Diocese of Dallas

Accounting Standards Handbook

Revised January 2011

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Introduction

Good financial practices in our churches and schools and other entities are essential. However, we may not always recognize what we need to put them into effect. We know that we are called to be good stewards with the assets others have entrusted to us. As we learn more about financial management in our activities, it becomes apparent that there has to be a higher element of confidence and trust serving as our guide. This confidence and trust is known as our fiduciary responsibility. This means that as we manage our financial affairs, we are held to a higher level of integrity in every aspect of our work. Guided by stewardship and observing our fiduciary responsibility will assist us in our efforts towards drastically reducing our financial risk in today's business environment.

From an accounting perspective, whether the user of this manual is the pastor, the business manager, or a bookkeeper, there are two very basic functions to be performed. All moneys received must be accounted for and safeguarded; and they must be spent on the entity's ministries according to a budget and in accordance with the general intent or specific directions of the donor. In addition, no monies received by the entity for or on behalf of the entity are to be used for any non-entity purpose, including the personal benefit of clergy, business managers, bookkeepers or any other employee or volunteer. Knowing how to perform these functions correctly will ensure the integrity and credibility of the financial management system for which the user is responsible. This in turn will eliminate concerns from the donors about what happens to their contributions and will allow for a better value for every dollar spent.

From a government perspective, although we are tax-exempt organizations under specific provisions of the Internal Revenue Code, it is extremely important that all tax considerations be understood and appreciated. For instance, churches and schools must keep the same payroll records and prepare the same reports as any employer. Failure to abide by IRS rules may expose our entities to unnecessary embarrassment and expense.

Accounting policies and procedures must be clear and workable if there is to be an effective financial management system in place. That is the aim of this manual.

Prevent Financial Difficulties by Creating Safeguards

Parishes, schools and other entities can find themselves in a financial crisis because of lack of current facts (an inadequate accounting system), lack of financial acumen, or through organizational fraud.

To safeguard their future and their financial assets, diocesan entities should put in place systems and training to prevent financial problems.

Accounting System
A diocesan entity should rely on an established and tested system of accounting software and management controls. With an unsophisticated accounting system, people might be able to conceal transactions without leaving an audit trail.

Accounting controls should, where possible, include an effective segregation of duties, an authorization process, a method for validating transactions, and an internal audit function. These practices will help to ensure that funds are handled appropriately.

All parishes and parochial schools are required to use the accounting software selected by the Diocese (presently Quick Books Pro), and only the charts of accounts for parishes and schools specified by the Diocese. All such general ledger accounting activity, software and charts of accounts are web-hosted by a vendor selected by the Diocese (currently Right Networks). The use of any other accounting software or chart of accounts is prohibited.

Competency and honesty
Hiring capable people, training them to do the job correctly and ethically, and evaluating them properly, helps ensure that funds are spent appropriately. Additionally, creating an avenue for employees to voice concern can help foster an environment of honesty.

The budget process should be realistic and conducted in a timely manner. It should consider programs, personnel, and other priorities. Through the budget planning and review processes, pastors, principals, etc. can assess the organization’s overall financial situation, control spending, discourage fraud, and avoid deficits.

Committee responsibilities
The Parish Finance Council or School Advisory Board or the entity Board of Directors plays an important role in implementing these management controls. These groups are responsible for protecting accumulated assets of the organization and managing contributions, tuition, fees and other revenues properly. It can only do this if its members are educated on the issues, able to understand the financial reports, and willing to ask the staff tough questions.

Members must understand and appreciate their roles, responsibilities, and liabilities in the financial health of the entity.

The Finance Council or Board may want to require an annual audit by an independent auditor who reports directly to the council, as well as the chief administrator. If the entity is large enough, an audit committee should be created.

Audit, Financial Review and Financial Reporting Requirements

Annual Audits Required
Each Diocesan entity that is not a parish or a parochial school is required to have an annual audit of its financial statements by one independent CPA firm (the same firm for each entity). Periodically, the Diocese will lead a process to solicit proposals from appropriate CPA firms. At the completion of each audit the Board or Finance Committee of each entity is required to meet with the auditors to review the audit process, audit results and auditor's recommendations. In addition each member of that Board or Finance Committee must sign an annual letter addressed to the Bishop of the Diocese confirming the dates of the Board's or Committee's meetings since the prior letter, confirming attendance at the meeting with the auditors, receipt of the final audit report and related recommendations from the auditors, and specifying the contact information for each member.

Annual Financial Reviews Required
Each parish and parochial school is required to have an annual financial review of its financial statements by an independent CPA firm. The Diocese will publish a list of approved CPA firms from which the entity can choose. At the completion of each financial review the Finance Committee of each parish is required to meet with the CPA firm to review the financial review process, the results and the CPA firm's recommendations. In addition each member of the parish Finance Committee must sign an annual letter addressed to the Bishop of the Diocese confirming the dates of the Committee's meetings since the prior letter, confirming attendance at the meeting with the CPA firm, receipt of the final annual financial review report and related recommendations from the CPA firm, and specifying the contact information for each member of the Committee.

These annual financial reviews are <u>not</u> audits. Technically, they are referred to as "Agreed Upon Procedures" (AUP). (See the section below "Comparison of an Audit and Agreed Upon Procedures Review".) The Diocese publishes the required procedures for the AUP each spring and distributes the revised procedures to all approved CPA firms and to each parish and each parochial school.

Parishes and parochial schools are encouraged, but not required, to have audits done in lieu of an AUP.

Annual Financial Reporting Requirements
Certain formats and types of financial reports are required for audits and AUPs and have been specified therein. In addition, each parish and its parochial school must publish the standard Right Networks reports Number 5 and Number 8 to parishioners, to school students' families and to donors. The publication of these reports <u>must</u> occur within 30 days after the deadline date for filing of audit and AUP reports with the Diocese. Generally this will require publication in October of each year via an appropriate venue (the entity's web site, bulletin insert for parishes, mailings to school families, etc.).

Comparison of an Audit and an Agreed-Upon-Procedures Review

In an audit, the auditor decides on the procedures and scope of transaction testing that will be performed. In an "Agreed Upon Procedures" financial review ("Review"), the procedures and scope are all determined in advance by the Diocese.

The entity's financial statements are the responsibility of the entity's management. Encompassed in that responsibility are establishment and maintenance of effective internal control over assets and financial reporting, the establishment and maintenance of proper records, the selection of appropriate accounting principles, the safeguarding of assets, and compliance with all relevant laws and regulations. Management is also responsible for making all financial records and related information available to auditors.

In addition, management is responsible for adjusting the financial statements to correct material misstatements and for affirming to outside auditors in writing that the effects of any uncorrected misstatements aggregated by outside auditors during the audit or Review and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. At the conclusion of the audit or Review, the outside auditors will request certain written representations from management confirming these and certain other representations made during the audit.

An auditor's responsibility is to express an opinion on the financial statements based on their audit, or report their findings on the Review, and is limited to the period covered by the audit or Review. If circumstances preclude the auditors from issuing an unqualified audit opinion, they will discuss the reasons with management in advance.

An auditor is responsible for conducting an audit in accordance with U.S. generally accepted auditing standards. Those standards require that the auditor obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit or Review is not designed to detect error or fraud that is immaterial to the financial statements. An auditor will inform management of all matters of fraud that come to their attention. An auditor will also inform management of illegal acts that come to their attention, unless they are clearly inconsequential. If, for any reason, an auditor is unable to complete the audit or the Review and is unable to form an opinion or report the results of the Review, the auditor may decline to express an opinion or decline to issue a report on the review as a result of the engagement.

An audit includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant weakness. However, the auditor is responsible for ensuring that management is aware of any such weaknesses which come to the auditor's attention.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Accordingly, the areas and number of transactions selected for testing will involve judgment. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. An auditor's procedures will include tests of the physical existence of inventory (if any and it's significant), and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, creditors, legal counsel, and banks. At the conclusion of the audit or Review, the auditor will request certain written representations from management about the financial statements and related matters.

The procedures and tests in a Review are determined in advance.

In order to expedite the completion of the audit or Review and to keep the fees and expenses at a minimum, management must assign appropriate personnel to assist the auditors by performing non-professional duties, including locating, removing from, and returning to the files the checks, invoices, deposits and other documentation required to be examined by the auditors in the testing of transactions and substantiations of account balances; completing the financial information on audit work-papers to be furnished by the auditors; typing confirmation requests; and searching records for explanation(s) of exceptions or differences arising from the auditors' procedures.

Fees will be charged at the firm's standard rates, or less, for the level of work and professional staff involved for the time required to complete the engagement, plus out-of-pocket costs.

Fee estimates assume the auditor will receive the aforementioned assistance from the entity's personnel and unexpected circumstances will not be encountered. The auditor should notify management immediately if changing circumstances or other unforeseen factors require a change in the estimate by more than 10%.

The auditor and management should agree on a start date, an approximate end date and the timing of delivery of draft and final reports, including any resulting recommendations for improvement.

Standardized Financial Reports

In connection with the standard charts of accounts, the required accounting software for parishes and schools and the web-hosting of that software and general ledger activities (presently by Right Networks), the Diocese has adopted the following standardized financial reports.

Summary Level Reports

1 STATEMENT OF ACTIVITIES VS PRIOR YEAR - NATURAL
2 STATEMENT OF ACTIVITIES VS PRIOR YEAR - FUNCTIONAL
3 STATEMENT OF ACTIVITIES VS BUDGET - NATURAL
4 STATEMENT OF FINANCIAL POSITION VS PRIOR YEAR

Mid-Level Reports

5 STATEMENT OF ACTIVITIES VS PRIOR YEAR - NATURAL
6 STATEMENT OF ACTIVITIES - FUNCTIONAL
7 STATEMENT OF ACTIVITIES VS BUDGET - NATURAL
8 STATEMENT OF FINANCIAL POSITION VS PRIOR YEAR

Detail Level Reports

9 STATEMENT OF ACTIVITIES VS PRIOR YEAR - NATURAL
10 STATEMENT OF ACTIVITIES - FUNCTIONAL
11 STATEMENT OF ACTIVITIES VS BUDGET - NATURAL

Exception Reports

Exception Report

Utility

Refresh Report Data from QuickBooks

Concept of Budgeting and Its Purpose

Each Diocesan entity is required to have a realistic operating and capital expenditures budget for each fiscal year. A budget can be described as a theological document. It presents in dollars and cents how a diocesan entity lives out its mission. Budget preparation that is linked to the planning process of the entity is often a key component of the success of the entity's mission. The budget is a tool that quantifies the entity's goals and serves as a yardstick for measuring its success in achieving its objectives.

The mission of a diocesan entity is a statement that describes how that entity wants to live out its communal faith in Jesus Christ. Priorities give more clarity as to how that faith is lived; specific programs and activities give the details. A budget is a financial tool for how to achieve the priorities of the parish/school.

Budgeting Revenue

Schools should first determine what expenses will be incurred and then should set tuition (revenue). Tuition should be set to cover the impact of tuition discounts or any unfunded financial aid. Parishes, however, should establish a revenue budget first before trying to determine what will be spent on specific programs and activities. For parishes, the most prudent approach to budgeting revenue may be to base it on the prior year's actual revenue. This should ensure available funds for unexpected expenses and for growth over time. By budgeting revenue before budgeting expenses, a parish is better able to:

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

Unfortunately, parishes often spend too much time budgeting programs and too little time determining how to support those programs through appropriate funding. Services cannot be offered without funding. The contribution side of budgeting is critical and should be given appropriate time and effort.

An effective budget for revenue generally has the following characteristics:

- It is <u>realistic</u>. An unrealistic budget is not an effective tool. A revenue budget should realistically reflect the amount of revenue an entity expects to receive during the next fiscal year. Unrealistic optimism about revenue only hurts the entity. It is much more difficult to curtail or eliminate a program in the middle of the year than to plan and budget for reduced activities from the beginning.

- It is <u>consistent</u>. The budget must be consistent with the long-term objectives of the entity. Otherwise, the entity will lose focus on its mission.

- It is <u>flexible</u>. All budgets are based on assumptions about future conditions. The budget must be monitored and amended if conditions are not as expected.

Budgeting Expenses

Expenses traditionally receive much attention during the budget preparation process because they represent the activities of the entity and result in the achievement of the entity's mission. The entity should estimate the cost of each program or activity. For continuing programs, the future year's expenses can be reasonably estimated based on current and historical information. The entity should consider the following when determining budgeted expenses:

- Prior year's actual results
- The current year's revenue to date versus budget
- The current year's estimated results based on year-to-date actual results
- Any anticipated changes in the programs
- Historical trends in significant items such as group insurance and property insurance

It is more difficult and time-consuming to estimate expenses for new programs because of a lack of historical data. Costs to consider when estimating new programs include staffing, training, need for additional space, and supplies. In addition, the entity should consider the objectives to be obtained (for example, the number of people the program expects to serve).

The accounting staff of the entity should work together with the chief administrator and the appropriate councils and committees to develop a budget that reflects the entity's goals and objectives for the proposed year. Those goals and objectives should assist the entity in achieving its mission. It is important that entity leadership has ownership of the budget preparation process and the final budget.

Accounting for Funds

All financial transactions (all revenues/contributions received and all expenses incurred) should pass through the entity's regular operating bank account or other account that is in the name of the entity and recoded on the entity's books.

Funds in excess of immediate operating needs should be deposited in a savings account established in the name of the entity. Immediate operating needs may be defined as funds needed to operate the entity during the next 2-3 months.

Specific Information	
Where Funds Are Deposited	• All receipts (cash and checks) received by or hand-delivered to or for the entity shall be deposited in, and only in, bank accounts that bear the entity's name. • When a deposit is being made, funds shall not be withdrawn from the account by reducing the amount of deposit on the deposit slip. • Deposit errors discovered after the deposit is recorded should be recorded by separate adjusting entries. The original recorded deposit amount should never be changed.
Bank Accounts	• Accounts (checking and other types) at financial institutions in the name of the entity may be opened or established only by authorization of the pastor, principal, or administrator, who shall be the primary signer on all entity accounts. • When opening a checking account, the entity should use its Employer Identification Number (EIN), not the Social Security Number of any person. If the entity does not have an EIN, contact the Diocese's Business Office. • The name of the entity should appear on the face of the check for checking accounts of organizations, e.g., Men's Club of St. Matthew's Church. • Any time a change of signature is necessary, all signers shall sign the authorization card. • The person who maintains the books and/or prepares the checks to be disbursed should not be an authorized signatory on the bank account. Exceptions may be made for small entities or to facilitate retrieval of needed account information for cash management purposes.
Endorsement	• No checks made payable to the entity may be endorsed and converted into cash, nor deposited in accounts other than authorized accounts.
Personal Accounts	• No cleric, employee, or volunteer shall maintain a personal account that contains entity funds or to which entity funds are deposited. •
Security of Check Stock	• The unused check stock should be kept secure. • Additionally, if an entity uses computer generated checks, proper care must be taken to have adequate security regarding the ability to access such computer activity.

Mobile Payment Technologies	Mobile payment accounts such as PayPal, Square, etc., may be established but only: • When such payment method is the only practical option. • By authorization of the pastor, principal, or administrator. • The subject accounts should never be used as a main operating account – by either the entity or its parish/school based organizations (PBO).

Set-up of Mobile Payment Technologies	• Mobile payment accounts should be set-up centrally by the entity's business or accounting office. • The accounts should be set-up using only the entity's official credit card and/or main operating bank account (or a PBO's bank account if the PBO has a separate bank account and the mobile payment account is being set-up for the PBO.) • The account should only receive funds for subsequent transfer to the related bank account. Payment for goods and services directly from the account should be prohibited. • Access to the account(s) should be restricted with the app provider by limiting the ability to change account settings to an appropriate individual such as the entity's business/office manager.

Use of Mobile Payment Technologies	Mobile payment devices can be an efficient way to collect funds in certain situations such as fundraisings, fees for remote events, participation fees and similar activities. Such devices should be used sensibly, prudently and only when truly necessary. When used, the following minimum controls should be in place: • Use only official entity-owned devices, and brand the devices in a way that will make it very noticeable if anyone uses an unauthorized device. • Post a conspicuous notice at the event stating that charges will show in the payers' debit/credit card accounts as "XXXX" (indicating the name that will show up on their account statements if the authorized payment system is used.)

Mobile Payment Funds	• All funds received into the mobile payment account(s) should be promptly transferred to the appropriate bank account such that the account does not have a balance at any month-end. • A detailed monthly activity statement should be produced and retained, and serve as the basis for recording all activity to the accounting system and reconciliation of the related bank account.

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Cash Receipts in General

Control should be established over <u>all</u> cash and checks received (whether by mail, collection basket or hand-delivery), and they should be deposited promptly in the appropriate entity bank account.

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

Implementing adequate internal controls and following certain procedures consistently protects both the assets of the entity and the accounting personnel. Such internal controls and accounting procedures apply to the areas listed below. Each will be addressed in detail in the following pages.

- Collection Counting and Security Procedures
- Cash/Checks, Including Tuition and Fees, Received Through Mail or in the Office
- Miscellaneous Sales

Collection Counting and Security Procedures

Special attention should be given to the collection, counting and deposit of funds received at weekend Masses and holy days. The pastor is responsible for all funds collected in the parish. The following procedures are intended to give the pastor a structure for this fiduciary responsibility as well as to protect the contributions made for the ministry of the parish.

The parishes in the Diocese of Dallas vary in size dramatically. Consequently, great variation exists in the size of collections and in the number of persons available to collect, count, and deposit these collections. We acknowledge this in recommending that the following procedures be followed as closely as possible.

In the information below, we have highlighted (in *italics*) those portions of "Specific Information" and "Procedures and Steps" that we consider the minimum any parish should have in place.

Specific Information	
Written Policy	• *A parish should have written policies and procedures for the custody, control, counting, depositing and recording funds from collections.* •
Count Team Selection	• *The pastor should appoint collection count team(s), after consultation with the parish finance council.* • Neither the pastor nor any staff member should count the collection. Also, parties related to the pastor and/or staff members should not serve on a counting team. • Normally, there should be at least two count teams, preferably more. Large parishes may find it efficient to use one team comprised of a dozen or so persons. • *The chosen individuals should be known to and respected in the parish community.* • *Related parties (e.g., spouses, family members, those related by marriage) should never comprise a count team by themselves; there must always be a non-related person on the team and present.*
Count Team Schedule	• *A rotating schedule should be established for the count teams. If only one team is used, the members' duties should be rotated.* • Such a schedule helps ensure that no person or team is overworked or involved too much. It also discourages any potential theft or misappropriation.
Diocesan and National Collections	• *Diocesan and national special collections should be collected, secured, counted, deposited and recorded just as the regular collection.* • The funds should be forwarded to the Chancery within one (1) week of the collection. • The funds should be recorded on the parish books as a liability to the Diocese; when they are forwarded to the Diocese, the liability is removed.

Procedure	Steps

Taking Up the Collection	• *All collections should be gathered by assigned ushers or other persons who have been approved by the pastor or business manager.*
	• *The collection should be transferred to the parish safe or a secured location as soon as possible.*
	  o If brought to the sanctuary during the offertory procession, the collection should be removed immediately after the Mass by two of the ushers. They should transfer it to the parish safe or the secured location where the collection counting is taking place.
	  o If not part of the offertory procession, the collection should be transferred immediately by at least two assigned persons.

Security Immediately after Mass	• If the collection is counted immediately after Mass, the two designated persons should take the collection immediately after Mass to a designated location where the team of collection counters is waiting. *The location should be secured and private, with limited access.* • If the collection is not counted the day of the Mass, it should be taken in a *locked bag* by at least two members of the counting team to be placed in the night depository of the bank for subsequent collection, or placed in the parish safe, if available. • The locked bag may also be stored and properly secured in a safe. • *Under no circumstances should a collection be taken home by anyone to be kept overnight or to be counted.*

Beginning the Count	• On the counting day, the bags should be picked up from the bank, if not counted after Mass.
	  o If possible, it is preferable that the collection be counted at the bank.
	  o If accommodations are not available at the bank, the collection should be counted at the church site.
	• *When two or more of the designated money counters are present the locked bag should be opened to begin counting.*

Procedure	Steps

Counting Procedures	• *Contents of envelopes should be tallied separately from the loose checks, currency and coins. The loose checks, currency and coins should be counted first or separately.*
	• *A "collection counter worksheet" should be used to record the loose money and envelope counts by check/bills/coins for each purpose (regular contributions, special collection, etc*.). Some parishes may want to do this for each mass.
	• When a copier is available, copies of **loose checks** should be made. *If a copier is not available, prepare a listing of each check, including the name of the giver, the check amount, the check date, the check number, and purpose if designated by the giver*.
	• *All checks should be restrictively endorsed.* Preferably, this is done by using a rubber stamp with the entity name, the bank account number into which the deposit will be made, and the words "For Deposit Only".
	• The collection in **envelopes** should be counted in the same manner:
	  o *Reconcile the actual contributions to the amount written on the envelope.*
	  o *Any specific designations by the donor should be noted on the envelope.*
	• A different collection counter should recount the total checks, currency, and coins to verify the amount.
	• *Then the deposit slip should be prepared.*
	• *Once counted, funds and deposit ticket(s) should be placed in a locked bag and should be taken to the bank for immediate deposit by at least two (2) persons not on the parish accounting staff.*

Recording Individual Contributions	• *Bookkeeping staff should record into the individual contribution records all contributions made by envelope, check or otherwise identified method.* • *The total should be reconciled to the count sheets and the deposit slip.*
Reconciling Procedures	• *Reconcile the amounts on the "collection counter worksheet" with the deposit amount noted on the deposit slip.* • All members of the count team should sign the "collection counter worksheet" to reflect their participation in the counting and verification process, as well as the deposit preparation. In any event a written record should be maintained of those present during the count(s). • *Any deposit errors noted by the bank should be recorded separately. The original recorded deposit amount should never be changed.*

Cash/Checks, Including Tuition and Fees, Received Through the Mail or in the Office

The following procedures concern cash/check receipts that are received through the mail or in the office or by hand to entity clergy, employees or volunteers. They should be implemented and followed diligently. Care should be taken that the funds are properly secured, promptly deposited and accurately recorded in the entity's books. Additionally, a donor making a cash donation in the office should receive adequate acknowledgement that the funds were received.

We have highlighted (in *italics*) those portions of "Specific Information" and "Procedures and Steps" that we consider the minimum any entity should have in place.

Procedure	**Steps**
Who Opens the Mail and Receives Funds in the Office	• Someone other than accounting personnel should open the mail and receive funds brought to the office. Often, the receptionist or a secretary is a good person for this duty. *A listing of all cash and/or checks received should be prepared.*
Listing of Cash and Checks	• *The list of funds received should include the following information: name; date; amount; and purpose (if stated).* • *The list should be totaled and then initialed and dated by the person opening the mail or receiving funds in the office.* • *The person receiving the funds keeps a copy of this list on file.*
Tracking	• When minimal amounts of cash/checks are received in the office or through the mail, a running list may be kept for several days. It can include both amounts received in the office and amounts received through the mail. • *When these funds are deposited, a copy of the list is attached to the deposit slip. A new list is begun by the person receiving funds.* • Normally, receipts are not given for checks received in the office.
Checks Restrictively Endorsed	• *Checks received should be restrictively endorsed immediately* (for example, stamp the back of the check with "St. Joseph Church, for deposit only"). • The mail opener or the person receiving funds in the office can also do this.
Receipts for Special Activities	• If funds are being collected for a specific activity (e.g., youth ski trip), a separate list can be kept for that activity's records. o In such a case, there may be a different person (e.g., youth minister) responsible for collecting these funds. o The funds received should be reconciled to the list and given to the bookkeeper to be placed in the safe at the end of the day. o Although funds should never be kept unsecured overnight, it is acknowledged that activity fees are often received in the evenings or over weekends, and it may not be possible to place them in a locked safe immediately. o Care should be taken to safeguard these funds appropriately.

Procedure	Steps
Bookkeeper's Tasks	• The original list of checks received accompanies the cash receipts given to the bookkeeper, who records the receipts in the appropriate revenue categories. • Also, contributions should be properly recorded in the contributions journal.
Deposit of Funds	• *A deposit slip should be filled out.* The list of receipts should be attached to the deposit slip. The person filling out the deposit slip should ensure that the total agrees with the list prepared by the person receiving the funds. o If the total does not agree, the person filling out the deposit slip and the person receiving the funds must meet to reconcile the difference. • *Funds should be deposited daily. If this is not possible, they should be put immediately in the safe or some other secured place and the deposit made as soon as possible.* • *When the bank reconciliation is performed at the end of the month, records of cash receipts and summaries should be compared to deposit slips and bank statements. Any discrepancies should be reconciled.*

Cash Received in the Office

Specific Information	
Receipts Book	• A pre-numbered receipts book should be used to acknowledge all cash received in the office. Such a book may be purchased at any office supply store.
Responsible Person	• A person besides the bookkeeper should have the responsibility of accepting the check/cash, keeping it secure, and giving a receipt to the donor/payer.
When a Receipt is Given	• A receipt is given to any donor/payee who gives cash at the entity office. This applies to all cash received at the office. • The receipt slip should show the date, name, amount and purpose, and should be initialed by the office person receiving the funds.
Exception	• Sometimes a specific department, program or activity is collecting money (e.g., religious education registration fees, activity/merchandise prepayment, etc.). If this is the only purpose for which funds are being collected, a list of those paying can be kept instead of giving individual receipts. • The list should include the same information that is kept in the cash receipts book. See above. • If both cash and checks are being collected in this case, record the same information for checks as for cash. Additionally, for each payee, indicate whether they paid by cash or by check.

Procedure	**Steps**
Who Receives a Receipt	• *When someone comes to the office and gives cash for any reason (for example, Mass stipend, religious article purchase, etc.), that person should receive a receipt.*
Security of Funds	• *The funds received should immediately be put in the safe or a secured place. Funds should be deposited daily, or at the earliest convenience.*
Other Comments	• The pre-numbered receipts should be used in order and one book should be completed before beginning another. • Completely used receipt books should be kept in a secured place for a minimum of three years.
Reconciling Receipt Book	• At the end of the day, the bookkeeper should reconcile the money received to the receipt book. • If there is little activity, this count may take place on a weekly basis.
Account Entry	• The bookkeeper will make the appropriate entries to record the funds received in the proper accounts when she/he makes the regular entries to record the weekend collection revenue. • This should be done on a weekly basis.

Miscellaneous Sales

Parishes, schools, and their organizations often have sales to raise funds for various reasons. Such sales might take place after church or at athletic or other events. Items for sale can include anything from books to plants to tamales to cookies to raffle tickets. Normally, it is not feasible to give receipts for each sale.

Those working the event should be primarily volunteers and not staff. Additionally, such activities should be conducted in proper decorum. There should be no attempt to compete with community or commercial enterprises.

The following steps are suggested. We have highlighted (in *italics*) those portions that we consider the minimum any entity should have in place.

Procedure	**Steps**
Security of Funds	• *During the selling period, there should always be at least two sellers present; this will help prevent potential theft or the appearance of theft.* • *Funds should be kept in a metal cash box (or similar container) and out of reach of the public.* • *Immediately after each sales period, the cash box should be placed in a safe or in some other secure place.*
End of Day	• *At the end of the day or the end of the sale, funds should be counted in the presence of at least two people.* • A list of all checks (or copy of all checks), bills, and coins should be made; the Sunday collection count worksheet for parishes can be used. *The counted funds should be placed in a safe.*
Counting Funds	• *If the sale is parish-sponsored, the collection count team or the bookkeeper should recount the funds, prepare a separate deposit slip, and deposit the funds as usual.* • *The bookkeeper should be given a copy of the count sheet, so that it can be compared and attached to the deposit recorded on the monthly bank statement.*
Discrepancies	• *Discrepancies must be reconciled by the parties involved.*
Recording Funds	• All funds received should be recorded in the entity books. This applies whether the funds are deposited in the regular operating account, or in a special account.

Cash Disbursements in General

See the Diocesan Policy on Expenditures for required review and approval for certain levels of expenditures.

Disbursements from bank accounts should be made only for valid transactions consistent with the ministries of the entity. The payment for goods and services, whether by check or wire transfer, should follow certain procedures to ensure that no unauthorized payments are made, that correct and accurate records are made of each payment, and that payments are recorded in the proper period. Additionally, physical access to cash and unused check stock must be restricted to authorized personnel.

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

The following areas will be addressed in detail in the following pages.

- Signing of Checks
- Pre-Signed Checks and Signature Stamps
- Bank Reconciliations
- Petty Cash Fund

We have highlighted (in *italics*) those portions of "Specific Information" and "Procedures and Steps" that we consider the minimum any entity should have in place.

Specific Information	
Budget Preparation	• *The budget preparation process should be comprehensive enough to include all normal and other anticipated expenditures.*
Regular Schedule of Payment	• *Invoices received for products received or services rendered should be paid on a regularly scheduled basis (weekly, biweekly, or monthly, whichever seems most appropriate).* • *Normally, checks should not be written on demand.*
Checks	• *Payments should always be made by check, not by cash.*
Always an Invoice	• *All disbursements should be paid from an original invoice. No amounts should be paid in cash with the exception of minor petty cash items (see "Petty Cash Fund").* • *Sometimes statements are sent that show the sum total of multiple invoices. A statement must be accompanied by the original invoice for a disbursement to be made.* • *Checks should always be payable to a specific person or entity (not "Cash"), including for petty cash reimbursement.*

Procedure	**Steps**
Invoice Review	• The bookkeeper or business manager should review each invoice before it is paid. • Any questions should be answered before a check is written for the invoice. If questions are not answered to the satisfaction of the bookkeeper or business manager, the issue should be brought to the pastor, principal, or administrator.
Check Writing	• *A check should then be written for each legitimate invoice for the amount shown on the invoice, less any discount if applicable.* • *The bookkeeper should indicate on the invoice the date of the check and the account being charged with the expenditure. Often, a rubber stamp is used for this procedure.*
Approval, Signature	• *The check, with invoice attached, should be presented to the authorized signer (pastor, principal, etc.) for signature.* • *Before signing each check, the authorized signer should review the invoice,* and initial it if approved. • Signed checks, along with invoices, should be returned to the bookkeeper, who appropriately distributes the checks. • The bookkeeper also defaces each invoice to show when it was paid, to avoid the possibility of double payment. • A copy of the checking account's signature card should be kept on file in the business office.
Receipt of Supplies	• *If supplies or products are purchased, steps must be taken upon their receipt to make sure the requested materials are actually received.* • For example, if religious education books are ordered, when the order is received, the person who made the order must check the delivery to make sure that what was received exactly matches what was ordered, and that it was delivered in undamaged condition. • If everything is in order, that person should initial the receiving order that came with the delivery, and give it to the bookkeeper. • When the invoice is received, the bookkeeper should make sure that the receiving report and the invoice agree with each other.

Signing of Checks

Pastors, parochial vicars and priests-in-charge are to be signers on **all** parish accounts. Any other administrator assigned to a parish by the bishop may be a signer unless he or she has the duty of keeping the books. For schools, the principals should be additional authorized signers. Entities other than parishes and parochial schools would determine authorized signers through their boards.

Checking account transactions should be kept secure and free from potential mismanagement or misappropriation.

Specific Information	
Permission for Other Signers in Parish	• The pastor may apply in writing to the Chancellor for permission to allow a person working at the parish but not appointed by the Bishop to sign checks, so long as that person is not in charge of keeping the books or writing the checks. It is preferred that this full time minister not be the person in charge of keeping the books or writing the checks.
Separation of Duties	• The same person who signs checks is not to maintain the books or prepare checks. • Although this may be permitted by way of exception in a small diocesan entity, the head of that entity, or the entity's board, is urged to find a volunteer to perform the bookkeeping services. • Checks for large amounts should require two signatures.
Checks to Self	• Normally, one should not sign a check written to him or herself. • Normal payroll checks may be an exception to this. • If this is not possible, special care must be taken to ensure that adequate receipts and other documentation exist to properly explain the expenditure (for example, reimbursement for office supplies or for meals).

Pre-signed Checks and Signature Stamps

Blank checks should never be pre-signed, with the recipient and/or amount to be filled in later. **Additionally, signature stamps are never to be used.**

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

Specific Information	
Computer Printed Checks	• An entity may generate its checks by computer. • In such a case, it may be desirable to have the authorized signature also computer generated. • If this is the case, proper care must be taken to have adequate security regarding the ability to access such computer activity. • There should be a segregation of duties regarding check writing. For example, the person responsible for preparing the checks should not have access to the authorized signature.

Procedure	**Steps**
Checks Written for Approved Invoice	• Normally, checks should only be written for an approved original invoice, for the vendor and amount shown.
Store Credit Agreement	• If entity personnel or volunteers regularly purchase items from a particular store (e.g., grocery store, office supply store, hardware store, superstore), the entity should establish a line of credit agreement with that store. The entity should give the store a list of people authorized to make purchases at that store. When a purchase is made, the receipt should be brought to the office immediately, and kept on file until it can be compared with the monthly bill sent by the store. • Keep a list in the office of the people who are approved to sign for each account.
Purchase Reimbursement	• If a line of credit cannot be established, the person making the purchase should use his/her own funds and be reimbursed through the petty cash fund or by check. A receipt is required for a reimbursement. • Normally, the reimbursement is made by check; if the amount is minimal, the petty cash fund may be used.

Bank Reconciliations

All bank accounts of an entity and its organizations must be reconciled monthly to the general ledger. This should be completed within 30 days after month end.

Adequate steps should be taken to confirm the accuracy of the bank balances shown in the general ledger (or check book, if parish is not computerized). A key way to ensure the accuracy of the cash balance on the general ledger is to reconcile that balance to the balance shown on the monthly bank statements. Failure to properly and timely complete bank reconciliations essentially renders the monthly financial statements unreliable to the reader. Bank balances, as shown on the bank statements, should be reconciled with the general ledger balance on a monthly basis. Ideally, this procedure should be performed by someone who does not have access to cash, and is not involved in processing or recording cash transactions.

We have highlighted (in *italics*) those portions of "Specific Information" and "Procedures and Steps" that we consider the minimum any entity should have in place.

Specific Information	
Who Performs Reconciliation	• The person who prepares the reconciliation should receive the bank statements directly (or at least unopened) and retain them until the reconciliations are completed. • This person should not be the bookkeeper or the person keeping the books. *Periodically, a member of the entity's finance council or other qualified person should review the bank reconciliation.* • If the entity does not have sufficient accounting personnel, the bookkeeper may need to be the person who performs the reconciliation. *In such a case, a member of the entity's finance council or other qualified person should review the bank reconciliation monthly and occasionally actually perform the bank reconciliation on an unannounced basis.* • After it has been performed, the pastor/principal should review the reconciliation. • The person performing the reconciliation should initial the completed reconciliation, indicating its accuracy. • The person reviewing the reconciliation should initial it, indicating such review.

Procedure	Steps
Reconcile Items	• *Verify that all deposits and checks recorded on the books are the same amounts that were recorded by the bank.*
Discrepancies	• *Discrepancies between the general ledger cash balances and closing balances reported on the bank statements usually result from transactions recorded in cash journals but not yet processed and recorded by banks (such as deposits in transit and outstanding checks).*
Items Not Recorded	• *There may also be items on bank statements not yet processed and recorded by the entity (such as bank service charges). Such items must be recorded on the entity's books before the monthly closing is performed.*
What to Investigate	• *The following should be investigated:* o *Unmatched data in cash receipts and disbursements journals that fail to clear the banks within a reasonable period of time,* o *Unmatched items on bank statements unanticipated or judged erroneous, and* o *Mismatched items in cash receipts and disbursements journals and bank statement items.* • *The chief administrator should be notified if a discrepancy is greater than $50.* • *The chief administrator will determine if discrepancies should be investigated by the entity's finance council or another person/group.*

Petty Cash Fund

A petty fund can be established to control disbursements for which writing a check would be impractical. One person, normally not the bookkeeper, is to be designated custodian of the petty cash fund, and should be the only one having access to these funds.

Normally, expenditures should be processed through the regular cash disbursements process. That is, the request for and/or approval of each expenditure should be made by the appropriate persons, and payment should be made by check for an approved invoice. This normal process, however, is often not practical for the numerous small expenditures made in the course of normal business operations. Petty cash funds are used for these types of small expenditures. Petty cash funds operate under different procedures than the normal cash disbursement procedures.

We have highlighted (in *italics*) those portions of "Specific Information" and "Procedures and Steps" that we consider the minimum any entity should have in place.

Specific Information	
Fund Limit	• The size of the petty cash fund can vary depending on the size of the entity, but the fund should not exceed $500.

Procedure	**Steps**
Custodian	• The chief administrator chooses one person, normally not the bookkeeper, to be designated custodian of the petty cash fund.
Security	• *The petty cash fund should be maintained in a locked, secured area with limited access.*
No Loans	• *The funds are to be used for business purposes only. Absolutely no money should be loaned or borrowed from the fund for personal use.*
Not Used for Payment of Services	• *Petty cash should never be used for services rendered.* • *Checks for payment of services should be issued from the regular operating account in order to maintain proper documentation regarding the payment of services.*
Receipts	• *When disbursing funds, the custodian should make sure that there is proper documentation.* • *The person receiving funds must present a store receipt showing the amount and purpose.* • *When taking funds from petty cash to make a purchase, the purchaser must return with a store receipt and the appropriate change.*

Procedure	Steps
Disbursements	• *A disbursements log should be maintained.* The custodian should make sure that the disbursements log is accurately completed, with the following information: the date, the person receiving petty cash (payee), description/purpose of the disbursement, the amount, the recipient's signature, and the custodian's initials. • At any time, the combination of receipts and cash should equal the amount of money allotted to the petty cash fund.
Replenishing Fund	• When replenishing the fund, the business manager/bookkeeper should receive and review the disbursements log with all receipts. • *Verify that the disbursements total and the remaining cash equals the petty cash balance assigned. Any questions or discrepancies must be reconciled.* • *The fund is replenished by a check written to the custodian (never to "Cash"), who cashes the check and places the money back in the petty cash fund.*
Recording Expenditures	• The business manager/bookkeeper determines what accounts are to be used for the various expenditures, and makes the appropriate entry. The documentation, including the receipts, should be kept and filed as support.

Receipt of Non-Cash Donations

It is becoming more frequent that non-cash items are being donated to parishes, schools, etc. Many non-cash donations involve a legal ownership transfer, which can be complex and time consuming.

For donations of real estate (land and buildings), the Bishop must approve the acceptance of the donation by the entity prior to the transfer. See Diocesan Policy for Accepting Donations of Real Estate.

The Diocesan Business Office has a process and procedure for the acceptance of donated marketable securities and their immediate sale.

Non-marketable securities cannot be accepted.

Because there are often complicating matters associated with such a gift and because it often requires transfer of legal ownership, the Diocese's Business Office needs to be involved.

For non-cash donations that do not require a legal ownership transfer but are valued at greater than $5,000, the IRS makes certain requirements on both the donor and donee. Please consult the Diocesan Business Office.

Specific Information	
Value of Contributions	• There are two separate issues: o By law, the donor (not the done) is responsible for determining the amount he/she wishes to declare as deductible for federal income tax purposes. **Therefore, for gifts other than cash/checks, not-for-profit entities never indicate the gift's dollar value in any written acknowledgement.** o The amount to be recorded on the entity's books is determined by the value of the donation to the entity, or what it would have to pay for the product/services on the open market.

Specific Information	
Examples	• On December 31st, a person gives St. John Parish 100 shares of stock. Ownership was actually transferred on that day. On the day it was given, the stock was valued at $100 per share. For IRS purposes, the donor could declare a $10,000 donation. The stock was then sold by the parish in the first week of January, at $110 per share. The parish would record income of $11,000, but the donor would get no additional credit for the extra $1,000. o The reverse is also possible. If the stock sold for $9,000, the parish would take the loss, and the donor would still declare a $10,000 donation. • A parishioner donates several boxes of clothes and household items to the parish's outreach center. She determines that the donation is worth $200 for income tax deduction purposes. The parish acknowledges receipt of "several boxes of clothes and household items." • A person has upgraded his computer and decides to donate his slightly used computer to a school. He declares a $1,000 charitable contribution on his income tax return. The school determines that, for its purposes, the value of the donation is $300, and records that amount on its books, even though the donor has claimed a deduction for a different amount.
Keeping Track of Such Contributions	• If considered a non-cash gift, the value of or proceeds from the sale of such a gift must be recorded separately from the donor's other cash contributions. • Acknowledgement letters for regular contributions during the year or for a capital campaign reflect only cash contributions. • Non-cash contributions are acknowledged by separate letter when given. The amount placed on the books to record the value of the donation should not be mentioned. • In a capital campaign, separate acknowledgement letters should be sent. The cash contributions letter mentions the amount of cash given. The letter for non-cash contributions acknowledges the gift; it does not assign any dollar value to the donation. If the letter mentions the amount that the entity received upon sale of the item, it should be clearly noted that the amount mentioned is not for tax reporting purposes.
Example	• For example, Mr. Garcia gave $2,500 during the year in regular contributions and also donated a vehicle that he valued at $6,000. The contributions acknowledgement letter sent to him at year-end acknowledges only the regular contribution amount of $2,500. The donation of the vehicle would have been acknowledged in a separate letter when it was given, only mentioning the donated item, not the value of the donation.

Specific Information	
Example, Continued - If Donated Item is Sold	• The entity will send the donor the proper acknowledgement. • A value of the gift, or the amount of proceeds from its sale, will not be stated in the letter. • It is the responsibility of the donor to establish the value of the gift.
Example, Continued - If Donated Item is Retained	• The entity may want to retain certain donated items. Examples might be: books that can be used in the school library; a painting that can decorate a parish office; etc. • The entity should determine the value of the donated item, if possible. • The entity should send the donor the proper acknowledgement.

Procedure	Steps
Real Estate	• For real estate requiring the legal transfer of ownership: o When a potential donor approaches an entity, it should immediately contact the Diocese's Business Office and refer to the. Diocesan Policy for Accepting Donations of Real Estate o The Diocese's Business Office will contact the donor with instructions regarding how to make the transfer. o Once the Diocese receives the transfer, the Diocese's Business Office will send a thank you letter of acknowledgement to the donor, and notify the entity of the receipt. o The Diocese will take the appropriate steps for the sale or retention of the donation. o The Diocese's Business Office will send a final letter to the entity giving a summary of the transaction.
Property Valued at Greater Than $5,000	• If donors give property that they value at more than $5,000, they are required to complete IRS Form 8283. It is advisable that the entity provide the donor with the form and appropriate instructions. • Contact the Diocese's Business Office for further information.
Sale of Donation Valued at Greater Than $5,000	• If the donated property is sold within 24 months of reception, the IRS requires notification of the sales price of the property. • The entity is responsible for this notification. • Contact the Diocese's Business Office for further information.
Securities	• *Absent specific donor instructions to the contrary, all securities received are to be liquidated immediately to recover the amount donated in liquid funds and avoid speculation and market risk.*

Parish and School Organizations

There are essentially two types of organizations associated with the ministries of a diocesan entity, particularly a parish or school:

1. **Non-Parish (School) Based Organizations (NPBO):** These are primarily affiliated with outside not-for-profit organizations (e.g., Knights of Columbus, etc.), but operate within the context of the parish/school and are made up primarily of members of the parish/school community. These entities have their own tax-exempt status and are not controlled by the diocesan entity.

2. **Parish (School) Based Organizations (PBO):** These are established to support, financially and otherwise, the parish/school or one of its activities and are organized within the context of and are exclusively affiliated with the parish/school. These entities derive their tax-exempt status from the parish or school and would cease to exist if the parish or school ceased to exist.

NPBO (the first category) are established independently of the parish/school. They have autonomous operational structures, although they often work closely with parish/school leadership and seek their approval regarding the programs and activities they sponsor. Often they support the parish/school financially, although they are in control of their own finances and have their own checking accounts. Their funds should not be deposited with, nor held by the parish/school. Because they are an outside organization, they are not permitted to use the employer identification number (EIN) of the parish/school or its tax-exempt status but should use that of their parent organization. These organizations are not covered by insurance policies of the Diocese. They must have their own insurance and provide evidence of such to the diocesan entity when using its facilities.

PBO (the second category) are established by parish or school leadership, interested parishioners or parents of students or other interested parties to support the parish/school or an activity that is integral to the ministries of the parish/school. A trust, booster club, parent/teacher organization, altar society, etc. are examples of such an organization. It may or may not be separately incorporated and have its own legal identity. These organizations and groups are established by and are exclusively affiliated with the parish/school. They are involved in certain aspects of the ministries of the parish/school and have no existence outside that context. They are established by parish/school leadership or with that leadership's sole approval and operate under that leadership. They use the parish/school tax-exempt status to avoid paying sales and income taxes. Legally, the funds of these organizations belong to the parish/school; the pastor/principal has the authority to use these funds as he/she sees fit. However, it is prudent for the pastor/principal to coordinate the use of such funds with the purpose of the organization in mind. All of the assets (e.g. bank accounts, investments, etc.), liabilities, revenues and expenses of such groups should be recorded in the parish/school general ledger. (See Chart of Accounts.)

PBO's are subject to all applicable diocesan and parish/school policies and to the Diocesan Safe Environment Program. PBO's must always work in conjunction with the leadership of the parish/school.

PBO’s should be an integral part of the parish/school’s financial practices as follows:

- The PBO’s program or other activities are subject to review or approval by the pastor/principal.

- The PBO’s annual budget is reviewed and approved by the pastor/principal.

- The PBO’s annual budget and actual operating results are provided to the parish’s/school’s finance committee.

- The pastor/principal is included as an authorized signatory on all of the PBO’s bank accounts. The use of bank/checking accounts by the PBO, separate from those pertaining to the parish/school, is permitted.

- The PBO’s bank statement(s) is submitted directly by the bank(s) to the parish’s/school’s business office for review and reconciliation to the general ledger.

- The PBO’s financial data is combined with the parish’s/school’s financial data – i.e., the PBO’s assets, revenues and expenses are recorded in the parish’s/school’s general ledger.

  (For PBO’s with normal annual revenues of $10,000 or less, revenues and expenses may be recorded in the aggregate (as a single line entry for revenues and for expenses in the general ledger). For PBO’s with annual revenues greater than $10,000, revenues and expense must be individually recorded in the general ledger.)

Carnivals

Many parishes and schools, and their related organizations, hold carnivals, festivals, etc., during the year. Because large amounts of cash are generated by such events, special procedures need to be in place for the security of the money as well as the safety of the people involved. The organizers should carefully manage and control the flow of money and record all gross receipts and disbursements on the parish/school books.

Highlighted (in *italics*) are those portions of "Specific Information" and "Procedures and Steps" that are the minimum any parish/school or related organization should have in place.

Specific Information	

Planning	• *Adequate planning of the event should include determining:*
	  o *The appropriateness of the activities to be offered*
	  o *If there are sufficient volunteers*
	  o *The appropriateness of the timing (in the heat of the summer, in conflict with other parish/school or community events, etc.)*

Insurance	• *If you are holding the activity on another property, hire or contract with ride providers, or use non-parish/school personnel, equipment or things, you must make sure adequate liability insurance is secured.* • *Contact the Diocese's Risk Management Office well in advance of the event.*
Outside Contractors	• *If the event is contracted out to an outside company, contact the Diocese Business Office regarding proper contracts.*
Vendors	• *If products/services will be purchased from vendors, care should be taken to ensure that the products/services are of reasonable quality and at a reasonable price.* • *Do not pay for any items in full until they have been received.* • *In choosing vendors, favoritism toward parishioners or school parents or supporters should not be shown to the financial detriment of the entity.*
Ticket Usage	• Individual booths should not receive cash. Instead of each booth accepting cash, tickets should be sold that can be used at all booths. • Such a practice further controls the flow of money, and decreases the possibility of theft both internally (by workers) and externally. • Pre-numbered tickets should be used.

Specific Information	
Ticket Pre-sales	• If tickets are sold before the event: o Only authorized persons should sell tickets. o The event chairperson, or a designated person, is responsible for keeping track of the tickets and funds collected. o Funds collected should be secured and deposited appropriately.
Ticket Booths	• *A ticket booth should have at least two persons staffing it at all times.* • *Immediate relatives/family members should never be the only people to work in a ticket booth during the same block of time.* • The ticket booth should be issued two purse bags at the beginning of each day, with one bag containing the opening change purse. Two workers from the ticket booth should pick up the purses from the cash office and take them to the ticket booth. • At regularly scheduled times, or when the ticket booth has a pre-set amount of cash, the funds should be taken to the cash office by 2-3 workers. • At the end of the day all cash and both bags are returned to the cash office.
Cash Office	• *A cash office should be established to handle all monies for the event.* • *It should control the collection, disbursement, and recording of all funds during the event.* • This is essential for the proper safekeeping and recording of all cash receipts and disbursements. • A police officer should be on duty outside the cash office at all times. • All bags (backpacks, diaper bags, even purses if possible) should be left outside the cash office.
Cash Office Staffing	• *The cash office should be adequately staffed, with the proper segregation of duties.* • A pre-approved list of workers should be made and posted in the office. Anyone not on the list is forbidden to enter. • *The cash office staff should include:* o *<u>Chairperson</u> – overall manager of the cash office during individual shifts.* o <u>Window cashier</u> – distributes and receives all purse bags for ticket booths. When receiving, the cashier records in a log book the ticket booth, the names of the workers, and the time receiving the purse bag. o <u>Money counters</u> – is responsible for counting the money collected in the purse bags. Each bag should be counted twice. The amounts should be recorded on individual count sheets and initialed by the counters. o <u>Vault cashier</u> – receives the deposits from the money counters, counts and wraps currency and coins for bank deposits, and maintains the inventory of wrapped money in a pre-selected secure place. o <u>Vendor manager</u> – is responsible for handling payments to vendors and police officers using checks only.

Specific Information	
Payments to Vendors and Police Officers	• *All payments to vendors and police officers are to be made by check, not cash.* • Prior to the event, a list should be prepared of who will be receiving checks. • Checks should already be prepared beforehand, with all the information filled in except the payment amount and signatures. • An authorized check signer should be available at pre-arranged times on the evenings of the event.
Cashing Personal Checks	• Personal checks may be cashed for event activities. • A limit of $250 per day per household should be established. • A valid driver's license for verification should be required.

Procedure	Steps
Preparing Purse Bags	• Obtain sufficient purse bags to have 2 bags for each ticket booth. It is advisable to have extra bags on hand. • *Before the carnival opens, the chairperson prepares an opening change purse for each ticket booth, placing the pre-set amount in each bag.*
Distribution of Purse Bags	• Two assigned workers from each ticket booth pick up the two bags from the window cashier. This is done at least 20 minutes before the ticket booths open. • They count the opening change bag to make sure the amount is correct and then sign for the amount taken indicating that the amount is correct and that they took the bag. • They transfer the bags directly to their ticket booth.
Ticket Booth Procedures	• *The funds are kept secure in the ticket booth, out of easy reach from those not working in the ticket booth. If possible, each ticket booth should have a metal moneybox.* • At regularly scheduled times, or when the ticket booth has a pre-set amount of cash, the funds should be taken to the cash office by 2-3 designated workers, using one of the purse bags. • Persons taking the money should sign for the amount taken and put the signed receipt in the opening bag for the amount removed. • *At the end of the day, both bags should be brought to the cash office with all remaining cash from the ticket booth.* • *Sign the receipt for the amount in the bags and for all removed receipts.*

Procedure	Steps
Cash Office Procedures	• The window cashier receives monies from ticket booth workers, recording their names, the ticket booth, and the time. • The unopened bag is given to the money counters, who count the funds twice. After the funds are counted a second time, a count sheet is completed and both counters initial the sheet. • The money counters then put the monies back into the bag and give it to the vault cashier. That person wraps the bills and coins for the bank deposit. • The vault cashier then places the money in a safe or other secured place. The vault cashier alone should have the key to the safe or secured place.
Deposits	• *Bank deposits should be made throughout the carnival, so that no more than $5,000 in cash is kept on hand at any time.* A lower maximum may be set. • The chairperson and the vault cashier count and prepare the deposit slip together. They both initial the deposit slip. • The chairperson, accompanied by a police officer, delivers the deposit bags to the bank.
Reconciling	• *Copies of the count sheets and the deposit slips are kept secure during the event by the chairperson, who gives all of them to the parish/school bookkeeper after the event.* • *After the entire event, the parish/school bookkeeper reconciles the count sheets with the deposit slips and the bank statement.* • *If there are any discrepancies greater than $25, the persons who have initialed the deposit in question are contacted and the matter is reconciled. If the matter cannot be reconciled, the pastor/principal is notified.*

Raffles

All raffles must comply with the Texas Charitable Raffle Enabling Act.

A raffle prize offered or awarded cannot be money.

The IRS has reporting and tax withholding for raffle prizes in excess of $600. A summary of such requirements follows.

1. The entity is required to complete a W-2G (multiple copies) at the time of the award. This form is available at www.irs.gov as a fill-in-the-blank pdf. form. Copy A is filed with the IRS (with form 1096 in January of the year after the year of the raffle), copies B and C are given to the winner at the time of the award and copy D is retained by the entity. One W-2G must be done for each prize in excess of $600. Prizes valued at less than $5,000 are not subject to federal income tax withholding (but see step 3 below).
2. If the prize is valued at $5,000 or more, the prize is subject to 24% federal income tax withholding. The check for the withholding is sent to the IRS with Form 945 (Annual Return of Withheld Federal Income Tax) for the withholdings reported on forms 1099 and W-2G. This amount must be collected from the winner at the time of the award.
3. If the winner fails or refuses to provide his or her TIN (Taxpayer Identification Number, normally a social security number), then the winnings are subject to 24% backup withholding on the amount of the value of the prize between $600 and $5,000 and to 25% backup withholding on the value of the prize in excess of $5,000. These withholdings are filed and paid to the IRS as in number 2 above.

No raffle prize valued in excess of $600 can be given to the winner until the entity collects any required federal income tax withholding from the winner.

Summary Information	
Requirements	• Generally, gambling winnings are reportable if the amount paid reduced (at the option of the payer) by the wager is: ○ $600 or more ○ At least 300 times the amount of the wager
State Requirements	• In the state of Texas, the prize offered or awarded at a raffle may not be money, must be owned by the sponsor prior to the raffle and raffles are limited to two per year.. Bingo is not considered a raffle.
Determining if Withholding is Required	• The wager must be subtracted from the value of the total winnings to determine whether withholding is required and to determine whether reporting is required. • The wager must be subtracted at the time of the first payment.

Withholding Rates According to IRS	• IRS regulations are applicable to raffles that are held in the state of Texas. • The regular gambling withholding rate applies. The organization must withhold federal income tax at this rate from the amount of winnings less the amount wagered if such winnings less the wager exceed $5,000. • Regular gambling withholding applies to the total amount of gross proceeds (winnings minus the amount wagered) not merely to the amount in excess of $5,000. • Multiple prizes of $5,000 or less are subject to the regular gambling withholding rate if the aggregate proceeds from the wager will exceed $5,000. • The winner must pay the appropriate income tax to the sponsor, or the sponsor can pay the income tax and add it to the W-2G. • See IRS Form W-2G and related Instructions

Refer to the Internal Revenue Service website at www.irs.gov for detailed instructions and the appropriate forms.

Poker Tournaments, Casino Nights, Etc.

From the Texas Attorney General Website:

Poker/Casino Nights

1) *Can my nonprofit hold a poker tournament or casino night fundraiser?*

Unlike raffles and bingo, there is NO exception to the gambling law in Texas for nonprofits to hold poker or casino night fundraising events. The gambling law, Chapter 47 of the Penal Code, applies to nonprofits and to for profits equally. See Tex. Pen. Code Ann. §47 (Vernon 2003). Basically, there are three parts to an activity that could make it illegal gambling: 1) money or anything of value is paid to enter the game; 2) the winners are decided by a game of chance and 3) prizes of value are awarded. If all three of those conditions are met, then it's probably gambling and illegal. If the game is free to enter, then prizes of value may be awarded. If an entry fee is charged, then prizes of value may not be awarded. There are some exceptions to this rule, including certain carnival contests in which prizes with a value of less than $25 are awarded and mechanical devices for amusement purposes in which prizes with a value of less than $5 are awarded. If your organization is considering conducting an event involving a game of chance, you should consult Chapter 47 of the Penal Code to determine its legality.

2) *What if the poker tournament or casino night is held in a private place?*

It is legal for individuals to play poker or other casino activities in a private place, defined as "a place to which the public does not have access." They can bet money and win money. However, all money must be redistributed to the participants. The "house" cannot keep a cut, thus it would obviously be difficult for a nonprofit to raise funds in this way.

From the Texas Bar Association Website

Do Nonprofits Have Options?
While a nonprofit may not be able to hold a tournament where an entry fee is charged, they are not altogether precluded from putting on such events. According to the Attorney General, organizations are allowed to hold tournaments where prizes are awarded to the winners, such as gift certificates or even trips to Las Vegas, as long as the organization charges no entry fee. They could then sell food and beverages, including alcoholic beverages, to make money. In addition, a nonprofit could solicit underwriters or sponsors for the tournament and give prizes to winners. Or, a nonprofit could charge an entry fee and not offer prizes, but offer door prizes open to all entrants, regardless of the poker hand they draw.

Other Sources
There are companies that organize these events that should have knowledge of the legalities: See http://www.dallascasinoevent.com/fund_raising_events.html . **The Diocese makes no recommendations on the content of this web site or any of the entities.**

QuickBooks Month-End and Year-End Procedures

Starting with the fiscal year ended June 30, 2010, the parishes and parochial schools of the Diocese of Dallas adopted standardized accounting software - QuickBooks Pro 2009 (from Intuit®, Inc.). This accounting software is hosted by Right Networks, LLC, under license from Intuit®, Inc, on Right Networks application servers/infrastructure, and accessible via the Internet. Right Networks, as a Microsoft Licensed Service provider, provides a hosted Windows desktop edition of QuickBooks.

Standardized financial reporting was also adopted by the parishes and schools, via a Right Networks proprietary solution customized in conjunction with the Diocese of Dallas. The financial reports and exception reporting developed under this solution are based on data from the individual parish and school QuickBooks (QB) files. These various financial and exception reports are collectively referred to as the "standardized Right Networks (RN) financial reports".

Closing the books on a monthly and annual basis is the final step in the accounting cycle before preparing financial statements. Closing the books means posting all remaining transactions for a given month/fiscal year. **<u>At year-end (6/30), the books should be closed as soon as possible but not later than July 31 of the following fiscal year</u>**. This July 31 deadline for closing of the books as of fiscal year-end is sufficient and practical and allows time for completion of the required annual financial review due on September 15 of the new fiscal year. The following are the more critical items that need to be completed on a monthly and annual basis to close the QuickBooks accounting records.

<table>
<tr><th colspan="2">Specific Information</th></tr>
<tr><td>Accounting Methodology</td><td>

The accounting records should be maintained on the accrual basis to comply with generally accepted accounting principles.
The accrual basis requires accounts payable, other liabilities and expenses to be recorded when incurred, whether or not paid, and revenue to be recorded when earned, whether or not received.
</td></tr>
<tr><td>Period-End Review Procedures</td><td>

Review all asset accounts to ensure that these are properly stated. Particular attention should be given to the following items:

Cash and Cash Equivalents: reconcile all cash, petty cash and credit card accounts. A hard copy of such reconciliations should be maintained in a permanent file.
Receivables: during the year differences will occur between amounts actually received or paid versus what was accrued. At year-end a final analysis should be made along with any required adjustments for such differences and any amounts deemed uncollectable.

</td></tr>
</table>

	Accrued accounts receivable: record revenues due but not yet received as of year-end. As example of this would be dividends and interest income earned and due on investments. 3. Prepaid expenses and deferred charges: costs relating to subsequent accounting periods are amortized over the accounting periods to which applicable. Review and analyze to ensure that no adjustments are needed. 4. Fixed Assets: ascertain that capitalized assets are properly depreciated and the resulting expense recorded to the accumulated depreciation account. 5. Investments: record income on a monthly basis and unrealized gains/losses on a quarterly basis. • Review all liability accounts to ensure that these are properly stated. Particular attention should be given to the following items: 1. Accounts Payable: enter all invoices due and unpaid as accounts payable if not paid before the end of the month/fiscal year. Review payable accounts and ascertain all transaction were properly posted to the subaccount level. Accrue accounts payable: for amounts due others at fiscal year-end for receipt of goods or services – e.g. utilities. 2. Special Collections: review outstanding balances and ensure that these are remitted timely. 3. Other Accrued Expense and Liabilities: review to ensure these are accurately stated and no adjustment is necessary. Accrue/record any significant expenses incurred but not yet paid including interest due on loans (account #2101.01). 4. Payroll Liabilities: review to ensure these are accurately stated and cleared in a timely manner. Except for Section 125 Plan and 403(b) Plan deductions, generally, there should not be month-end balances in other payroll liability accounts because such liabilities are paid or funded with the semi-monthly payroll cycle that occurs at month-end. 5. Loans Payable: ascertain that balances due are in agreement with loan statements. 6. Deferred Revenue: review balances to ensure these are accurately stated and no adjustment is necessary, particularly prepaid tuition. • Review all equity accounts and ensure **<u>no direct entries</u>** have been made to these accounts.

	• Generate a preliminary draft of the following month-end QB financial statements and correct any of the following noted errors: 1. Generate a Profit and Loss Unclassified statement and properly classify any unclassified transactions. 2. Generate a Balance Sheet and Profit and Loss statements and review for negative balances (i.e. balances preceded with a minus sign). Note: For most accounts, QB presents balances as positive amounts. Exceptions to this are accts # 1103, 1104, 1312 thru 1332, and YTD losses in accounts 4121, 4122 and 4430. • Generate a preliminary draft of the month-end RN financial reports, including the error report, and correct all noted errors, including "unauthorized" accounts. Note: The RN financial and error reports can be generated on demand throughout the month. However, at minimum, the subject reports should be generated at month-end and all noted errors in the Error Report corrected prior to closing each month. **This is of particular importance at fiscal year-end because, the final year-end RN financial statements, including those provided to CPA firms in connection with the required annual financial review, should be free of any and all highlighted errors.**
Password Protect Period-end Accounting Results	• Once all period-end procedures have been completed and all transactions for a particular month have been recorded, the month should be closed to prevent further posting of transactions. This closing should be accomplished by "password protecting" the month within QB. The closing or password protecting of the entire fiscal year is of the upmost importance. **Once a particular month/fiscal year has been closed by password protecting, it must not be re-opened to post/record additional transactions unless such transactions are the result of the required annual financial review (or audit)**. Before re-opening a prior month/fiscal year please confer with the Diocesan Business Office, as it will need to re-run RN financial statements previously used/generated.
Tax-Related Procedures	• Review all vendors with whom you have done business since January of the current year and make sure you have W-9 information for those vendors subject to receiving a 1099-MISC. • In December run a 1099 vendor report to determine how many 1099-MISC will need to be sent out at the end of January of the following year. Based on this determination, secure an adequate supply of 1099-MISC forms early on.

QuickBooks Retained Earnings	• **<u>Once a fiscal year has been closed as noted above, record in July of the new fiscal year the retained earnings general ledger entry noted in the next section.</u>**

Required Retained Earnings General Ledger Entry

QuickBooks performs certain year-end adjustments based upon the month chosen as the start of the fiscal year. On the first day of the new fiscal year (July 1), QuickBooks automatically zeros out all income and expense accounts (which comprise net income or loss for the fiscal year) and posts the difference to an automatically created Retained Earnings account (# 3100). Accordingly, net income for a fiscal year is posted or reflected as a credit to Retained Earnings, while a net loss is posted as a debit.

In posting net income or loss for the fiscal year to Retained Earnings, the QuickBooks system makes no distinction between unrestricted and restricted funds. Rather, the amount posted to the Retained Earnings account is the net amount of the following three components: unrestricted net income or loss, temporarily restricted net income or loss and permanently restricted net income (note, that for permanently restricted funds, the concept of a net loss does not apply).

Proper financial requirements dictate that the above three components (unrestricted, temporarily restricted and permanently restricted) be presented in the financial statements. Accordingly, in order for such presentation to be made in the standard Right Networks financial reports, a general ledger entry must be recorded in QuickBooks. This entry essentially clears the balance in QuickBooks Retained Earnings, segregates the balance into the above three components and records each component in its respective beginning net assets general ledger account – i.e. #3010 Beginning Unrestricted Net Assets, #3020 Beginning Temporarily Restricted Net Assets, and #3030 Beginning Permanently Restricted Net Assets.

The concept behind clearing the Retained Earnings account is relatively straightforward, and depends on whether a component's year-end position is net income or a net loss. The entry to clear Retained Earnings is as follows:

If Net Income	If Net Loss
Debit 3100 Retained Earnings	Debit 30XX
Credit 30XX	Credit 3100 Retained Earnings

In recording the above entry, the total amount to record to each of the three components/accounts is determined by reference to the QuickBooks fiscal year-end Profit and Loss statement. The three components cross-reference to the Profit and Loss Statement as follows:

Component	Profit and Loss Statement
#3010 Beginning Unrestricted Net Assets	Net Ordinary Income
#3020 Beginning Temporarily Restricted Net Assets	Total 7000 Temp Restricted Net Assets
#3031 Beginning Permanently Restricted Net Assets	Total 8000 Permanently Restricted Net Assets

On the following pages find two examples of the Retained Earnings general ledger entry based on the following 2 illustrative QuickBooks Profit and Loss Statements.

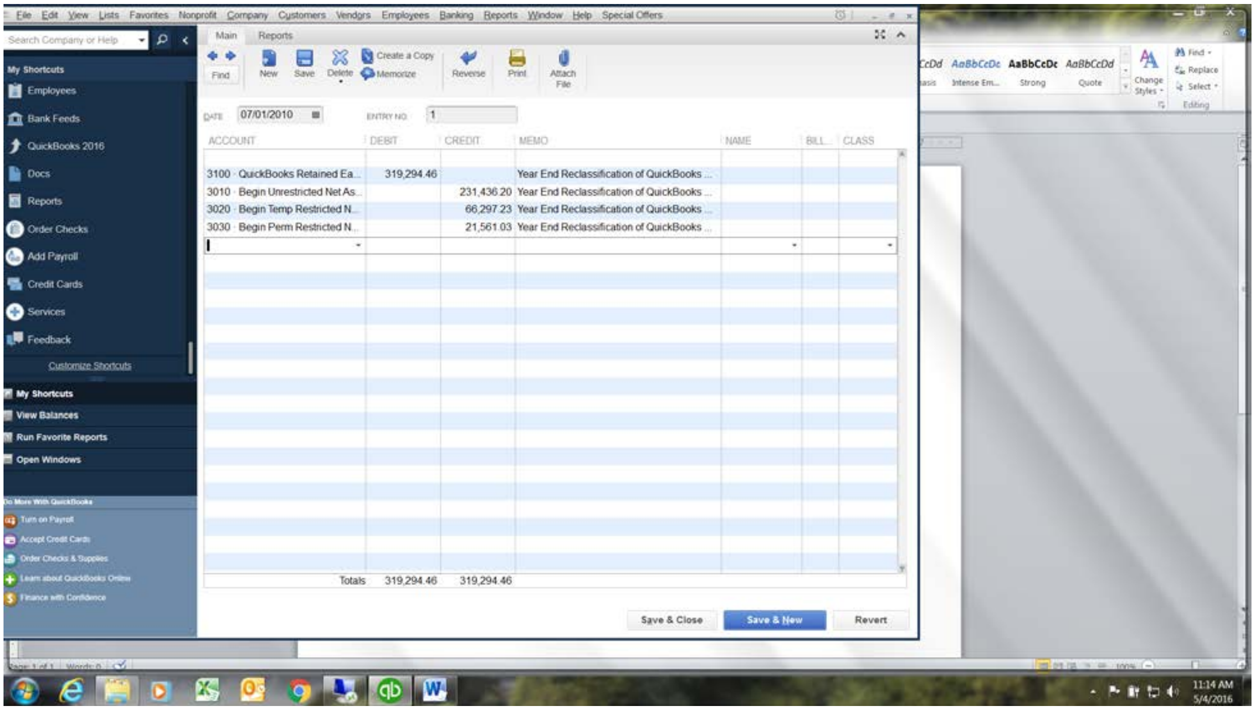
St. So & So Parish
Profit & Loss
July 2009 through June 2010

FOR ILLUSTRATION PURPOSES (EXAMPLE OF THE END OF THE PROFIT AND LOSS REPORT)

(Net Income in all three components)

		Jul '09 - Jun 10
Total 5600 · INTEREST & FINANCING CHARGES		45,279.98
Total Expense		1,723,328.89
Net Ordinary Income	(Net Income)	231,436.20
Other Income/Expense		
Other Income		
7000 · TEMP RESTRICTED NET ASSETS		
7020 · OTHER CONTRIBUTIONS		
7021 · Contributions Received		
7021.01 · Capital Campaign		85,996.00
7021.02 · Meditation Garden		85,996.90
Total 7021 · Contributions Received		171,992.90
Total 7020 · OTHER CONTRIBUTIONS		171,992.90
7070 · ASSETS RELEASED FROM RESTRICT		
7071 · Funds Released from Restriction		
7071.01 · Capital Campaign		-75,192.85
7071.02 · Meditation Garden Project		-30,502.82
Total 7071 · Funds Released from Restriction		-105,695.67
Total 7070 · ASSETS RELEASED FROM RESTRICT		-105,695.67
Total 7000 · TEMP RESTRICTED NET ASSETS		66,297.23
8000 · PERMANENTLY RESTRICTED NET ASST		
8020 · OTHER CONTRIBUTIONS		
8021 · Contributions Received		
8021.01 · Endowment		21,561.03
Total 8021 · Contributions Received		21,561.03
Total 8020 · OTHER CONTRIBUTIONS		21,561.03
Total 8000 · PERMANENTLY RESTRICTED NET ASST		21,561.03
Total Other Income		87,858.26
Net Other Income		87,858.26
Net Income		319,294.46

Following is the general ledger entry to clear/close Retained Earnings based on the QuickBooks Profit and Loss statement on the preceding page.



(Revised May 2016)

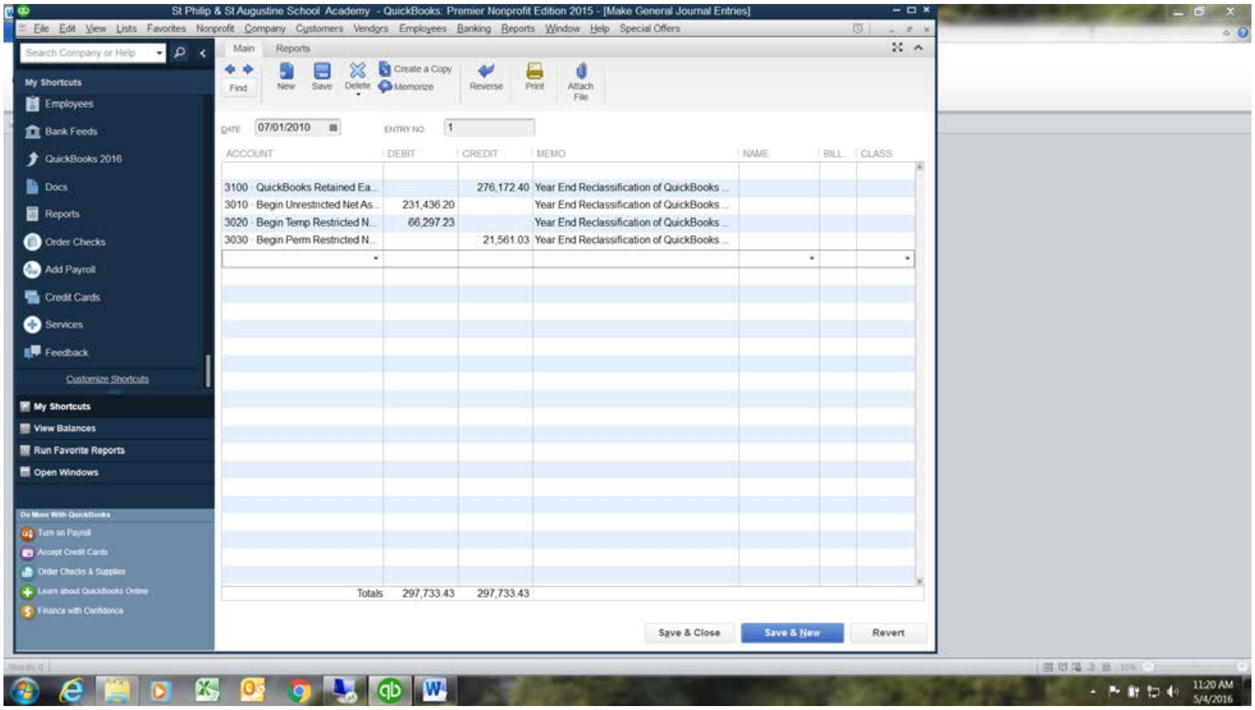
St. So & So Parish
Profit & Loss
July 2009 through June 2010

FOR ILLUSTRATION PURPOSES (EXAMPLE OF THE END OF THE PROFIT AND LOSS REPORT)

(Net Loss in all components except Permanently Restricted)

		Jul '09 - Jun 10
Total 5600 · INTEREST & FINANCING CHARGES		45,279.98
Total Expense		1,723,328.89
Net Ordinary Income	(net loss)	-231,436.20
Other Income/Expense		
Other Income		
7000 · TEMP RESTRICTED NET ASSETS		
7020 · OTHER CONTRIBUTIONS		
7021 · Contributions Received		
7021.01 · Capital Campaign		85,996.00
7021.02 · Meditation Garden		85,996.90
Total 7021 · Contributions Received		171,992.90
Total 7020 · OTHER CONTRIBUTIONS		171,992.90
7070 · ASSETS RELEASED FROM RESTRICT		
7071 · Funds Released from Restriction		
7071.01 · Capital Campaign		-75,192.85
7071.02 · Meditation Garden Project		-163,097.28
Total 7071 · Funds Released from Restriction		-238,290.13
Total 7070 · ASSETS RELEASED FROM RESTRICT		-238,290.13
Total 7000 · TEMP RESTRICTED NET ASSETS		- 66,297.23
8000 · PERMANENTLY RESTRICTED NET ASST		
8020 · OTHER CONTRIBUTIONS		
8021 · Contributions Received		
8021.01 · Endowment		21,561.03
Total 8021 · Contributions Received		21,561.03
Total 8020 · OTHER CONTRIBUTIONS		21,561.03
Total 8000 · PERMANENTLY RESTRICTED NET ASST		21,561.03
Total Other Income		- 44,736.20
Net Other Income		44,736.20
Net Income		- 276,172.40

Following is the general ledger entry to clear/close Retained Earnings based on the QuickBooks Profit and Loss statement on the preceding page.



(Revised May 2016)