that is restricted for school tuition for a particular student or family.
- **Raffle Tickets** – The purchase of raffle tickets, games of chance, etc. are not tax deductible. Therefore, terms such as “donations” or “gifts” are to be avoided in all material and information pertaining to the sale of such items.
- **Donor-Advised Funds** – The donor does not receive an income tax charitable deduction when a grant is made from the donor-advised fund since the donor received a charitable deduction when the gift was made to their donor-advised fund. Thus, acknowledgement should be different than the gift receipt customarily issued for outright gifts and should clearly state that the gift was a grant from a donor-advised fund.

Vehicle Donations

Before a parish accepts a vehicle as a gift, consider from three options what the parish may do with the vehicle. They are as follows:

1. Sell the vehicle,

2. Keep the vehicle,

- If the donor wants the donation to qualify for a tax deduction, the parish must recognize the significant intervening use of the vehicle. This means that the parish must actually use the vehicle to substantially further its regularly conducted activities, and the use must be considerable. A statement certifying that the charity intends to make a significant intervening use of the vehicle, a detailed description of the intended use, the duration of that use, and a certification that the vehicle will not be sold before completion of the use must be included on the contemporaneous written acknowledgment.

3. Gift the vehicle,

- If the donor wants the donation to qualify for a tax deduction, the donor is not allowed to designate the individual who will receive the car. The action of gifting the vehicle must be in direct furtherance of the parish's charitable purpose such as "relieving the poor and distressed or the underprivileged" since this would be recognized in the Catechism of the Catholic Church, "Love for the Poor".

Step 1: Obtain the VIN, year, make, and model of the vehicle, in order to fill out the Bill of Sale. If the vehicle is going to be sold, the vehicle still needs to be titled to the parish or Diocese of Fort Wayne-South Bend for the donor to receive any tax benefit. If the vehicle is going to be sold, please skip to Step 3.

Step 2: Confirm the use of the vehicle use by the organization and if the vehicle is operable and in good working order. Since the vehicle is not being sold and if the donor has made a special request on how the vehicle is to be used, the donor's intent must be fulfilled.

Step 3: Coordinate a drop off of the vehicle with the donor and fill out the following paperwork.

The parish will need to do the following:

- Bill of Sale – Fill in the VIN, year, make, model of the vehicle. The "Purchase Price" is "Gift". The "Date of Sale" is the date of the donation of the vehicle. The "Purchaser Name" will be the Diocese of Fort Wayne-South Bend with your Diocese's address. The "Signature of Purchaser" will be signed by the Diocesan CFO, then print and date.

The donor will need to do the following:

- Bill of Sale - Sign, print, and date
- Certificate of Title for a Vehicle – On the back of the title, the donor needs to fill in the odometer reading for the time of donation, under "Seller Information", sign where it says,

“Signature of Seller”; print where it says, “Printed Name of Seller”; date it on gift date and selling price is Gift.

Step 4: Insurance on the vehicle is needed if the intent is to keep it, unless you are immediately selling the vehicle; otherwise, there is no coverage should something happen between accepting and selling. The Diocesan Business Office can assist with obtaining the insurance through the Diocese.

Step 5: After receiving the vehicle title; the parish needs to make copies, and then take the title to the BMV or send to the Diocese for processing for a new title.

Step 6: Sell the vehicle

Step 7: Provide the donor a vehicle donation receipt or contemporaneous written acknowledgment.

Step 8: If the deduction the donor is claiming for the donated vehicle is greater than \$500, IRS Form 1098-C is required to be prepared and filed by the charity with certain copies to the donor. The Diocesan Business Office can assist with the preparation and filing.

Section A of Form 8283 must be signed by the charity in Part IV of the form; the donor would complete the form and provide for signature.

Forms Needed

In order to ensure that you upload the most current forms from the Bureau of Motor Vehicles, the forms needed can be found at <https://www.in.gov/bmv/2488.htm>

- A. Bill of Sale: Title Forms, Buying or Selling a Vehicle, Bill of Sale – State Form 44237
- B. Application for Certificate of Title for a Vehicle: Title Forms, Buying or Selling a Vehicle, Application for Certificate of Title for a Vehicle – State Form 205
- C. Documentation of nonprofit status, proof of organization address

Also obtain the Donor's SSN# and address.

<https://www.irs.gov/pub/irs-tege/pub4303.pdf>

<https://www.irs.gov/pub/irs-pdf/p4303.pdf>

Before visiting the BMV

Items to obtain from the donor:

1. Title
- signed and dated on the back by donor

- signed and dated on the back by donee
- Odometer reading as appears when car is received
- Front filed out with parish/Diocese name (as appears on non-profit status paperwork- NP20)

2. Bill of Sale

- purchase amount should be gift
- completely filled out

Items to take to BMV to get title transferred:

1. Title - completely filled out as above.
2. Bill of Sale (typically do not need this but would if something on the title is missing).
3. State of Indiana Department of Revenue page stating the organization is a non-profit and **has to have the Federal ID Number on it.**
4. Form NP-20 (form is needed if organization does not already have a vehicle in its name. This is used to create a new account).
5. Two proofs of address for the organization (needs to match the address on the NP-20 and non-profit status page).
6. Proof that person taking the information to the BMV works at the organization, i.e., a business card, and their driver's license (because they are the one making the transfer and signing for the organization for the title).
8. Form of payment to pay for title transfer fee.

Sample tax letter for vehicle donations

June 16, 2021

Mr. and Mrs. (donor)
(Address)
(City, State, Zip)

Dear Mr. and Mrs. (donor):

Thank you for your generous gift of a 2007 Acura TSX with VIN JH4CL96927C003794 to the Diocese of Fort Wayne-South Bend, donated on June 15, 2021.

The Diocese certifies that it intends to make a significant intervening use of the donated vehicle. The intended use is for a parish priest to drive the vehicle every day in order to substantially further the regularly conducted activities of the parish. Examples of such include travel between parishes, travel for ministry/pastoral duties, travel to visit the sick / nursing homes / imprisoned, travel for home blessings, travel to funeral homes and cemeteries for burials, travel for Diocesan meetings or conferences, etc.

The Diocese is required to file Form 1098-C, Copy A, Contributions of Motor Vehicles, Boats, and Airplanes, with the Internal Revenue Service. Copy B is enclosed for your use to attach to your 2021 federal income tax return and Copy C is enclosed for your records.

Beyond intangible religious benefits, the Diocese of Fort Wayne-South Bend did not provide goods or services in exchange for your gift. Therefore, under Internal Revenue Service guidelines, your contribution is fully deductible to the extent allowed by law.

Should you have any questions about your vehicle donation, please contact me at your convenience. Thank you again, and may God bless you for your generosity and give you peace.

Sincerely yours in Christ,

Joseph G. Ryan
Chief Financial Officer

Mass Stipends

Mass Stipend Definition

There is an age-old custom in the Church in which people ask priests to offer a Mass for them. As part of ancient custom, people are expected to make an offering. This is entirely fitting because the Mass is Christ offering Himself for our salvation. It is appropriate to make a small offering that goes to the priest himself. In earlier times, farmers would offer something from their crops. More recently, it would be a small offering of a few dollars. This is not a purchase of the Mass, since the Mass is infinite, but it is a sign that people wish to give something of themselves when they ask a priest to offer the Holy Eucharist for their intentions.

Mass Stipends and Canon Law

Can. 952 §1. It is for the provincial council or a meeting of the bishops of the province to define by decree for the entire province the offering to be given for the celebration and application of Mass, and a priest is not permitted to seek a larger sum. Nevertheless, he is permitted to accept for the application of a Mass a voluntary offering which is larger or even smaller than the one defined.

The usual amount for a Mass stipend is not set by the diocese or the individual priest, but by a vote of the Bishops of the Province. As of July 1, 2007, in the Indiana Province, the ordinary offering is \$10.00. However, when asked to offer a Mass, priests are to accept whatever offering is given.

Can. 953 No one is permitted to accept more offerings for Masses to be applied by himself than he can satisfy within a year.

Parishes should have on hand, at any time, only a one year supply of Masses at most.

Can. 954 If in certain churches or oratories more Masses are asked to be celebrated than can be celebrated there, it is permitted for them to be celebrated elsewhere unless the donors have expressly indicated a contrary intention.

All additional stipends should be sent elsewhere to be offered unless the donor specifically requests that the Mass(es) be celebrated at a specific church. Excess Mass stipends can be sent to the Chancellor's Office where they are distributed to retired priests or to priests in parishes that do not have a sufficient supply of Mass stipends. They may also be given to missionary priests where the need is great.

Can. 951§1. A priest who celebrates several Masses on the same day can apply each to the intention for which the offering was given, but subject to the rule that, except on Christmas, he is to keep the offering for only one Mass and transfer the others to the purposes prescribed by the ordinary, while allowing for some recompense by reason of an extrinsic title.

§2. A priest who concelebrates a second Mass on the same day cannot accept an offering for it under any title.

A priest can only keep a stipend for one Mass per day. Any stipends that are received for Masses offered over and above that one day are to be sent to the Chancellor's Office to help fund continuing education programs for priests serving in our diocese.

Can. 954§1. After a pastor has taken possession of his parish, he is obliged to apply a Mass for the people entrusted to him on each Sunday and holy day of obligation in his diocese.

Pastors are obliged to offer a "**pro populo**" Mass each Sunday and Holy Day of Obligation. Especially in larger parishes these Masses may not always be offered by the pastor, but by a parochial vicar or a priest who is taking the pastor's place when he is away from the parish. According to Church law, if the pastor does not offer the Mass himself, it is the pastor's obligation to give a \$10.00 stipend from his personal funds to the priest who offers the Mass. If the pastor offers a second Mass on a Sunday or Holy Day, he can keep the stipend for the second Mass, as obviously there is not a stipend for the "**pro populo**" Mass. If a pastor offers a third Mass on Sunday, the stipend for the third Mass is to be sent to the Chancellor's office (as usual with other bination stipends).

Can. 958§1. The pastor and the rector of a church or other pious place which regularly receives offerings for Masses are to have a special book in which they note accurately the number of Masses to be celebrated, the intention, the offering given, and their celebration.

§2. The ordinary is obliged to examine these books each year either personally or through others.

The pastor is to have a special book to use as a Mass stipend journal which is subject to examination during the parish audit or any time the bishop requests.

Can. 948 Separate Masses are to be applied for the intentions of those for whom a single offering, although small, has been given and accepted.

No groupings of Mass intentions are allowed, such as offerings given for Masses for the intentions of those members of the Purgatorial Society in addition to collective intentions for All Souls Day, Father's Day Masses, or Mother's Day Masses for which individual offerings have been given. Excess monies collected from memorial Masses such as All Souls Day should be recorded as unrestricted contributions.

Accounting for Mass Stipends

1. All Mass stipend money should be kept in a separate checking account. These monies should not be mingled with parish accounts or a personal account of the priest.

2. Proper records should be kept. This would include: listing when Masses were requested, the number, the amount given for the Masses, when they were offered or were sent out to be offered elsewhere.
3. Any excess funds left in the Mass stipend account of a parish, which are not committed to specific requested intentions, are to be forwarded to the Office of the Chancellor, to be given to fund the continuing education of priests.
4. Mass stipend checks should be deposited at least once a week. The Mass stipend bank statement and the check register should be reconciled monthly.

Payment of Mass Stipends

1. Stipends to priests should be paid timely by check and never cash. Mass stipends are subject to federal and state income tax as well as self-employment tax by the priest.
2. For a visiting priest (not associated with a parish) celebrating Mass, the stipend should be paid to the visiting priest who fulfills the Mass stipend intention. If the total of all Mass stipends and fees paid to the visiting priest for the calendar year total \$600.00 or more, a Form 1099-NEC should be filed for the visiting priest.

Cash Disbursements

Vendors

1. The pastor/administrator should designate only a limited number of individuals who are authorized to place orders and purchase supplies. Before authorizing the expense, the budget should be reviewed to ensure that the expense has been anticipated. Any exception or overage must be approved by the pastor.
2. Vendor invoices, with the exception of routine monthly billings (utilities, Diocesan billings, etc.) should be approved by the pastor or parochial vicar.
3. **All checks should be signed by the pastor or parochial vicar. If the pastor or parochial vicar is on vacation or any type of extended leave, then a member of the parish Finance Council may sign. Signature stamps are not allowed and should never be used to sign checks. No checks should be written to “cash.”**
4. **When signing checks, the signer should review the original invoice(s), receipts, or any other type of documentation attached to the check. A copy of the check register for those batch of checks should be given to the signer so as to account for a series of checks. Any unused or voided checks should be provided.**
5. Checks should always be used in sequence. Voided checks should be kept in order to account for all checks by number.
6. Under no circumstance are pre-signed blank checks left to be filled out by anyone allowed. Checks with a defined payee but no dollar amount are prohibited as well.
7. Because the parish has been granted tax-exempt status, it is exempt from paying state sales tax on purchases made by the parish. Therefore, the parish should make purchases as much as possible rather than individuals doing so and getting reimbursed. The purchase must be invoiced to the parish and directly paid via the parish’s funds. Vendors may request Form ST-105 to be completed and provided. Utility companies should not charge state sales tax to the parish for such utilities as gas, electric, water, phone, cable, etc. Parishes seeking a utility sales tax exemption should complete Indiana Form ST-109NPG and provide it directly to the utility. To claim a refund for Indiana sales tax paid on previous utilities, the parish must complete Form GA-110L, Claim for Refund.
8. For any services rendered by an independent contractor who is paid \$600.00 or more in a calendar year, Form 1099-NEC is required to be completed and filed. Before payment is made, the independent contractor must complete a Form W-9 and submit it to the parish. Form 1099-NEC must be issued to individuals and businesses (unless the business is a C corporation.) *Note: Beginning in 2020, Form 1099-NEC replaces Form 1099-MISC for reporting nonemployee compensation.*

Petty Cash

At times, it becomes necessary to pay for small emergency items, such as office supplies, stamps, gas for lawn mower, etc. with cash because it is not sensible to make the disbursement by check due to the inconvenience and costs of writing, signing, and then cashing the check.

Office petty cash funds should be used to pay for those small emergency items only. The dollar amount paid should be small, and receipts should be retained. The fund should be balanced, replenished, and recorded at least once each month. Suggested balances to keep in the fund would be at least \$100 but not more than \$500.

Limits for individual disbursements from the fund should be set, i.e. all expense disbursements in excess of \$25.00 will be paid through normal check procedures.

The petty cash fund will be established by issuing a check from the operating account payable to the custodian of the petty cash fund. The entry will be a debit to account 110.120 (Parish Petty Cash) or 110.130 (School Petty Cash). Upon cashing the check, the money should be kept in a lockable steel container.

If it is determined that the dollar fund is too small or too large, the amount can be increased by the same entry as above, or reduced by depositing the excess funds in the parish operating account and crediting the same petty cash accounts, 110.120 or 110.130.

The form "Petty Cash Summary" should be used to record each disbursement of cash. Receipts should be retained for evidence of disbursement. When petty cash becomes depleted or very low, the Petty Cash Summary Form should be completed and submitted to whomever is designated for approval and reimbursement.

Reimbursement involves writing another check, but this time the individual expenditures must be charged to the proper 6-digit account number listed on the Summary. Petty Cash accounts, 110.120 or 110.130, are not affected unless the total fund is increased or decreased.

At least once a month, the custodian of petty cash should complete the "Petty Cash Reconciliation" form by counting the currency, coin and pending disbursements. The total of these three items should equal the fixed amount of that Petty Cash fund. Variances should be resolved, and the fund reinstated to the original amount.

Petty cash should not be used for any parish financial assistance or benevolence.

Reimbursements

For all employees and volunteers to be reimbursed for expenses they have incurred for the parish/school, they must follow guidelines under an accountable reimbursement plan outlined in IRS Publication 463.. That means they must provide adequate substantiating documentation and have a business purpose for the expense. Proper documentation includes a receipt or invoice or

bill showing the date, amount, and description of the item(s) purchased. A credit card statement alone will not suffice. The business purpose must be indicated on the receipt or expense report. No employee or volunteer should be paid without proper documentation. If any advance payments are made, the employee or volunteer must submit proper documentation within 60 days after the expense was incurred. Any excess amounts received must be returned within 60 days after the expense was incurred. Failure to comply with submitting documentation will result in taxable income being included on the employee's Form W-2 or volunteer's Form 1099-NEC.

Requests for mileage reimbursements must contain the beginning and ending locations, number of miles for each individual trip, date, and purpose of the trip. Mileage is measured from place of employment to destination, not home to destination.

Requests for expense reimbursements including mileage should be made timely.

Clergy Allowances and Reimbursements

Priests' benefits are unique compared to that of lay persons. Some are as follows:

1. Food allowance. Meals provided to priests are an income tax-free benefit, under the following conditions:
 - a. The meals must be consumed on the parish premises.
 - b. The meals are for convenience of the parish, i.e., the priest is on call.
 - c. The meals are a required part of the priest's working conditions, i.e., he has no choice in residence location and is required to live in the assigned housing.

Meals that do not meet all three of the above requirements do not qualify as a tax-free benefit. In addition, any amounts paid in excess of the monthly amount allowed by the Diocese must be paid back to the parish by the priest.

2. Mass Stipends, Stole Fees, Honoraria

Mass Stipends, Stole Fees and Honoraria are considered by the IRS as payments for services rendered and, thus, represent earnings subject to both federal income tax and self-employment tax.

So-called "stole fees" that are given to a priest on the occasion of a baptism, wedding or funeral may be kept by the priest, unless the priest is given a check specifically made out to the parish name. In this case the gift should be given to the church and not be retained by the priest. Accepting these gifts (so called "stole fees") on the occasion of administration of a sacrament has been a longstanding tradition, and people want these gifts to go to the priest who celebrate the sacrament for them or their family. At the same time, there should not be a

feeling of an obligation on the part of the people coming to receive the sacraments that they must give a certain fee or set amount to a priest for the celebration of a baptism, wedding, funeral, or any other sacrament.

3. Cell phone, mileage, clergy medical, retreat/conference reimbursements

Amounts paid as reimbursement of expenses or business-related expenses are not taxable compensation to the recipient. **Documentation is important for such a determination.** Reimbursements for cell phone, mileage, clergy medical, and retreat/conference are made only when a properly completed expense report along with support documentation is provided to the parish. (Note: The cell phone bill is only required to be submitted once per year, not monthly.) Also, any amounts paid in excess of the monthly or annual amounts allowed by the Diocese must be paid back to the parish by the priest.

4. FICA reimbursement

The parish will reimburse the priests for the employer portion of FICA on their gross salary. This will be figured and billed by the Diocesan Payroll Department in March for the previous year. The FICA reimbursement for a priest who retires in a given year will be paid by the parish or institution where he worked for that year.

Gifts from parish funds on occasion of the departing of a priest from a parish

It has become known that on some occasions, monetary or other gifts from parish funds have been given to priests who are departing a parish because of transfer, retirement, or some other reason. Often these gifts have been given at the request of the parish staff or the parish finance council. However, this is an improper use of parish funds, and neither the parish staff nor even the parish finance council can authorize such gifts. The policy shall be that no such gifts are authorized. Certainly, if on the occasion of the departure of a priest from a parish the priest receives private gifts, monetary or otherwise, these are his to keep and to do with as he pleases.

Credit/Debit Cards

Parish credit and/or debit cards are not a preferred method of payment. Whenever possible the vendor should invoice the parish or school for purchases to limit the use of credit/debit cards. However, controls should be in place when using any credit/debit cards at the parish.

Quota

Can. 1263 After the diocesan bishop has heard the finance council and the presbyteral council, he has the right to impose a moderate tax for the needs of the diocese upon public juridic persons subject to his governance; this tax is to be proportionate to their income.

The *cathedraticum*, also known as the “quota,” is paid each year by diocesan parishes and now called “a tax for the needs of the diocese.”

The quota is calculated on all collections income at a rate of 6%. Certain income is excluded from the quota calculation including but not limited to the following:

- Capital campaign donations
- Will bequests and other estate gifts
- Tuition
- Grants
- ABA overgoal
- Specific donations
- Endowment fund contributions.

Donations from Parishes to Other Entities

As parishes throughout the diocese continue to implement stewardship, there is a greater awareness, on the part of pastors and people, of the responsibility to help others outside a parish’s own needs and responsibilities. This has led many parishes to “tithing” part of their income for other charitable causes. Guidance is given as parishes are encouraged to give part of their income to others.

1. There are needy parishes and Catholic schools within the Diocese of Fort Wayne-South Bend. Giving to a parish and/or school of this diocese must be the first priority when a parish considers donations to others. This is known as “twinning.” A check is written from the parish operating account to the Diocese. The Diocese then deposits the monies and cuts a check for the same amount to the twinning parish(es).
2. Some parishes in the diocese have for some time twinned with mission dioceses or parishes in other countries or in other parts of the United States. This is also encouraged as an additional level of giving.
3. As a third level of parish “tithing”, if a parish wishes to also give funds to others, a smaller portion of their “tithing” could then be given to other charities, such as charitable organizations of the Catholic Church or religious communities or orders.
4. No additional collections (other than those scheduled by the Diocese and the annual parish visiting Missionary Collection) shall be taken or additional donations given without approval in writing from the Bishop or Vicar General.

Benevolence Fund

Financial resources of the parish support not only the work of its ministries but also the needs of individuals in the community. However, it is important to exercise caution and impose strict

internal controls over the granting of such funds to help protect the parish against fraud of the generosity of the Church.

If there is an outreach program at the parish to pay expenses to assist individuals in need for day-to-day charity, the parish may purchase gift cards for local food and fuel in small dollar amounts (\$10, \$25, \$50). Security over these cards should be at the same level as controls over cash. It is highly recommended that individuals requesting a larger dollar amount or amounts for paying utilities, rent, etc. should be referred to an appropriate charitable agency such as St. Vincent de Paul Society for proper vetting or by a committee of the St. Vincent de Paul Society at the parish.

Expenses in need should be for emergency, short term needs. Benevolence payments should be made indirectly as much as possible, i.e., paying the landlord for rent or utility company instead of the individual directly. Payments toward an individual's asset such as mortgage or car payments should be avoided. Also, large or consistent payments toward one individual should be avoided.

Special Collections

Canon 1266 In all churches and oratories which are, in fact, habitually open to the Christian faithful, including those which belong to religious institutes, the local ordinary can order the taking up of a special collection for specific parochial, diocesan, national, or universal projects; this collection must be diligently sent afterwards to the diocesan curia.

Excerpts from *One Church, One Mission – Guidelines for Administering USCCB National Collections in Dioceses* by the Committee on National Collections

The Code of Canon Law directs the entire Church to support the Church's missionary work through annual diocesan financial contributions. Throughout the Church, the month of October is celebrated as Universal Mission Month, culminating in the celebration of World Mission Sunday. A World Mission Collection is taken up in the dioceses at that time to support the work of the Pontifical Mission Societies. The Pontifical Mission Societies allows the Diocese to deduct ten percent (10%) of the monies collected to pay for administration costs. Other universal collections have been established by the Holy See itself. They include the collection for the needs of the Holy Father, known in the United States as Peter's Pence, and the Holy Land Collection, which supports the sacred sites in the Holy Land.

On other occasions a two-thirds vote of the bishops and their equivalents of the United States collectively have discerned and decided that all dioceses throughout the country support an important objective through special annual parish appeals and collections. Currently these collections are the Catholic Home Missions Appeal, Catholic Communication Campaign, Catholic Campaign for Human Development, Collection for the Church in Latin America, Collection for Aid to the Church in Central and Eastern Europe, Retirement Fund for Religious Appeal, Catholic Relief Services Collection, and Catholic University of America Collection. The Black and Indian Missions Collection was mandated by the Third Plenary Council in Baltimore, Maryland, in 1884. The bishops have also decided to begin a voluntary initiative for Africa called the Pastoral Solidarity Fund for Africa. This could take the form of a collection or some other form of assistance.

For the most recent Special Collection Dates approved by the Bishop, please contact the Diocesan Business Office.

The Code of Canon Law mandates the fundamental principle regarding donor intent. The canonical principle stipulates that "offerings given by the faithful for a certain purpose can be applied only for that same purpose." The national collections are required to adhere to the fundamental principle of "donor intent."

Since 2010 the Committee on National Collections has asked dioceses to remit all funds collected for national collections within five months of the collection. Dioceses should consider the funds from national collections to be temporarily in their possession and therefore classified as restricted and held as secure, liquid assets.

Accounting for Special Collections

1. Special Collection Dates are approved by the bishop each year and published by the Diocesan Business Office.
2. Occasionally certain appeals and emergencies seem especially important, and the bishop will bring them to the attention of the pastor and parishioners with a request for their financial support, i.e., earthquake victims, hurricane victims, etc.
3. The Special Collections are to be accounted for as restricted funds in the parish's financial statements, recorded in AC 235.xxx as follows:

| | |
|---------|--|
| 235.110 | Pentecost-Seminary Ed-Due Jun |
| 235.115 | Catholic University |
| 235.120 | World Mission Sunday – Due Oct. |
| 235.130 | Catholic Campaign Human Development - Nov. |
| 235.140 | Catholic Charities (Christmas) - Due Dec. |
| 235.150 | Latin America - Due Jan. |
| 235.160 | Eastern and Central Europe (Ash Wed.) Feb/Mar |
| 235.170 | Black & Indians Missions - Due Feb/Mar |
| 235.180 | Catholic Relief Services – Apr |
| 235.190 | Rice Bowl - Lent Due Apr. |
| 235.210 | Holy Land - Due Apr. |
| 235.220 | Retirement - Religious - Aug. |
| 235.230 | Catholic Home Missions - Due May |
| 235.240 | Catholic Charities – Mothers' Day - Due May |
| 235.250 | Catholic Communications Campaign-Due Sep |
| 235.260 | Peter's Pence – Due Jun |
| 235.280 | Pastoral Solidarity Fund for the Church in Africa – varies |
| 235.310 | Any other collections - varies |
| 235.320 | St. Vincent de Paul Society – varies |

4. Special Collections must be remitted to the Diocesan Business Office by the end of the month following the special collection.
5. If any donations are made to the parish after the special collection for a catastrophe has been taken up and remitted to the diocese, the parish should continue remitting those donations in a timely manner to the Diocesan Business office.

Civil Agreements, Contracts, or Other Temporal Transactions

Since 1999, it has been the policy of the Diocese that certain contracts, agreements, or other obligations can be authorized and signed only by the Diocesan Bishop or the Vicar General. This safeguard has been necessary because many of these types of matters need proper legal and financial vetting before such agreements are entered into in order to protect the Diocese and parishes and schools.

In accord with *CIC/83 can. 1281, §2*, Bishop D’Arcy determined those acts which are to be considered Extraordinary Administration by parishes and schools needing to be reviewed at the Curial level and signed by the Diocesan Bishop or the Vicar General. This determination is still in effect.

Thus, the following must be sent to the Vicar General for review (with the assistance of the Diocesan CFO) who will then forward it to the Diocesan Bishop for signature:

1. Any contract over \$50,000
2. Any new contract extending over 3 years
3. Purchase or sale of land or property
4. Contracts for services of contractor, construction, or liturgical consultant
5. Contracts for Major Liturgical Art
6. Contracts for new or rebuilt organ project.

Ordinary Administration items under \$50,000 which do not need to be submitted for review: - contracts for school textbooks, maintenance supplies and equipment, utilities, office supplies and equipment, communications services (phones, Internet, etc.), services (snow removal, lawn care, etc.), protective services.

(General Executory Decree dated July 13, 2020, by Father Mark Gurtner.)

A parish shall not announce or commence a capital campaign until the Diocese gives written approval for all major parish projects.

The Diocesan Finance Council must first approve any fundraising and anticipated capital expenditure of over \$100,000. This should be coordinated with the Diocesan CFO.

The Buildings and Improvements Advisory Committee must approve any expenditure (including any major purchases) over **\$50,000** that does not need a loan and any expenditure over \$15,000 that requires a loan. All major construction and purchases (including computer systems) should be awarded on a bid basis, with at least three bids obtained. **All bids must be based on the same specs or the project will not be reviewed.**

A copy of the *Construction and Capital Expenditure Permit* must be submitted to the CFO. **One complete set of architect blueprints or plans (if applicable) also must be submitted or the project will not be reviewed.** Monthly meetings are scheduled January through November on the second Tuesday of every month. For large projects, members from the parish who are familiar with the project may be asked to be present at the meeting.

Capital Campaigns/Fundraiser for Major Projects

Once a capital campaign or fundraiser for a major project has been approved, the parish must take into account the recording of funds received over a period that could exceed the regular fiscal year. Such an accounting procedure includes the following:

1. All funds received would go to a liability account, such as 230.170 Fund Drive Construction/Renovation. The fund account will be used until the drive ceases or expires.
2. Payments to the contractors for the specific project will be debited to an asset account (120,_____) until the project is completed.
3. When the project is completed, then depreciation will be determined.
4. Depreciation entries will start the following month after completion of the last payment to contractors.
5. The depreciation monthly dollar amount will then have a corresponding entry to reduce the liability account set up in step 1.

Using the above method will recognize the income to match the depreciation expense each month until the balance in the liability account is reduced to zero.

6. If the funds raised exceed the cost of the project, then an entry would be required to reduce the liability fund to the exact cost and put the surplus in either another liability fund or recognize it as income immediately.
7. If the funds raised are short of the cost of the project, then the monthly entries would stop when the liability account reaches zero, but the depreciation entries would continue for the pre-determined life of the asset.

Example: Parish Hall Construction or Church Renovation

This example is based on a one - time project, a new parish hall or a major renovation of the church.

A. Recording of funds collected for this project

Step 1: All funds received will be deposited in the parish operating checking account.

Entry: Debit 110-11x Cash in Bank

Credit 230-170 Fund Drive Construction/Renovation

Step 2: A special savings account with the Diocese should be opened restricted to the capital campaign funds. Each month, the total funds collected in Step 1 should be sent to the Diocese for deposit into the special savings account with a check from the parish checking account.

Entry: Debit 110-2xx Savings Account

Credit 110-11x Cash in Bank

This will appear on your monthly "Statement of Financial Position" as an asset. This savings account will earn interest income at the current percent per annum. Each month, the prorated interest will be credited to 230-170 Fund Drive Construction/Renovation.

Monthly standards from the Diocese will show an increase to the savings account by debiting 110-2xx savings and crediting 230-170 for the monthly interest earned.

Depositing the above funds collected in the Diocesan savings account will guarantee that these funds will not be used for any other parish purpose. When withdrawing funds from the savings account, the parish will need to notify the Diocesan CFO with the reason and the exact amount needed. A check will be issued to cover the project expenses. When the check is received, it should be deposited in the parish checking account.

Entry: Debit 110-11x Cash in Bank

Credit 110-2xx Savings

This entire process gives an exact accountability for the fund.

B. Recording of Expenditures

As the project progresses, contractors or vendors will request interim or regular payments. The pastor should request the exact amounts needed from the Diocesan savings by contacting the Diocesan CFO. A check will be sent from the Diocesan Business Office shortly after the verified request, which should be deposited in the parish operating checking account.

Entry: Debit 110-11x Cash in Bank

Credit 110-2xx Savings

This increases the cash in the checking account and reduces the special savings account.

C. Payment to the Contractor and/or Vendor

When making a payment to the contractor or vendor, the parish should issue a parish check from the operating checking account.

Entry: Debit 120-1xx Parish Hall or Church or School, etc.
Credit 110-11x Cash in Bank

This establishes a specific asset on the parish "Statement of Financial Position." The above procedures will continue until completion of the entire cost of the project. However, if the parish completely exhausts its Diocesan savings before the final payments, two (2) alternatives exist: 1) Paying from the regular parish operating funds; or 2) Requesting a Diocesan loan to complete the final cost of the project. This loan should be requested well in advance of the final payments so the loan process can be completed.

If a loan is received, the Diocese will send a check for deposit in the parish checking account.

Entry: Debit 110-11x Cash in Bank
Credit 250-160 Building Loan or
250-130 Renovation Loan

When the project is completed and fully paid, the "Depreciation Process" will need to be set-up for recording of monthly depreciation entries, usually the month after completion and final payment.

This is a two-step process

1. Determine the years - usually 20 or 50 years for the life of the project. Divide the exact cost (the total in account 120-1xx) of the project by the number of years (convert to total months) for a monthly depreciation cost in your memorized entries system (ParishSOFT). The entry will usually be:

Entry: Debit 423-820 Parish Hall or 421-820 Church or 521-820 School
Credit 120-190 Accumulated Depreciation.

Based on the exact monthly dollar amount from step 1, a monthly adjusting entry must be established.

Entry: Debit: 220-170 Fund Drive Construction/Renovation

Credit: 335-110 Fund Drive Construction Income

This entry will continue until the funds in 230-170 are down to zero. At that time, this entry should be discontinued, as all project funds will be used.

If excess exists in 230-170 over the entire cost of the asset at the end of the project, then the excess should be adjusted only by crediting 335-110 in the fiscal year of completion.

In the above method, the total income received will be prorated over the life of the asset until *all* the funds in 230-170 are used. This will offset the depreciation expense used each month by showing matching income. Both the depreciation and income entries are non-cash entries but necessary entries for accountability of the project.

Assistance in setting up a Fund Drive Project should go through the Diocese after receiving the Project Authorization from the head of the Building and Improvements Advisory Committee.

Note: Parishes may instead choose to book Fund Drive Construction Income in one period when the project is completed and fully depreciate the project in the same period. This is not required but is allowed.

Property and Equipment

Recognition of Fixed Assets

Organizations that have not previously capitalized their fixed assets should do so retroactively. If historical costs are not available for assets already in service, another reasonable basis can be used to value such assets. Other bases might be cost-based appraisals, insurance appraisals, replacement cost values, or property tax appraisals adjusted for market value. An alternative basis should be used only if historical cost information is unavailable and only to establish the initial value at the date of recording. Subsequent additions should be recorded at cost or fair market value for donated assets.

All fixed assets, except land or property held for investment, should be depreciated on a systematic and rational basis. Typically, not-for-profit organizations depreciate assets on a straight-line basis over the useful life of the asset.

The diocese has established a capitalization policy for fixed assets. Basically, this is to establish a minimum amount in order to categorize an asset as a "fixed asset" subject to depreciation. Any fixed asset purchased or donated greater than or equal to the minimum amount would be categorized as a fixed asset and depreciated over its useful life. If a purchased or donated fixed asset is less than the minimum amount, it should be expensed in the period when purchased rather than capitalized.

Categories of Fixed Assets

Our current chart of accounts lists "Fixed Assets", 120 series, that cover most buildings/land and property/equipment. When using these accounts, an asset is established that will appear on the parish Statement of Financial Position each and every month until the asset is disposed.

BUILDINGS AND LAND

| | |
|---------|-------------------------------------|
| 120.110 | BLDG/LAND - CHURCH |
| 120.120 | BLDG/LAND - CONVENT |
| 120.130 | BLDG/LAND - PARISH HALL |
| 120.140 | BLDG/LAND - RECTORY/RESIDENCE |
| 120.150 | BLDG/LAND - OFFICE (ADMINISTRATIVE) |
| 120.160 | BLDG/LAND - SCHOOL |
| 120.170 | BLDG/LAND - LAND |
| 120.180 | BLDG/LAND - OTHER |
| 120.190 | BLDG/LAND - ACCUM. DEPRECIATION |

PROPERTY AND EQUIPMENT

| | |
|---------|------------------------|
| 120.200 | PROPERTY AND EQUIPMENT |
|---------|------------------------|

| | |
|---------|--|
| 120.210 | PROPERTY AND EQUIPMENT - CHURCH |
| 120.220 | PROPERTY AND EQUIPMENT - CONVENT |
| 120.230 | PROPERTY AND EQUIPMENT.- PARISH HALL |
| 120.240 | PROPERTY AND EQUIPMENT - RECTORY/RESIDENCE |
| 120.250 | PROPERTY AND EQUIPMENT - OFFICE (ADMINISTRATIVE) |
| 120.260 | PROPERTY AND EQUIPMENT - SCHOOL |
| 120.270 | PROPERTY AND EQUIPMENT - LAND |
| 120.280 | PROPERTY AND EQUIPMENT - OTHER |
| 120.290 | PROPERTY AND EQUIPMENT - ACCUM. DEPRECIATION |

VEHICLES

| | |
|---------|--------------------------------|
| 120.310 | VEHICLES - AUTO #1 |
| 120.320 | VEHICLES - AUTO #2 |
| 120.330 | VEHICLES - AUTO #3 |
| 120.340 | VEHICLES - BUS/VAN |
| 120.390 | VEHICLES - ACCUM. DEPRECIATION |

An asset, in most cases, will have a certain life before it will become obsolete or worn out. Even though a depreciation deduction is not taken for tax purposes, it is a sound accounting practice to recognize the "cost" of using up tangible assets (depreciation). With that in mind, the following guidelines have been established.

| <u>Classes</u> | <u>Minimum Original Cost</u> |
|--------------------------|------------------------------|
| Vehicles | \$5,000.00 |
| Furniture/Fixtures | \$2,500.00 |
| Computers/Software | \$1,000.00 |
| Replacements/Renovations | Unlimited |
| New Buildings | Unlimited |

Land is not depreciated!

Categories of Expenditures

If an expenditure improves the efficiency or materially extends the useful life of an asset, it should be capitalized. Categories of expenditures that may be incurred for an asset subsequent to its acquisition are as follows:

1. Additions – Extensions, enlargements, or expansions made to an existing asset
 - Examples of additions are as follows:
 - a. An elevator or dumbwaiter
 - b. Fire Alarm System
 - c. Security Windows

- d. Surveillance Equipment
- e. Sprinkler System, Internal
- f. Acoustical Treatment

2. Improvement and Replacements

The distinguishing feature between an improvement and a replacement is that an improvement is the substitution of a better asset having superior performance capabilities (e.g., a concrete floor for a wooden floor) for the one currently used, whereas a replacement is the substitution of a similar asset (a wooden floor for a wooden floor). If the cost is to be capitalized, the carrying amount of the old assets and associated accumulated depreciation, if applicable, should be removed, if the amount is known. If the original cost and accumulated depreciation are not known, capitalize the additional cost.

- Examples of improvements and replacements are as follows:
 - a. Roof
 - b. Concrete
 - c. Windows
 - d. Doors
 - e. Furnace/AC
 - f. Wiring

Depreciation and Useful Life

1. Depreciation expense must be calculated for all capital assets. The straight-line depreciation method is to be used (an equal amount of the fixed asset's acquisition cost is expensed each year of its useful life). The salvage value of all assets should be set at zero. The term "Accumulated Depreciation" is used to indicate the total depreciation expense that has accumulated from the time of acquisition to the present time. Depreciation will begin in the month after a new asset is placed in service.
2. The facts and circumstances of the asset's use should determine useful lives. The following useful lives of capital assets are presented as a general guide:

Type of Fixed Assets Useful Life:

Land – not depreciated
 New Buildings – 50 years
 Building Replacements/Renovations – 20 years
 Furniture, Equipment, and Fixtures – 10 years
 Vehicles – 5 years
 Computer/Software – 5 years
 Telephone – 10 years
 New Roof – 20 years

Parking lot/asphalt – 5 years
 Organ/Piano – 20 years
 Windows – 20 years
 Office equipment – 10 years
 School Desks – 10 years
 Vehicles – 5 years
 Sound System – 10 years
 Wiring – 20 years
 Sign – 10 years
 A/C Unit – 10 years
 Furnace – 20 years
 Textbooks – 5 years (or can be expensed).

3. Repairs (Ordinary and Major)

Repairs maintain the capital asset in its original condition. Ordinary repairs are expenditures that keep the asset in a state of good repair. Ordinary repairs should not be capitalized. Major repairs are relatively large expenditures that benefit more than one operating cycle or period, and should be handled as an addition, improvement, or replacement depending upon the type of repair made.

Examples of repair activities are as follows:

- Roof and/or flashing repairs
- Window repairs and glass replacement
- Tuck pointing
- Painting
- Masonry repairs
- Floor Repairs

The straight line method of depreciation is simple. The actual cost of the item is divided by the number of months of life, and the resulting dollar figure is the monthly depreciation amount. Examples are as follows.

1. 120.340 School Bus (1) \$48,000 - 5 years or 60 months
 $\$48,000 / 60 = \800.00 per month
 Each month, the entry will be:
 Debit 540.820 Bus/Transportation Depreciation Expense
 Credit 120.390 Vehicles - Accumulated Depreciation

2. 120.110 Church Roof \$120,000 - 20 years or 240 months
 $\$120,000 / 240 = \500.00 per month
 Each month, the entry will be:
 Debit 421.820 Church Depreciation Expense
 Credit 120.190 Property and Equipment - Accumulated Depreciation

3. 120.270 Office Computers (2) \$4,500 - 5 years or 60 months
 $\$4,500 / 60 = \75.00 per month
 Each month, the entry will be:
 Debit 410.820 Parish Depreciation Expense
 Credit 120.290 Property and Equipment - Accumulated Depreciation

4. 120.270 School Computers (4) \$9,000 - 5 years or 60 months
 $\$9,000 / 60 = \150.00 per month
 Each month, the entry will be:
 Debit 530.820 School Depreciation Expense
 Credit 120.290 Property and Equipment - Accumulated Depreciation

5. 120.210 Church Pews Refinished \$24,000 - 20 years or 240 months
 $\$24,000 / 240 = \100.00 per month
 Each month, the entry will be:
 Debit 421.820 Church Depreciation Expense
 Credit 120.290 Property and Equipment - Accumulated Depreciation

6. 120.130 New Parish Hall \$600,000 - 50 years or 600 months
 $\$600,000 / 600 = \$1,000.00$ per month
 Each month, the entry will be:
 Debit 423.820 Parish Hall Depreciation Expense
 Credit 120.190 Building and Land - Accumulated Depreciation

7. 120.210 New Furnace/Boiler System-Church \$12,000 - 20 years or 240 months
 $\$12,000 / 240 = \50.00 per month
 Each month, the entry will be:
 Debit 421.820 Church Depreciation Expense
 Credit 120.290 Property and Equipment - Accumulated Depreciation

8. 120.260 New Furnace/Boiler System-School \$12,000 - 20 years or 240 months
 $\$12,000 / 240 = \50.00 per month
 Each month, the entry will be:
 Debit 527.820 School Depreciation Expense
 Credit 120.290 Property and Equipment - Accumulated Depreciation

Once a fixed asset (120 series) and a depreciation schedule has been established, it is essential to continue the monthly entries until the total life (# of months) has expired on each individual asset, or until the asset's disposal. A major benefit of establishing assets (actual cost) and a depreciation schedule would be in the case of disasters such as fire, flood and like damages that would give a documented history of the actual value of the asset(s) destroyed or damaged.

When establishing an asset, it is recommended to set up an excel spreadsheet or file for each asset, showing the following information.

- Asset description

- Date purchased/built (completed)
- Total cost
- Life expectancy (months)
- \$ amount of depreciation per month
- Date depreciation started
- Date depreciation will end

Disposal of Fixed Assets

To supplement the “Fixed Assets & Depreciation Policy”, the proper method of disposing of an asset when the depreciation period is completed or when the asset is sold or junked is provided.

It is highly recommended to review the asset files periodically to determine the remaining time left on each asset, especially those with short life expectancies. The most common would be computers, as the turnover can be shorter than the five (5) year period set up for depreciation.

Some examples of asset terminations are as follows.

A. Depreciation Period Expires If the asset remains in use, there is no adjusting entry, but the monthly depreciation expense should have stopped.

B. Depreciation Period Ends & Asset is Junked

Example: School computer, total cost of \$2,000

| | | | |
|--------|--------------------------|---------|------------|
| Debit | Accumulated Depreciation | 120.290 | 2,000.00 |
| Credit | School Computer | 120.270 | (2,000.00) |

C. Asset is Replaced or Junked Before Expiration of the Deprecation Period

Example: School computer, total cost of \$2,000, but the depreciation period of five (5) years is not completed as the computer is scrapped after only three (3) years. Depreciation would have been \$400.00 per year.

| | | | |
|--------|---------------------------|---------|------------|
| Debit | Accumulated Depreciation | 120.290 | 1,200.00 |
| Debit | Loss on Sale of Equipment | 370.120 | 800.00 |
| Credit | School Computer | 120.270 | (2,000.00) |

This removes the asset from the Statement of Financial Position and recognizes an \$800 loss for the remaining two (2) years of depreciation not expensed.

D. Asset sold for same amount of remaining depreciation exp (sale price \$800.00)

| | | | |
|--------|--------------------------|---------|------------|
| Debit | Cash | 110.110 | 800.00 |
| Credit | Accumulated Depreciation | 120.290 | 1,200.00 |
| Credit | School Computer | 120.270 | (2,000.00) |

The sale for \$800.00 eliminates any gain/loss for the asset, giving a break-even.

E. Asset sold for less than remaining years value of \$800.00 (sale price \$600.00)

| | | | |
|--------|---------------------------|---------|------------|
| Debit | Cash | 110.110 | 600.00 |
| Debit | Accumulated Depreciation | 120.290 | 1,200.00 |
| Debit | Loss on Sale of Equipment | 370.120 | 200.00 |
| Credit | School Computer | 120.270 | (2,000.00) |

| | | | |
|--------|----------------------|---------|----------|
| Debit | Cash | 110.110 | 600.00 |
| Debit | Depreciation Expense | 530.820 | 200.00 |
| Credit | School Computer | 120.270 | (800.00) |

F. Asset sold for more than remaining years value of \$800.00 (sale price \$900.00)

| | | | |
|--------|---------------------------|---------|------------|
| Debit | Cash | 110.110 | 900.00 |
| Debit | Accumulated Depreciation | 120.290 | 1,200.00 |
| Credit | School Computer | 120.270 | (2,000.00) |
| Credit | Gain on Sale of Equipment | 370.120 | (100.00) |

All examples were a school computer. If a parish office computer was involved, all entries would be the same except the gain or loss on sale of equipment would be account 340.120 (new added to the chart of accounts).

Procedures for Alienation of Parish Property

All properties owned by the parish are to be listed with the Diocese and all property documentation and all deeds of records are to be kept at the Chancery Business Office.

No properties can be sold without having all deeds and documentation, pertaining to the property, on file with the Diocese.

All property should be included in the diocesan property insurance rosters.

Before any property is sold, an appraisal of the property is to be made and accompany the request to sell which is to be sent to the CFO of the Diocese. If the property has an appraisal value of more than \$100,000, a second appraisal should be made. These appraisals should be made by a reputable realtor or certified appraiser and should be submitted on their letterhead.

The Vicar Forane of the area will visit the property to see if the sale of the property is sound from a pastoral point of view.

The Vicar's report, the appraisal, and the request for sale will be presented to the Diocesan Bishop by the CFO of the Diocese for his approval according to the following norms:

- a) If the amount of sale is below the minimum amount set by the U.S. Bishop's Conference (currently \$25,000 or 10% of the parish ordinary annual income for the prior year, whichever is higher), the Diocesan Bishop will give a *Nihil Obstat* to the sale if he approves. The norm is applicable to all real estate, precious objects, and anything that constitutes the stable patrimony of the parish. However, below the minimum amount as specified in this category, the sale of items other than real estate, precious objects, and stable patrimony is at the discretion of the pastor.
- b) If the amount of sale falls within the minimum and maximum amounts defined by the U.S. Bishop's Conference (currently \$25,000 or 10% of the parish ordinary annual income for the prior year, whichever is higher, and \$3,500,000), the Diocesan Bishop will give his permission, if he approves, only after having obtained the consent of the Diocesan Finance Council, the College of Consultors, and those concerned (canon 1292.1).
- c) If the amount of sale is above the maximum amount defined by the U.S. Bishop's Conference (currently \$3,500,000), in order to give his permission, the Diocesan Bishop must seek the permission of the Holy See as well as the consent of the Diocesan Finance Council, the College of Consultors, and those concerned (canon 1292.2).

For purposes of accounting, all proceeds from this sale are to be deposited initially in the parish savings with the Diocese.

Scrip

As a parish/school program, scrip activity is subject to the same accounting and internal control procedures as those that are used in the parish. Scrip certificates and gift cards are cash. A system must be in place to assure that certificates and gift cards are reconciled at the end of each sales day. Certificates and gift cards are to be protected from theft by being stored in a safe place that is always locked.

Internal Controls

1. Use one separate checking account for scrip activity. The pastor must have signature authority on the scrip account.
2. Unsold certificates must be kept in the parish safe – locked at all times. The safe should be in a non-obvious secure area on parish premises. Certificates and cards should be sold and distributed on the parish/school premises.
3. A large inventory of scrip should not be maintained. Scrip can be received from national providers via express mail. An inventory of certificates is to be maintained on a control sheet through SCRIP software. This control sheet is to be reconciled at least weekly to sold and unsold certificates. The inventory list is to be initialed by at least 2 people responsible for taking inventory.
4. The parish finance council should conduct a regular audit of scrip inventory and records. The finance council should review the scrip reports regularly.
5. Adequate bookkeeping that tracks the purchase and distribution of scrip is required. At least two unrelated individuals should have dual responsibility for the maintenance of scrip records. These two people should be the scrip coordinator and the parish/school business manager or bookkeeper.
6. Cash and checks received for the purchase of certificates are to be deposited at least every other day and be kept in a safe or secured location until deposited.
7. The pastor is to appoint at least one individual independent of those selling the certificates to reconcile the total amount of certificates sold (as recorded in SCRIP software) to the deposit slips and to inventory the certificates on hand. This should be done at least weekly. Such reconciliations must be kept with all other scrip records.
8. A daily sales log should be filled out by entering purchase orders in scrip software. It is recommended that scrip be sold in teams of at least two individuals.

9. Payment must be made at the time of the order or when the purchase is made. There should be no outstanding amounts due from participants or volunteers.

Accounting and Reporting

1. The scrip program must utilize an up-to-date computer and currently supported versions of software. Scrip is deemed taxable to the parish or school as unrelated business income tax, or UBIT, unless it meets the volunteer exception. Scrip sales must be transacted through volunteers, and NOT held for sale by paid individuals. A trade or business that does not substantially relate to the exempt purpose of the organization and is regularly carried on is subject to UBIT. Scrip programs meet these criteria. To avoid this taxation, the scrip program must be administered substantially all by volunteers. Scrip programs should only be handled by compensated individuals (i.e. parish/school secretary) the least amount of time as possible, 10% or less. Paid employees may need to perform certain administrative functions; however, the majority of time spent on the program needs to be conducted by non-compensated volunteers. This includes scheduling, purchasing scrip inventory and selling scrip cards. To be considered a volunteer, the person cannot be compensated for their time spent selling scrip or managing the scrip program by any means such as cash, gift cards, tuition credits, etc.
2. It cannot be mandated that rebates go back to the parish. If the purchaser does give rebates to the parish, they are not considered a charitable contribution unless an agreement is signed with the participant. Although there is no requirement to offer the charitable contribution option, if a parish chooses to do so, a tax letter must be sent to the participant by January 31 of the following year.
3. Tuition rebates are not taxable income to the parents.
4. Parishes/schools should not charge administrative fees.
5. Every participant must sign an agreement that allows the purchaser to choose how the rebates will be allocated. According to IRS Ruling PLR-118535-09, purchasers of SCRIP must have the option of receiving the rebate in cash.

Because of the large exposure to theft, it is suggested that scrip programs not carry unsold physical inventory of cards but rather go to an online sale of scrip with pick up of purchased cards at the parish. A careful evaluation is recommended of whether a scrip program be started or continued at a parish/school by using the following criteria for analyzing such program:

- Amount of gross sales (less than \$600,000).
- Number of students who rely on scrip to attend school.
- Difficulty of finding volunteers to help with scrip.
- Annual IRS filing of Form 990-T and payment of unrelated business income tax.
- Cost/benefit analysis.

Payroll

Compensation and payroll reporting is one of the most complicated and unique financial aspects of the Catholic churches, given the tax laws of the Internal Revenue Code for lay employees and clergy and labor laws of the Department of Labor for ministerial and non-ministerial employees. In addition, payroll fraud can be an uncomplicated scheme if the nature of a department's lack of internal controls facilitates ghost employees or overtime reporting fraud. One way to achieve such financial transparency is through a centralized payroll system. Thus, all employees of the Diocese of Fort Wayne-South Bend must be on the diocesan central payroll system.

Parishes and schools have the control of an in-house payroll system with the convenience of outsourcing direct deposits, tax payments, and filing responsibilities. All locations adhere to the following guidelines:

- All lay employees will be paid on a semi-monthly basis (15th and last business day of the month). Clergy are paid on the 15th day of the month.
- All payrolls will be direct deposit.
- An employee will have on-line access to his/her paystub.

The Diocese is required to withhold federal, state, city, and/or local taxes (where applicable), and Social Security (FICA) taxes from all employees' earnings. Other deductions (which will be made with the employee's written authorization) may be for insurance coverage, 401k salary deferrals, garnishments, and/or other diocesan benefit programs.

Each job position must be classified as hourly or salaried according to the laws of the Department of Labor. Ministerial employees are exempt from such.

To be considered full-time, employees must work a minimum of 30 hours per week.

All wages for hourly employees must be supported with properly approved time sheets.

Hourly employees must be paid overtime for hours worked over 40 hours per week.

Payroll advances are prohibited.

Volunteers must not be compensated for their services.

Wages and salaries for each employee must be recorded under the appropriate expense account (parish AC # 4xx.xxx or school AC # 5xx.xxx) and reviewed regularly. This is important when calculating parish subsidies.

Christmas Gifts/Bonuses

Often parishes wish to show employees and volunteers appreciation or give a gift to them in the form of cash or gift cards. These types of gifts are not a *de minimis fringe benefit* but are considered taxable income by the IRS. Cash and gift cards/certificates may be given to employees, but no matter the amount they must be processed through payroll. For any nonemployee who received \$600.00 or more in cash and gift cards for the calendar year, a Form 1099-NEC must be issued to each. To avoid such taxable events for employees and volunteers, parishes should consider alternatives to cash and cash-equivalent gifts, i.e. books, religious items, flowers, turkey/ham/fruit, etc. Only modest amounts of gifts should be given.

Tax Reporting

IRS Form 1099-NEC – Nonemployee Compensation

Annually, on or before January 31, IRS Form 1099-NEC, Nonemployee Compensation, must be filed for each individual, partnership, attorney, and specific entities to which have been paid at least \$600 in nonemployee compensation.

In no instance should a diocesan priest receive an IRS Form 1099-NEC for his duties as an assigned pastor, parochial vicar, agency head, or chaplain. Visiting priests not assigned to a parish, agency, or hospital, are to receive an IRS Form 1099-NEC as an independent contractor, if the total stipends paid to him for the year amount to \$600 or more.

Amounts are usually reported on Form 1099-NEC in Box 1, nonemployee compensation, if the following four conditions are met:

1. You made the payment to someone who is not your employee.
2. You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations).
3. You made the payment to an individual/sole proprietor, an independent contractor, a partnership, an estate, an attorney who is not your employee, or in some cases, a corporation; (Note: LLC's organized as a sole proprietorship, partnership, or another legal entity other than a corporation should be issued a 1099-NEC);
4. You made payments to the payee of at least \$600 during the year.

Note: gifts are not subject to the IRS Form 1099-NEC requirements.

Payments for rents, royalties, prizes and awards, other income payments, medical and health care payments, and attorneys are still reported on Form 1099-MISC.

IRS Form 1096 – Annual Summary and Transmittal

A parish must file IRS Form 1096, Annual Summary and Transmittal, to transmit Copy A. of Forms 1099 with the IRS by the end of February. A copy of all IRS forms must be kept on file.

Indiana Form NP-20 - Indiana Nonprofit Organization's Annual Report

The parish is responsible for filing the annual nonprofit Form NP-20 due November 15.

Indiana Business Tangible Personal Property Return

The parish is responsible for filing the annual personal property returns – Forms 103 (long or short) and 104 – due May 15.

ParishSOFT Accounting

The Diocese of Fort Wayne-South Bend has mandated that every parish throughout the Diocese utilize cloud-based ParishSOFT for its parish accounting software essentials. Training modules exist for learning various aspects of ParishSoft Accounting. However, the Diocese has developed instructions for certain areas that create common difficulties for business managers and bookkeepers.

Setting Up New Memorized Transactions

When setting up a new memorized transaction account, the first entry will need to be entered in the software to set up the memorized transaction. Here are the steps:

1. Click “Journal Entries” on the menu bar at the home page (just like entering a new journal entry any other time).
2. Enter the data for the entry, i.e. accounts, amounts to be debited/credited, the first date the entry is to be posted, and description/comment...
3. Instead of clicking “Submit” at the bottom, like normal, click “**Memorize**”
 - Side note – If submit is clicked before memorize, you will not be able to memorize this entry into the system and the entry will be entered itself. If this occurs, delete the entry just made...
4. Once “Memorized” is clicked, a new field will pop-up:
 - Under description, enter a small description to remember what this is for
 - Frequency is monthly
 - Ignore “semi-monthly first day” drop down
 - “Next date” will be the next date you want it to post (i.e.: if first post on the last screen is December 30, 2019; choose January 30, 2020.)
 - Final date will be the final date to be posted (i.e.: as in last example, say an item’s useful life is 5 years. Choose 11/30/24. That is 5 years after the initial December 2019 post.)
 - Do **NOT** checkmark the little box at the bottom
 - Click “Submit”
5. The memorized entries are now set up. But the initial entry has not been posted. After “Submit” is clicked you will be redirected to the journal entry initially set up. Be sure to click “Submit” or the first journal entry will not be posted.

Posting Memorized Transactions

Before closing the month, make sure that all memorized transactions have been posted. If a month has been closed and the memorized transactions have not been posted, these transactions will not advance to future months and the previous month(s) or even year will have to be reopened. Here are the steps to follow when posting these entries:

1. Click “Memorized” on the top bar of the home page when in the ParishSoft software
2. On the next screen, click “Create from memorized transactions”
3. A calendar will appear asking for a date. Enter/click the last date of the month you are closing, i.e.: If you are closing December, click (or enter) 12/31 on the calendar
4. A list of titles will pop up. These are previously entered transactions, such as monthly depreciation. Just click “Submit” at the bottom of the list and all the memorized transactions will be posted.
5. *Side-note* - An indication this was done correctly will be that the list will disappear, and the page will be blank

After taking these steps, the memorized transactions will be posted and will now show up on the financial statements and ready to be posted in the next month.

Activating a New Account

To activate an account, go to:

- Accounts
- Chart of Accounts (add sub-accounts)
- Account Type (asset, liability, income, expense, dedicated)
- Entity (parish, school)
- Then search
- Click in the box next to the account and then submit.

Checklist for Posting Monthly Entries

Below are some monthly accounting reminders:

1. Enter all monthly standard entries sent from the Diocesan Business Office for quota, consolidated insurance, H&A, retirement, and DSA purchases/legal.
2. Any capital expenditures of \$1,000 or more? Post the payment to Bldg./Land or Property/Equip instead of expense and set up a memorized monthly depreciation expense transaction.
3. Post all memorized transactions.
4. For any deposits to or withdrawals from saving account with the diocese, use the account number for the savings account instead of a revenue or expense account.
5. Remit Special Collections to the Diocese by end of the month following the collection.
6. Review Statement of Financial Position and Statement of Activities each month for accuracy and completeness.

Diocese of Fort Wayne-South Bend Fraud Policy

Policy Statement

The Diocese of Fort Wayne-South Bend promotes a culture of honest and accountable stewardship of God's gifts. There is a significant responsibility associated with being stewards of the temporal resources of the church: responsibility to safeguard the Church's assets, to exercise prudence in financial matters, to be accountable to those who provide monetary support to the Church, and to comply with all civil regulations.

Fraud is not tolerated. The prevention of fraud is the responsibility of all clergy, religious, lay employees, trustees, finance council members and other volunteers involved in church administration by adherence to Diocesan policies and procedures. The Diocese of Fort Wayne-South Bend expects that any suspected use of fraud will be reported and provides assurance against recrimination. Persons found to have participated in fraudulent acts will be subject to disciplinary actions, including termination, and civil and criminal prosecution.

Actions Constituting Fraud

The Diocese of Fort Wayne-South Bend defines fraud as the intentional misuse or misappropriation of a Diocesan entity's resources or assets for the personal enrichment of the perpetrator or others. Fraud also includes the intentional false representation or concealment of a material fact relating to the misuse or misappropriation of a Diocesan entity's resources or assets. Additionally, fraud also includes any intentional falsification of, or misrepresentation in, financial statements. Actions constituting fraud include, but are not limited to:

- Misappropriation of funds, securities, supplies or other assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Breach of fiduciary duty, including disclosing confidential information to outside parties.
- Seeking anything of value from contractors, vendors or persons providing (or seeking to provide) services/materials to a Diocesan entity for one's or another's personal benefit.
- Accepting anything of value from contractors, vendors or persons providing (or seeking to provide) services/materials to a Diocesan entity for one's or another's personal benefit, in violation of the Diocesan Conflict of Interest Policy.
- Bribery.
- Inappropriate use of computer systems or other property of the Diocesan entity.
- Unauthorized destruction or removal of records, furniture, fixtures, and equipment.
- Intentional falsification of, or misrepresentation in, financial statements, and.
- Any dishonest act.

Reporting Fraud to the Diocese

Suspected fraud should be reported to the Diocesan personnel as designated by the Bishop, i.e. vicar general, chancellor, attorney, CFO or internal auditor. All suspected frauds are to be reported as soon as possible. Failure to promptly report suspected acts of fraud may jeopardize the Diocese's ability to recover stolen funds and/or property, or to correct improperly prepared financial statements on a timely basis. Reports of suspected fraud should include all relevant information about the suspected act, including any material evidence that exists.

Investigation

The designated Diocesan personnel shall be responsible for a thorough and expeditious investigation of the suspected fraud. Unless the report was anonymous, the person submitting the initial report will receive confirmation indicating that their report was received, and that the subsequent investigation is confidential. That person may or may not be contacted during the investigation.

Proposed decisions on disposition of a case will be decided by the Diocesan Bishop or his designee(s). The results of all reported fraud investigations and the final resolution of all confirmed acts of financial fraud shall be reported to the Audit Committee/Finance Council.

Records Retention

Fraud investigation files should be retained in accordance with guidelines established by the Diocesan attorney.

Confidentiality

Information about cases will be disclosed to those parties with a legitimate need to know. All parties with knowledge of such cases are to maintain confidentiality in order to avoid damaging the reputations of persons suspected by subsequently found innocent or wrongful conduct, and to protect the Diocese from potential civil liability.

Census Policy

In those days Caesar Augustus issued a decree that a census should be taken of the entire Roman world. (This was the first census that took place while Quirinius was governor of Syria.) And everyone went to their own town to register. So Joseph also went up from the town of Nazareth in Galilee to Judea, to Bethlehem the town of David, because he belonged to the house and line of David. He went there to register with Mary, who was pledged to be married to him and was expecting a child. Luke 2:1-5 NIV

Just as the census taken around the time of Jesus' birth was important, so too is conducting a parish census imperative. Parishioners often move or some pass away. Babies are born and couples are married. While parishioner information should be updated continuously, a census should be taken every few years in order to communicate with parish families more efficiently and accurately.

Each parish should receive a spreadsheet from the Office of Stewardship and Development. Please review and/or update at minimum the following fields, using the formatting below.

Column A= Family DUID - please leave intact

Column C = Mailing Name: Mr. and Mrs. Joseph Smith

Column E = Informal Salutation: Joe and Betty

Column F = Address: 1234 Best St.

Primary address should be "Home Address" unless there is a PO Box. In the case of a PO Box, mark Mailing Address as the **Primary Address** (using the drop-down box).

Column G, H, I = City, State, Zip: Elkhart, IN 46514

Column J = Email Address: smiths@gmail.com

Column K = Phone Number: This should be a cell number of the HOH (Head of Household). Please include area code.

Column L = Status of Head (Head of Household): should be "Active" or "Inactive" for most. Please review to ensure it is correct. If the Head of Household is marked "Inactive" or "Deceased", that household will not receive a letter when mailings are sent. If the case of a couple where the husband is deceased and the wife is living, the wife should be changed from "Head" to "Husband."

Please do not delete a deceased record. If the entire household is deceased, mark it "Unregistered" and "Inactive."

Please follow the formatting from the example above. Please do not use ampersands and please do not use allcaps: please use periods with Mr. and Mrs., and please use an abbreviation for street, avenue, etc.

Please review and update columns A through L for content and formatting.

A column has been added to the right of the **Mailing Name** field, so you can add your corrected information to Column C. The **Informal Salutation** field is needed, so again, please enter your corrected information into column E. The other columns in the spreadsheet were included to make the review and corrections as easy as possible.

Once you have completed your corrections, please save the spreadsheet, and email it to the Office of Stewardship and Development, which will have ParishSoft upload it. This will save the parish quite a bit of time in updating, otherwise you would need to go into each record and update it individually.

Diocesan Finance Council Members

Updated 5/18/2021

Most Rev. Kevin C. Rhoades

Bishop of the Diocese of Fort Wayne-South Bend

Chair of the Diocesan Finance Council

Term expires: N/A

Thomas Skiba

Certified Public Accountant

Work: 260-969-1231 ext. 312

Home: 260-436-1003

Email: tskiba@hainescpa.com

Term expires: Aug. 2023

Meg Distler

Executive Director, Community Foundation

Term expires: Nov. 2025

Bob Doelling

Attorney

Term expires: Aug. 2021

Timothy Dolezal

Certified Financial Advisor

Term expires Jan. 2025

Deacon Jim Fitzpatrick

Business Owner

Term expires: Aug. 2021

Rev. Mark Gurtner, JCL

Vicar General/Chancellor

Diocese of Fort Wayne-South Bend

Term expires: N/A

Mike Hammes

Retired Banker

Term expires: Aug. 2021

Jerry Kearns
Executive Director
OSV Institute
Term expires: Aug. 2021

Donna Lamberti
Controller, Religious Congregation
Term expires: Sept. 2024

Chris Murphy
Bank Chairman/President/CEO
Term expires: Nov. 2025

Joe Ryan
Chief Financial Officer
Term expires: N/A

James Schindler II
Business President
Term expires: Sept. 2024

Tom Schuerman
Parish Business Manager
Term expires: Aug 2021

Linda Teeters
Certified Public Accountant
Term expires: May 2022

George Witwer
Business Owner
Term expires: May 2026