

A Guidebook for Diocesan Administration
Catholic Parishes, Schools & Institutions

Diocese of Yakima - Financial Policies and Procedures Manual



Corporation of the Catholic Bishop of Yakima
5301-A Tieton Drive
Yakima, Washington 98908

**Please direct your questions and/or concerns to the
Diocesan Finance Office at (509) 965-7117**

Effective July 1, 2019



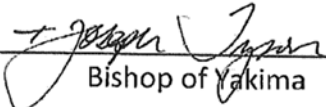
PROMULGATION

DIOCESE of YAKIMA

FINANCIAL POLICIES and PROCEDURES MANUAL

By the authority granted to me by Canon 31 of the 1983 Code of Canon Law, I promulgate that the Diocese of Yakima Financial Policies and Procedures Manual will become particular law for the Diocese of Yakima thirty days after August 1, 2016 in accordance with Canon 8 § 2. From September 1, 2016 the guidelines set in the Financial Policies and Procedures Manual are to be followed by all parishes and institutions of the Diocese of Yakima.

Given September 1, 2016 at the Pastoral Office of the Diocese of Yakima.


Bishop of Yakima


Chancellor





Diocese of Yakima Finance Office

Mission Statement

Our mission is to:

- Promote sound financial management
- Provide quality services, products and programs
- Deliver innovative business solutions
- Support the teaching and the public service mission of the Diocese of Yakima

Vision Statement

We aspire to be the preeminent financial services organization for a Catholic Diocese our size and to set the standard by which other similar institutions measure success.

Value Statements

Accountability: We all understand what is expected of us and are fully committed to meeting those expectations.

Communication: We communicate with our customers, partners, and internally to manage expectations and assure the highest levels of satisfaction. We actively seek partnership opportunities and solicit employee and customer input and respond to their concerns.

Customer Service: We serve our customers by performing our tasks in a timely, consistent and accurate manner. When interfacing with our customers, we are polite, friendly, professional and efficient. When situations require, we take initiative and proactively address customers' needs.

Employee Focus: We are committed to the success of our employees as they are our most valuable resource.

Excellence/Quality: We value innovative, timely, efficient, solution-oriented, and cost-effective services and systems. We are committed to achieving the highest levels of customer satisfaction. We provide leadership to the diocese in delivering proactive financial solutions and services in support of the diocese strategic plan.

Integrity: We provide services in an honest, ethical, open, courteous, caring and concerned manner, respecting all people and the free exchange of ideas.



Ownership: We perform our duties to the best of our abilities and take pride in our work.

Stewardship: We practice sound financial management and are committed to ensuring the efficient and effective use of Diocesan resources.

Teamwork: We value the contribution our staff makes in achieving our mission and we support and encourage teamwork and personal development to ensure a high level of competence, expertise, and satisfaction.

Transparency: We are committed to openly sharing information with others, effectively expressing our ideas and actively striving to understand the ideas of others.

Value: We continually examine the way we operate and seek opportunities to improve effectiveness of our service.



DIOCESE OF YAKIMA FINANCE OFFICE STAFF

Phone: (509) 965-7117

Fax: (509) 966-8019

Sue Schoolcraft

Chief Finance Officer

Property & Auto Insurance

Email: sue.schoolcraft@yakimadiocese.net

Darci Heinlein

Controller

Lay Employees Retirement Plan

Clergy Health Insurance

Email: darci.heinlein@yakimadiocese.net

Tamara Cyr

Accounting Clerk

Accounts Payable/Receivable

Email: tamara.cyr@yakimadiocese.net

Carrie Peterson

Bookkeeper

Outside Bookkeeping Services

Email: carrie.peterson@yakimadiocese.net

Alma Benitez

Director of Stewardship and Development

Email: alma.benitez@yakimadiocese.net

Daisy Perez

Bilingual Administrative Assistant to Director of Stewardship and Development

Email: alma.benitez@yakimadiocese.net

Sandra Boguslawski

ACA Bookkeeper/Administrative Assistant

Email: sandra.boguslawski@yakimadiocese.net



Parish/School Financial Objectives

- 1) Identify, record and report all transactions of the parish/school and maintain a uniform system of accounting, as required by the Diocesan Finance Office.
- 2) Must safeguard the temporal goods of the parish/school including all funds raised through the various parish/school activities and any related organizations.
- 3) Provide adequate and timely information regarding the cash flow needs of the parish/school so as to ensure the satisfaction of all parish/school obligations and diocesan assessments as they become due.
- 4) Enable the completion of required reports (e.g. parish/school budget report, monthly parish financial reports, schools, cemeteries) in a timely manner.



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Area Regions of the Diocese of Yakima



† Parish

● Mission Church





Accounting Software

Policy: The Diocese of Yakima requires all diocesan parishes, schools and institutions to use QuickBooks Enterprise (In the Cloud) accounting software by June 30, 2019. Until then, they are strongly encouraged to use other approved software, as listed below:

Procedures:

- 1) All entities should be using Quickbooks software, or be in the process of converting to Quickbooks before June 30, 2019.
- 2) All locations will be required to participate in the Diocesan “Quickbooks in the Cloud”, which utilizes Quickbooks Enterprise, no later than July 1, 2019. Each participating location will be billed an annual fee which will be determined based on actual costs to run the program. The annual fee will be announced each year by April 30th and be invoiced out to locations on July 1st.

ONLY until June 30, 2019, Other Approved Software List:

- Quickbooks – outside of the cloud
- Shelby (but must be in the process of converting to Quickbooks before June 30, 2019)



Allocation of Administrative Costs Between Parish/School Programs

Policy: A parish/school may decide to allocate administrative costs across the various programs that are supported by administration.

Procedures:

This policy is more useful for the larger parishes/schools in the diocese as they are capable of funding numerous programs, however smaller parishes/schools may find this section useful as well.

- 1) Even though this alternative will take extra time, it may be useful to know how different programs support themselves considering their share of common expenses.
- 2) In order to accomplish this allocation, it is necessary to determine how much each program uses the service represented by each cost.
 - a. For example, utilities may be divided among the programs based on a percentage determined by the number of hours the program uses parish facilities divided by total hours of programs.
 - b. Another example would be tracking the number of copies each program makes and allocating copying costs to the program. If a parish allocates administrative costs between the church and school, the allocation could be based on the percentage of square feet divided between the two areas. Other administrative costs that could be allocated are insurance expense, office supplies, telephone and postage.
- 3) Such allocations would be most useful for the larger parishes/schools with several programs. However, the smaller parishes/schools may benefit from allocating administrative costs to a lesser degree.
- 4) Some examples of parish/school programs include Faith Formation, Youth Ministry, Child Care, RCIA, Religious Education, Hispanic Ministry, etc.



Allocation of Costs between Parishes & Missions

Policy: When parishes with missions are together and share resources, costs of these shared resources must be properly allocated between the parishes.

Procedures:

- 1) Allocating costs between parishes and missions can be achieved by various methods.
- 2) The parishes must choose a method that fairly represents the cost relationships.
- 3) The method of allocation may be based on one of the methods described below. The parish may choose another appropriate method that applies to their situation.
 - b. Proportion of time the priest dedicates to each parish.
 - c. The number of families in each parish.
- 4) Using a percentage based on one of the methods above, actual costs incurred by the parish paying the bills can be allocated properly. The actual allocation can be determined:
 1. On a monthly basis from which the reimbursement from the other parish(es) is determined or
 2. By a set amount for monthly reimbursement with a final settlement based on actual costs to be paid at year-end.

| | | |
|-----------------|----------------|--------------------|
| Example: | Dedicated Time | Number of Families |
| Parish 1 | 60% | 250 or 71% |
| Parish 2 | 40% | 100 or 29% |

Shared Monthly Expenses Paid by Parish 1: \$5,690

Allocation Based on Time

| | |
|----------|---------------------------------|
| Parish 1 | $\$5,690 \times 60\% = \$3,414$ |
| Parish 2 | $\$5,690 \times 40\% = \$2,276$ |

Allocation Based on Number of Families

| | |
|----------|---------------------------------|
| Parish 1 | $\$5,690 \times 71\% = \$4,040$ |
| Parish 2 | $\$5,690 \times 29\% = \$1,650$ |

- Parish 2 could pay its actual allocated amount on a monthly basis or it could pay \$2,000 per month and settle the difference with Parish 1 at the end of the year.
- As can be seen, the allocation can be very different based on the method used. As a result, it is important to thoughtfully choose which method more accurately reflects the benefit that each parish receives and its share of the cost.



Annual Catholic Appeal (ACA)

Policy: All parishes are to follow the annual publication of the Annual Catholic Appeal Leadership Manual issued by the Diocese of Yakima Stewardship & Development Office.

Annual Catholic Appeal Goals:

- 1) Beginning with the 2018-19 ACA Campaign year, each parish's Annual Catholic Appeal Goal is calculated using 16% of the prior fiscal year's ordinary income. (Prior to this, it was calculated using 16% of the prior fiscal year's Sunday collections).
 - Parish ordinary income is synonymous with offertory income.
 - Offertory income is defined as receipts from regular offerings given during the celebration of weekday, regular Sunday and Holy Day masses.
 - These receipts shall include:
 - i. Envelope and loose money collected at the time mass is celebrated;
 - ii. Those receipts that are sent through the mail or dropped off at the rectory;
 - iii. Offerings made by children, notwithstanding where collected;
 - iv. Receipts given monthly, quarterly, and annually by parishioners in lieu of their weekly offering.
 - v. The offering may be in the form of electronic payment (ACH), checks, currency, real property, stocks, etc.
 - Offertory income will not include collections that are taken for a specific purpose, i.e. national collections, Diocesan collections, such as seminary & retired priest collections, Christmas collection for Catholic Charities, Good Friday collection for the Holy Land, building funds, and endowment donations.

Procedures:

- 1) The Annual Catholic Appeal Leadership Manual is distributed in September of each year with a letter issued by the Bishop.
- 2) The bookkeeper/secretary is responsible for monthly updates of names and addresses of all parishioners.



Auto Titles

Policy: All diocesan vehicles (schools and parishes) must be registered in the name of the *Diocese of Yakima/name of parish or school*, and the original titles kept at the Diocesan Insurance Office.

Procedures:

- 1) All diocesan vehicles must be insured through Catholic Mutual. Call the Diocesan Insurance Office to add your vehicles.



Background Checks

Policy: Background checks are required for all employees and for all volunteers who will have ongoing, unsupervised contact with children, youth, and vulnerable adults, or who will handle money, for example bookkeepers, collection counters, ushers and money handlers at special parish events.

Procedures:

- 1) Initial background checks are required for all new full-time and part-time employees before the hiring process is deemed completed. This type of background check requires submission of a social security number, or if the prospective employee does not have one, the signing of an affidavit on the background check form to that effect. Those offered a position will be made aware that their employment is contingent upon successfully passing the background check.
- 2) Initial background checks are required for all volunteers who will have ongoing unsupervised contact with children, youth or vulnerable adults. This type of background check requires submission of a social security number, or if the prospective volunteer does not have one, the signing of an affidavit on the background check form to that effect. While the background check is being processed, their volunteer service must be supervised. “Ongoing” has two meanings: For a single event (i.e. for a retreat), ongoing mean for more than just a brief moment; for a series of events (i.e. religious education classes), one or more times over a period of time (i.e., a school year).
- 3) Initial background checks are required for all volunteers who will handle money, for example bookkeepers, collection counters, ushers and money handlers at special parish events. If the volunteer is unwilling to provide a social security number for the background check, they are to be informed that they will be ineligible for ministry with children, youth or vulnerable adults. While the background check is being processed, their volunteer service must be supervised. In addition, employees and volunteers who in an unsupervised setting handle significant sums of money – for example, the Sunday collection, or parish festival funds – are required to undergo a credit check.
- 4) The pastor/principal/director is responsible for initiating the request for a background check or credit check. These should be sent to the Vice Chancellor for Personnel and Policies, Diana Aparicio-Sosa (509-965-7117 ext. 1006).
- 5) Employees and volunteers who are required to undergo a background check and/or a credit check will be informed in writing of their legal rights in regard to the check performed.
- 6) Please allow at least 2 to 3 weeks for a response after your initial request.
- 7) New background checks must be administered every 6 years.
- 8) Refer to Appendix V1 and V2 for our Diocese’s *Background Check Form(s)* (English and Spanish versions).



Bank Accounts

Policy: The parishes and school's must each maintain one operating parish/school checking account and request bank statements dated as of the last day of the month.

Procedures:

- 1) Have either the actual checks or check copies returned with the bank statement. If that is not an option provided by the bank, request that copies of the cancelled checks be included in the monthly statement. This is an essential element for proper internal controls for parish financial accounting.
- 2) Separate checking accounts must be used for school and cemetery accounts.
- 3) The pastor may also decide to open other accounts as needed for special purposes. If this is done, it will be necessary to include all transactions in the books and records of the parish/school, including the monthly Financial Reports.
- 4) Savings accounts outside of the Capital Revolving Program (CRP) are not permitted.
- 5) Therefore, parishes are encouraged to keep the number of separate accounts to a minimum and to use the operating checking account for most ongoing activities.
- 6) The parish bookkeeper must not be authorized to sign checks.
- 7) All parish funds shall be deposited only in accounts that bear the parish name and Federal Tax ID number.
- 8) A complete listing of parish accounts shall be disclosed in the monthly financial reports to the diocese.
- 9) All funds not necessary for parish operations, generally determined by over 45 days of operating expenses (days cash on hand = total annual expenses divided by 365 days times 45), must be deposited in the Diocese of Yakima Capital Revolving Program (CRP). Up to 135 days of operating funds must be in the CRP's "Preservation Fund" (ICS). Approved project funds may be in the CRP "Preservation Fund" as well as cash in checking accounts over \$250,000 but still within 45 days of cash on hand. .
- 10) If a parish organization or department has a specific need for a separate checkbook the pastor must be an authorized signer and the statements are to be mailed to the parish office.
- 11) It is extremely important that bank reconciliations be promptly prepared for all checking accounts, by an individual who is independent of the cash receipt and cash disbursement processes, may be Chair of the Financial Council.
- 12) A Finance Council member must review the reconciliations at least once a month.



Bookkeeper Responsibilities Regarding Parish/School Finances

Policy: The financial records must be maintained in an accurate and timely manner.

Procedures:

- 1) The parish/school bookkeeper is expected to perform their duties in a competent manner and must exhibit strong ethical values at all times.
- 2) The parish/school bookkeeper must inform the pastor, chair of the Finance Council and the diocesan Chief Financial Officer of incidents of misappropriation of assets or fraudulent reporting immediately.
 - a. Procedure:
 - i. The diocese will provide you with protection through our insurance policy.
 - ii. Use discretion when reporting the alleged act.
 - iii. Make sure that you have accurate and detailed documentation of the alleged act.
- 3) If not done immediately, the diocese's insurance coverage may be jeopardized.
- 4) Integrity and confidentiality must be maintained at all times on all parties.
- 5) Refer to Appendices A, D and P for examples/samples of *Adjusting Journal Entries*, *Checklist for Accounting Duties & Functions* and *Parish Financial Calendar*.



Budgeting

Policy: All parishes/schools/institutions must have a budget plan.

Procedures:

- 1) A budget is an estimate of the dollar amounts of parish income and expenses for the upcoming fiscal year. A starting point is the previous year's actuals. This budget or financial plan is essential for the proper management of a parish's/school's temporal goods. It prompts a parish/school to consider what it can and cannot achieve during the fiscal year. The budget must be a reflection of the parish goals and ministry priorities. This complements the long-term planning necessary to accomplish parish/school objectives.
- 2) In order to better estimate the income and expenses, all financial records and reports must be made available to the Finance Council at each meeting. The Finance Council must not rely entirely upon the verbal reports of the pastor, business manager, or bookkeeper, as the sole sources of financial information. Parish-affiliated organizations that contribute to the income of the parish, whether for the elementary school or other uses, must submit an income and expense budget to the Finance Council. If any assessments or other obligations are past due, a plan for their payment must be incorporated into the budget. Income must be budgeted conservatively and expenses must be budgeted realistically. Surplus funds on deposit can be considered in balancing the budget when the parish is facing a one-time or special operational expenditure or an extraordinary repair/capital expenditure.
- 3) If the parish has a school, the Finance Council must have a copy of the school's entire budget to determine the amount of parish subsidy needed and the amount of financial support that can be obtained from sources other than the offertory collection.
- 4) The Finance Council, having reviewed income projections and submitted budgets from the various departments and affiliated organizations, must develop a balanced budget without eliminating any programs. If this is not possible, the Council must develop alternatives that would bring the budget into balance. Such alternatives could include sacrificial giving, fund raising events, sharing staff between ministries or mission/parishes and re-evaluating the need for new equipment. In conjunction with the Pastoral Council, the budget must be brought into balance, keeping the parish goals and ministry priorities.
- 5) The fiscal year operating budget (July 1 - June 30; Schools: Sept. 1 – Aug. 31) is to be prepared and recommended by the Parish Finance Council to the pastor who has final approval authority. The finalized balanced budget must also be published for the parish at large. This may be communicated in summary format. Once the budget is approved, it should not be changed or updated during the year (except for schools, which can change it once after enrollment is completed in Sept-Oct).

6) **Setting up a Budget and Monitoring Performance**

1. Select all **Income** and **Expense** accounts

Expense account examples:

- Salaries (probably the largest account)



- Payroll Taxes
- Employee Benefits
- Maintenance
- Utilities
- Interest expense (if now in debt)
- Diocesanum
- Miscellaneous

Income account examples:

- Sunday collection (primary source of income)
- Holy days
- Tuition (for schools)
- CRP Total Allocation Gain or Loss
- Miscellaneous

Other Cash Expenditures to budget for:

- Capital Improvements
- Loan payments (principal portion)

2. Assign an annual dollar amount to each account

Your bookkeeper should have historical data – last year and perhaps more. Keep notes on why/how dollar amounts were set – “budget bases”.

3. Balance the new budget

Expense should not exceed income. If it does, income has to be increased if doable or some expense accounts have to be reduced.

- Pulpit appeal for income
- Reduce staff hours or eliminate staff
- Delay capital improvements

4. Spread the balanced budget across the twelve months of the year. This establishes a financial plan for each month of the year.

5. Record account actual income and expense results each month as the year progresses and monitor/compare actual data to budgeted data. Be prepared to explain variances from budget with the monthly financial reports. This provided the opportunity to spot financial trouble early.



Capital Revolving Program (CRP)

1) **Policy: All savings are to be deposited in the CRP account at the diocese.**

Procedure: No outside savings or investment accounts are allowed. However, 45 days of operating expense may be kept in parish/institution checking account.

- a. 46 to 180 days of operating expense must be deposited into the Insured Cash Sweep (ICS*) Account in the CRP. Special collections for approved building projects may also be deposited into the ICS Accounts.
- b. 181 or more days of operating expense must be deposited into the CRP general investment accounts.

*ICS is an investment option that deposits funds into an FDIC insured money market fund that will earn a low interest rate, and will not be subject to market fluctuations.

2) **Policy: Parishes/Schools/Institutions with debts are to make regular, stipulated, monthly payments on interest and principal.**

Procedure: Accelerated payments on the principal are encouraged. Parishes without debts must deposit excess funds in the Capital Revolving Program (CRP) when cash exceeds 45 days of expenses or at the end of each month. Parishes may not add to or establish savings accounts if they have debts in arrears, except for designated gifts from donors.

3) **Policy: Parishes/Institutions may borrow from the CRP to the extent approved by the Bishop.**

Procedure: When funds are available, money may be borrowed by a parish or institution, on a long-term basis for buildings or on a short-term basis for special needs, e.g., a new roof. Short-term loans may be arranged even though a parish has a long-term debt, but the parish's ability to pay is a factor to be considered in the decision to make the short-term loan.

4) **Policy: When a parish/school/institution is in need of a new building, a copy of the diocesan manual outlining "Policies and Guidelines for Construction, Remodel and Repair Projects" is featured on the diocesan website.**

Procedure: A flow chart is included, giving the process and timelines for all major building projects. The opinions of the people are to be carefully weighed in designing buildings. The Bishop and CFO must be informed of any construction projects with a letter of intent before any construction or advanced planning can begin.

5) **Policy: Before a building program is undertaken and construction has commenced, by a parish/school/institution, it will be required that it have on deposit in the CRP, at least 50% of the project cost.**

Procedure: Exceptions can only be made by the Bishop as Chair of the CRP.



- 6) **Policy:** All bonding and insurance review will be handled by the diocesan Administration Office, Insurance Department.
- 7) **Policy:** Major expenditures (over \$25,000) for new buildings, for remodeling existing structures or for new furnishings and equipment are to be referred to the Chief Finance Officer for prior approval and signature by the Bishop.
- 8) **Policy:** For projects under \$25,000 please consult the construction guidelines.
- 9) **Policy:** Replacement of existing equipment and furnishings should be referred to the Chief Financial Officer for approval if there is a substantial increase in quality or cost when one compares the replacement with what is being replaced.

Procedure: An increase of \$25,000 should always be considered substantial.

- 10) **Policy:** If a parish sells some or all of its buildings or property, the proceeds of that sale shall be applied to the remaining debt of the parish/school/institution.

Procedure: Exceptions may be granted only by the Bishop.

- 11) **Policy:** Depositors will be allowed to make withdrawals from savings.

Procedures:

- 1) When a parish, school or institution wishes to withdraw funds from their CRP accounts, a written request (Check Request Form), signed by the pastor or administrator, should be sent or faxed to the Chief Finance Officer stating the amount needed and the purpose for which the funds will be spent.
- 2) The CFO will sign and date the request and forward it to accounts payable for the issuance of a check. Expect the check to arrive within one business week.

- 12) **Policy:** All savings withdrawals for construction must be submitted in writing on the AIA G702 Application and Certificate of Payment Form or equivalent.

Procedure: The payment must be approved by the architect and pastor and then submitted to the diocesan CFO, along with the diocesan Check Request Form signed by the pastor or administrator. See Construction Guidelines for further details.

- 13) **Policy:** Loans will be made to the diocesan operating fund.

Procedures:

- a. A promissory note will be signed between the diocese and the capital revolving program that will have the terms and conditions identified.
- b. The loan proceeds will be deposited in the diocese operating account.



- c. The interest rate will be the 3 month LIBOR rate + 2.50% on the amount outstanding.
- d. The term will be no longer than one year from the date of the first borrowing.
- e. The purpose of this type of loan will be manage the cash flow of the ACA, the principal period of time that borrowing has typically been needed is from October to March although repayment could be a bit shorter or longer.
- f. The maximum borrowing authority will be \$2,000,000.
- g. Interest will be paid monthly based on an invoice received from CRP. Interest will be paid through the full month and calculated on a 365 day year.
- h. The receiving fund is at or nearing a zero cash balance.
- i. The advance cannot take place if there is no receivable identified that will pay it, the receivable is to be considered the collateral.

14) Policy: Loans will be made for indebtedness of the diocese for longer than one year with the following guidelines.

Procedures:

- a. New loans to the diocese will be made at conventional rates depending on the term of the borrowing. Knights of Columbus loan rate as identified on their website plus 1% at the time of the loan will be used. It may vary slightly base on the term.
- b. Interest will be paid monthly based on an invoice issued from CRP. Interest will be paid through the full month and calculated on a 365 day year.
- c. New advances cannot take place if there is no receivable identified that will retire the debt, such as ACA collections. The receivable is to be considered the collateral.

15) Policy: Interest loans to parishes/schools/institutions tied to Knights of Columbus rates on their website.

Procedures:

- a. Rates for a ten year borrowing at a fixed rate will be 1% greater than the equivalent term rate as quoted on the Knights of Columbus loan website.
- b. This rate will be finalized at the time the parish borrows the funds.

16) Policy: The CRP will accept pledges of securities by member depositors.

Procedures:



- a. Institutions that carry large balances with the CRP may pledge their assets to a third party.
- b. If that institution(s) has outstanding loans those deposits will be considered collateral up to the amount borrowed by the CRP and must remain on deposit and is not available for pledging or withdrawal.
- c. To the extent that balances on loans are paid down then that decreases amount of collateral required and increases the amount that may be pledged assuming that no other loans have been made.
- d. Parishes and schools are not permitted to pledge their deposits as security to third parties.

17) Policy: ACA and Capital Campaign goals must be met before a loan can be issued.

Procedures: As a part of project planning, a parish desiring a loan must be current on its ACA goal and past capital campaigns before initiating its new capital campaign.



Cash Management

Policy: Parishes must handle cash in a responsible and timely manner.

Procedures:

- 1) An operating budget broken down by month can be a useful tool for cash management.
- 2) Anticipating revenues and expenses on a monthly basis allows planned timing of expenditures to minimize cash flow problems.
- 3) The parish cash operating account must have a balance no greater than 45 days expenditures.
- 4) Cash in excess of 45 days must be invested in the Diocese of Yakima Capital Revolving Program (CRP) to earn investment income. (Please see page 7 Bank Accounts item 9).
- 5) For additional Information on the CRP please refer to pages 11-14.



Cash Receipt Procedures Other Than Sunday Offertory Collections

Policy: All cash and checks must be deposited in the parish banking account as soon as reasonably possible to reduce the risks associated with holding cash and checks on site.

Procedures:

- 1) All such receipts must be kept in a locked file cabinet or a safe until deposited.
- 2) Mail should not be opened by the parish bookkeeper.
- 3) Envelopes and checks received must be listed and totaled before being turned over to the bookkeeper for deposit.
- 4) Checks must be immediately endorsed “For deposit only (bank name and account number)” by person opening mail and listing.
- 5) A copy of the list and total must go to the bookkeeper with the endorsed checks for depositing.
- 6) The original list and total must go the pastor or parish administrator for subsequent comparison to the bank deposit.
- 7) For cash delivered by hand, pre-numbered receipts must be issued. Adequate control over the sequence of used and unused receipts must be maintained.
- 8) A drop safe is suggested for Sunday Collections.



Catholic Mutual “CARES” (Comprehensive Attentive Responsive Effective Service) Risk Management List – Available Online

Policy: Catholic Mutual is our insurance provider for property, auto, fire & peril and liability. The following is a list of policies that must be used and are available on the Catholic Mutual website. See below.

Procedures:

- 1) For any questions contact our Property Benefits Specialist at the Diocesan Finance Office at (509) 965-7117.
- 2) Please refer to pages 76 - 79 for information on Special Events Coverage.
- 3) **How to Log on to the Catholic Mutual Website:**

Access the web site by going to www.catholicmutual.org.

Go to the login tab: Username: 0166yak
Password: service

Next - click on the Risk Management Info box. From here you can access several different policies.



Charge Accounts and Credit Cards

Policy: The parish/school may maintain charge accounts at local merchants for which monthly payments are made. Credit Cards (VISA/MasterCard) are discouraged; however they are acceptable as long as procedures are followed.

Procedures:

Charge Accounts:

- 1) There must be a limited number of authorized purchasers, not to exceed 2 persons.
- 2) The parish/school needs to maintain a list of merchants/vendors and it must be approved by the pastor. It must also be reviewed by the Finance Council annually.
- 3) Authorization/signature cards must be maintained at the store indicating who the authorized purchasers are.
- 4) Receipts for all purchases are required to be attached and reconciled to monthly statement.
- 5) The monthly statement must be reviewed by the pastor or the chair of the finance council.

Credit Cards:

- 1) Church credit cards are a ministry tool that should be used wisely and carefully. Churches not only have a legal obligation to ensure credit cards are handled properly and ethically, but the church must do everything possible so that the cause of Christ is not harmed by abuse.
- 2) Credit Cards should only be issued to the pastor or individuals who are approved by the pastor. Each individual authorized to use the credit card should sign a statement acknowledging agreement to adhere to the terms of the credit card policy. See **Appendix H1**.
- 3) Possession of credit cards that are not used on a regular basis (i.e. not carried by the pastor) should be stored in a locked safe or cabinet in the parish/school office when they are not in use. When in use, they must be signed in/out by the authorized user.
- 4) Credit cards should only be used for pastor's or employee's convenience for items purchased in the normal course of daily business operations, such as office supplies, special on-line orders, fuel charges on church owned vehicles, or large ticket items (NEVER FOR PERSONAL PURCHASES). All purchases must be approved by the pastor.
- 5) It is recommended that the credit card purchase limits be pre-approved by the pastor and the parish finance and/or pastoral council. The limit should be kept at a minimum. These limits are stated on the credit card agreement.
- 6) ALL credit card purchases must be supported by receipts. The monthly credit card statement is NOT sufficient back-up for purchases. It must be accompanied by receipts noting the business purpose of the purchase. If a credit card charge is not accompanied by a receipt, it must be reported as taxable income to the individual who made the purchase.
- 7) Credit card statement balances should be paid off each month to avoid finance charges.
- 8) ALL credit card activity must be reported in the financial records of the parish/school.
- 9) Misuse of credit cards will result in revocation of credit card privileges and/or disciplinary action.



Chart of Accounts, Transactions & Classifications

Policy: Parishes/Schools/Institutions will follow the Diocese of Yakima Chart of Accounts and all financial transactions must be posted to the correct account(s). Any parish with specific sub-accounts must be integrated into the accounts as defined in Appendix B.

Procedures:

- 1) The Chart of Accounts, under GAAP (Generally Accepted Accounting Principles) includes Cash, Accounts Receivable, Accounts Payable, Fund Accounts, and Income and Expenses. For purposes of the Diocese of Yakima, parishes and schools must report income and expenses monthly which will be combined with the diocesan financials for an internal consolidated financial report. We would strongly encourage you to set up your accounting software to include GAAP in your parish or school financial statements.
- 2) Income must never be netted against expenses and expenses must never be netted against income. Such netting understates both income and expenses and violates basic accounting principles.
- 3) Refunds and reimbursements of expenses other than from insurance claims must be credited to the proper expense account from which it originated (reduces expense account to actual parish cost).
- 4) Operating expenses of the school that are paid for by the parish must be recorded in the subsidy account (e.g., accounting, secretarial, and maintenance salaries and benefits, insurance, utilities).
- 5) Shared salaries and benefits must be reasonably allocated by the pastor where mission/parishes, schools and cemeteries exist.
- 6) Some examples of account classification include:
 - a. For restricted funds, a separate income account could be established to track the income restricted for a specific purpose. A separate expense account could be established to record reflect how the restricted fund was spent. This helps track how much remains to be spent for the intended purpose.
- 7) For any questions regarding the Chart of Accounts please contact the Diocesan Finance Office at 509-965-7117.

Refer to Appendix B for a detailed description of each account and Appendix K for the *Fixed Asset Description Sheet & Forms*.



Clergy Compensation

Introduction: The Unique Status of Priests and the U.S. Internal Revenue Service (IRS)

Priests' compensation and benefits have a unique status within the IRS code. The IRS recognizes the clergy as *self-employed* individuals for the purposes of Social Security. Under this classification the clergy are required to pay all Social Security and Medicare taxes. In the Diocese of Yakima priests are not allowed to opt-out of Social Security. The amount of these taxes are computed on the Schedule SE (Self-Employment Tax) Form and added to the general income tax assessment.

In addition, for IRS tax purposes, the Diocese of Yakima considers the clergy to be “employed” persons by the diocese/parishes. This classification means that all earnings must be reported on a W-2 Form. All priests receiving a salary and/or stipend checks from any parish will be receiving a W-2 from the parish.

Finally the IRS states that when a priest incurs an expense, which is for the direct benefit of the parish (*business connection*), and can prove it with a receipt (*substantiation i.e. detailed*), the reimbursement qualifies as a tax-free reimbursement. In order for a priest to receive reimbursement for any of his expenses, especially those listed below, he must meet these two requirements (clear business connection and detailed receipts) first.

Both the finance council of the parish and the pastor & associate priest(s) are called upon to be good stewards of the financial resources provided by the faithful. It is their job to use these funds appropriately.

Clergy Benefits and Support:

Important Notes: In the following list of benefits and support for priests various types of forms and documents are mentioned. Any tax related forms can be found on the IRS website at www.irs.gov. All other forms/documents mentioned can be found on the Diocese of Yakima's website under finance in the offices tab at the top of the website. Bookkeepers should provide the priest with these forms/documents upon a new priest entering into their parish.

Monthly Clergy Salaries:

See page 27 for current base salary (Effective 7/01/2015)

Offerings to Parishes for Special Services:

Offerings from the faithful (formerly called stole fees) presented for baptisms, confirmations, marriages, funerals, and sacramentals are to be deposited in the parish checking account and remain parish funds (Canons 531 and 551). The following scale for offerings to a parish for special services is established as a policy in the Diocese of Yakima beginning July 1, 2001:

- Wedding \$200.00
- Baptism \$20.00
- Funeral with Graveside \$100.00
- Graveside Only \$50.00
- Quinceañera \$250.00



Additional Notes:

1. A priest, for good reason, may accept less than the above, but should not charge more.
2. The above offerings belong to the parish, not the priest (Canons 531 and 551). The scale should be published.
3. Offerings given to deacons belong to the deacon.
4. The \$10.00 stipend for offering a Mass for a particular intention belongs to the priest who celebrates the Mass (Canon 945).
5. A parish may add a charge for use of a parish facility other than the church building and add a charge for non-members and extra rehearsals.

(Approved 11/02/2006; Revised 7/01/2013)

Gifts:

The priest may from time to time receive gifts from a member of his parish (for example, a birthday or Christmas gift). These gifts are private, not for services performed. They should not be combined with special service offerings or stipends. They do not enter the parish donation records. As gifts, they are not reportable income (i.e. non-taxable). Nor may the giver receive recognition for a donation (i.e. the giver may not write off their gift to the priest as a tax-deductible donation on their taxes).

NOTE: A recent case settled by the courts (*Wayne Felton*, TCM 2018-168 (10/10/18)) determined that unsolicited donations to a Minnesota pastor were not gifts and therefore taxable. This particular pastor's donation receipts were a significant part of his income, plus they were organized and administered by the parish. To help determine if a gift is taxable income or not, think about the facts and circumstances of the gift:

- It looks like income if:
 - The gifts make up a significant portion of the pastor's annual receipts
 - The gifts were organized or administered by the church
 - The pastor is actively working for the church (not retired) and therefore it could be construed that the gifts were payment for spiritual services
 - The gifts are in cash (there is no de minimus rule for cash, so no matter how small a gift of cash, it could be construed as income)
 - The gifts would appear to a casual observer that the pastor is being compensated
- It looks less like income if:
 - It is "de minimus" or very small in amount compared to total receipts
 - If the pastor is retired and not providing regular services at the church

Mass Stipends:

The offering presented by the faithful for the celebration of Mass for a definite intention belongs to the priest who celebrates or concelebrates the Mass. The normal offering established in the Diocese of Yakima is \$10.00 unless the donor specifies a different amount (Canon 945). These offerings are not recorded in the parish books. However, these offerings are reportable (i.e. taxable) by the priest to the individual preparing his income tax return.



Stipends for Substitute Priests:

The normal stipend for each Sunday Mass, Quinceañera, Wedding or Funeral is \$50 and \$25 for each daily Mass or Graveside-only Service. Substitute priests also receive mileage. All substitute priests will receive a W-2 from each parish that has paid a stipend for the services performed during the calendar year. This stipend is taxable.

Work Week & Day-Off:

Within the Diocese of Yakima, priests have a 6 day work week which includes Saturday and Sunday. In return, each priest is entitled to one day (24 hours) off a week, which can accumulate to a maximum of up to 5 days (without a weekend) depending on the needs of the parish. These days do not count against his vacation days.

Vacation:

Each priest may take up to 31 days of paid vacation each calendar year (per CIC 533 §2 and 550 §3, vacation is defined as one continuous or interrupted month, i.e. normally four weekends). Any exceptions must be approved **by the Bishop in consultation with the pastor**. Unless prior approval of the Bishop is granted, vacation days must be used for leading or taking part in other retreats, pilgrimages, etc. The diocesan priest retreat, or another retreat approved by the Bishop in lieu of attending the priest retreat, is not considered vacation.. Priests must arrange for a priest substitute so that the regular Sunday Mass and confession schedule is maintained. The pastor must approve the cost for the substitute. Per CIC 533 §2 Priests who will be absent from a parish more than one week are bound to notify the Bishop. Notification may be made through the Chancellor. Priests are responsible for paying transportation costs for priests from outside the diocese. The bishop must approve all visiting priests from outside of the diocese and U.S. border. Priests of an area, with the assistance of the Dean, must coordinate their vacations to assure that at least one English speaking and one Spanish speaking priest are available to the faithful during the week.

Any priest who is absent beyond the 31 days allowed will not be paid for the additional days. He will also be charged for the cost of the substitute for those additional days. Any exceptions must have the prior approval **of the Bishop, in consultation with the pastor**.

A suggested calendar which can track your vacation days is provided on the Diocese of Yakima website.

Medical and Dental Insurance:

The salary provider will pay full premium for the priest's health and dental insurance coverage. Payments will be made directly to the insurance carrier as billed or to the Superior of the Religious Order for the benefit of the priest. The priest will be responsible for the first \$500 of his medical bills each calendar year. Costs thereafter will be paid by the insurer and the balance reimbursed by the Diocesan Clergy Supplemental Fund. Bills must be submitted to the Diocesan Finance/Benefits Office, who will be able to provide proper forms and instructions to request reimbursements. These reimbursements have no effect on wages.



Retirement:

The salary provider will pay \$300 month into the Diocesan Priest Retirement Fund at the Diocesan Finance Office or to the Superior of the Religious Order. For those priests working outside the diocese, the premium is \$300 per month, payable to the same offices.

Priests are Exempt from Payroll Tax Withholding:

The IRS has exempted priests from payroll tax withholding, however if a priest owes more than \$1,000 in taxes for a year he must make quarterly estimated tax payments. Failure to do so results in interest and penalty assessments.

A priest may request voluntary withholding instead of paying quarterly (a set amount would be deducted from his paycheck each payday, and sent to the IRS, along with the employee taxes, this would also show in their W-2 at the end of the year). If a priest chooses this method, he does not fill out a W-4 form as employees do, but instead will use a *Clergy Federal Withholding Election Form* Appendix E which can also be found on the diocese website.

Reimbursement of Social Security Taxes for Priests:

The salary provider will reimburse the priest one half of social security tax (also known as self-employment tax) up to \$2,025. To be reimbursed must submit a copy of his Schedule SE Form from the previous year's Federal Income Tax by the end of December of the following year. Failure to submit your Schedule SE will result in the loss of that reimbursement for that year. This reimbursement is not a business expense so it is reportable income (i.e. taxable) in the earnings for the current year.

Automobile Insurance for Priests:

The salary provider will reimburse one half of the vehicle insurance premiums paid by the priest for one vehicle. Catholic Mutual (our insurance provider) requires that each priest must carry \$100,000 per person (bodily injury), \$300,000 per incident and \$100,000 per property damage in liability coverage on all vehicles they own. Priests in the Diocese of Yakima are strongly encouraged to own, not lease their car(s). The minimum deductible shall be \$500. Submit a copy of a detailed insurance bill to the bookkeeper for reimbursement. This reimbursement is taxable.

Auto Allowance for Priests:

The priest will select one of the following plans for car allowances. The decision is made at the time the priest arrives at the parish. The car allowance plan may be changed at the beginning of each calendar year (January 1).

Plan A: A flat stipend of \$450 per month will be paid to the priest by the parish. No other reimbursement can be requested to the parish for auto expenses. The total stipend (\$5,400 per year) paid to the priest will be added to his wages reported on his W-2 (i.e. taxable). The priest is encouraged to keep a detailed mileage log and vehicle expense record if he wishes to deduct some of these costs on his personal tax return.



Plan B: The reimbursement plan will provide a stipend of \$300 per month plus a reimbursement of all business miles reported to the parish on an approved detailed mileage log. The total stipend (\$3,600 per year) paid to the priest will be added to his wages reported on his W-2 (i.e. taxable). Mileage reimbursement rate is equal to the IRS rate which is featured on the IRS website. Mileage reimbursement counts as non-taxable income. By selecting this plan the priest may not deduct mileage or any vehicle expenses for this car on his personal tax return.

Personal Food Reimbursement:

The parish shall reimburse the priest for food and beverage purchases for his personal consumption aligned to the IRS code. Food reimbursement is split into three parts:

- 1) Groceries (food and beverages only) purchased for use in the rectory kitchen.
 - The amount to be reimbursed is unlimited within reason and good common sense.
 - i. These reimbursements are non-taxable.
 - ii. To be reimbursed priests must submit detailed receipts of their purchases.
 - iii. Without proper receipts, no reimbursement will be made.
- 2) Meals/Food consumed away from the rectory in a personal setting.
 - The amount to be reimbursed cannot exceed \$600 per month.
 - i. These reimbursements are taxable.
 - ii. To be reimbursed priests must submit the bill plus the signature receipt (credit card) of their purchases.
 - iii. Without proper documentation and receipts, no reimbursement will be made.
 - iv. The purchase of vitamins and nutritional supplements may be reimbursed, provided they fall within the \$600 limit and are reported as taxable per IRS guidelines.
- 3) Business Meals (i.e. meals in which parish/diocesan matters are the main topic)
 - The amount to be reimbursed is unlimited within reason.
 - i. These reimbursements are non-taxable.
 - ii. To be reimbursed priests must submit the bill plus the signature receipt (credit card transaction) of their purchases. When you are claiming a “business meal” you also must include names of the persons you dined with and the name of the group.
 - iii. Without proper receipts, no reimbursement will be made.

When priests are on personal travel or vacation, food/beverage purchases are not reimbursable.

* If a priest is purchasing little to no food for consumption in the rectory, the \$600 limit may be increased within reason and good common sense, in consultation with the pastor, or if the priest is a pastor, in consultation with the Bishop or his delegate. Consultation with the Bishop may be initiated through the Chancellor. If the total reimbursements for groceries and meals consumed away from the rectory exceed \$1,200 in any calendar month, a report must be made to the Bishop through the Chancellor, who will engage the priest in a proactive discussion of the spending.



CLARIFICATION REGARDING EXPENSES

Clarification Regarding Expenses

The following chart is an attempt to clarify items that are considered a parish expense and items that are considered a personal expense of the priest. It is not exhaustive. If you have any questions about this chart, contact Msgr. Robert Siler at the Pastoral Center, 509-965-7117, robert.siler@yakimadiocese.net.

| <u>HOUSING</u> | |
|--|--|
| <u>PARISH EXPENSE</u> | <u>PERSONAL EXPENSE</u> |
| Furniture that remains in the rectory | Furniture the priest takes with him when he moves |
| Maintenance and cleaning supplies | Vitamins, dietary supplements (above the \$600 per month limit as noted earlier in personal food reimbursements) |
| Household laundry | Toiletries |
| Housekeeping and meal preparation (if provided by someone other than the priest) | Housing and meal expense for visiting family and friends |
| Meal costs when hosting a deanery meeting, penance service, or similar gathering | |

| <u>VESTURE/CLOTHING</u> | |
|--------------------------------------|--|
| <u>PARISH EXPENSE</u> | <u>PERSONAL EXPENSE</u> |
| Vestments retained by the parish | Vestments retained by the priest |
| Laundering of albs and church linens | Daily clerical attire |
| Dry cleaning of vestments | Personal clothing and shoes |
| Laundering in rectory of clothing | Dry cleaning of personal and clerical clothing |

Reimbursed Business Expenses:

Priests may obtain reimbursement for ordinary business expenses. These shall include travel, lodging, incidental travel fees, vehicle rental, taxi fares, business meals, meeting fees, job related materials, and items purchased for the use of the parish with personal funds or credit card. All expenses submitted for reimbursement must be supported by a bill and signed receipts (credit card transaction) or will become taxable if the receipts are inadequate. If business reimbursements exceed \$2,000 in any calendar month, a report must be made to the Bishop through the Chancellor, who will engage the priest in a proactive discussion of the spending.



Additional “Non-Taxable” Benefits:

Rectory: A furnished home or an apartment shall be provided for each priest. This benefit is not subject to income tax; however the estimated value of the housing must be included in the IRS Schedule SE Form for computing Social Security (i.e. Self-Employment) Tax.

NOTE: A recent case settled by the courts (*Freedom from Religion Foundation, et al (Annie Laurie Gaylor, et al), v. Lew (Mnuchin)*, Case No. 16-cv-215-bbc (WD WI (12/13/17))) determined that the priest’s housing allowance exclusion from federal income tax was unconstitutional. The case is on appeal to the 7th Circuit court (appeal filed 2/8/18), which means that the housing allowance exclusion remains available for 180 days after final resolution of the case. So 2018 returns or longer remain safe for now, but stay tuned. Recommendation: File tax returns as early as possible to avoid changes from the final ruling.

Housekeeper and/or Cook: The parish will hire a housekeeper at the priest’s request to clean and maintain the rectory. A cook may also be hired to provide meals for the priest. If a cook is not provided, the priest shall prepare his own meals or purchase them from local restaurants. The housekeeper/cook may purchase grocery items for the priest if desired. The costs of these groceries are included as a part of the food reimbursement.

Repairs and Maintenance: The parish will care for the rectory, its furnishings and the attached grounds.

Utilities: The parish will pay the electricity, water, garbage collection, gas, and phone service in the rectory, if applicable.

TV/Cable Services: The parish will pay for expanded cable services, which includes several foreign language channels if desired. Premium sports services, movie channels, pay-for-view, and additional foreign language channels, etc. will be billed to the priest.

Cell Phone/Plan: A priest can purchase a cell phone and the parish will provide \$200 once every two years towards a new phone and \$50 every month toward a voice-only plan, or \$90 every month toward a voice and data plan. If a priest wants a more expensive phone or plan any additional cost is paid by the priest. This phone is the property of the priest.

Computer: The parish will provide a computer for the priest to use in his office. The computer will be installed with appropriate operating systems, Microsoft Office programs and malware prevention programs. A backup system will be provided, either using the parish network or other reliable backup system. Programs commonly used by the staff will be installed on the computer. Personal programs may be installed on the computer as long as the programs do not interfere with the integrity of the parish network. The computer shall remain the property of the church.

Laptop/iPad/etc.: If a laptop or iPad is used in lieu of an office computer, the parish will purchase the item. If an additional laptop or iPad is desired the parish will pay up to \$200 per year for only one personal computing device if the priest wishes to purchase one.

A final note: When leaving the parish, all items provided by the parish for use in the rectory or office, if paid for with parish funds, remain with the parish with the exception of cell phones and laptops/iPads.

(See Next Page for Priest Salary Schedule)



Priest Salary Schedule (Effective July 1, 2015)

| Year | Salary (monthly) |
|------|------------------|
| 0. | \$1,290 |
| 1. | \$1,295 |
| 2. | \$1,300 |
| 3. | \$1,305 |
| 4. | \$1,310 |
| 5. | \$1,315 |
| 6. | \$1,320 |
| 7. | \$1,325 |
| 8. | \$1,330 |
| 9. | \$1,335 |
| 10. | \$1,340 |
| 11. | \$1,345 |
| 12. | \$1,350 |
| 13. | \$1,355 |
| 14. | \$1,360 |
| 15. | \$1,365 |
| 16. | \$1,370 |
| 17. | \$1,375 |
| 18. | \$1,380 |
| 19. | \$1,385 |
| 20. | \$1,390 |
| 21. | \$1,395 |
| 22. | \$1,400 |
| 23. | \$1,405 |
| 24. | \$1,410 |

- 1) Pastors with parishes that have a parish school (K-5 or K-8), or who have parishes larger than 750 families, receive an additional \$50 per month.
- 2) Pastors of all other parishes receive an additional \$25 per month.
- 3) The normal monthly pension for Senior Priests who are at least 65, with at least 25 years of service, is \$1,405. No additional compensation is provided based on their assignment at retirement.



Compliance Reviews (aka Agreed Upon Procedures (AUP) Program)

Policy: Parishes/Schools/Institutions will have an AUP program review at least once over a 6 year period in conjunction with the Standards of Excellence program in order to assist parishes and parish schools with the safeguarding of parish assets.

The Diocese has engaged a CPA firm to visit up to 7 locations each year to compare actual processes and procedures to the Diocesan Finance Policies to determine whether they are in compliance or not. If not in compliance, recommendations will be made to assist parish leadership with how best to make improvements.

Procedures:

1. Purpose of AUP program review:
 - a. To assist the parish/school/institution with accounting related issues
 - b. To identify areas that need improved internal controls
 - c. To hold the parish/school/institution accountable to diocesan policies
 - d. Governance issues
2. The Diocese of Yakima Finance Office, in conjunction with current diocesan CPA firm, will schedule AUP program reviews on a periodic cycle, approximately every 6 years. The locations selected for the annual AUP program reviews will follow the same schedule as the Standards of Excellence, and will take place in the same year when the “Complete Self Study on all 5 Standards & Host Visitation Team” occurs.
3. Locations may also be selected for AUP program reviews based on other criteria, such as a change in pastors.
4. The current CPA firm will provide a guide to help prepare locations for the AUP program review, which will include a list of items that will need to be ready the day of the review.
5. **The parishes/schools/institutions are encouraged to budget \$4,500 - \$5,000 for the potential cost of the AUP program review.**
6. AUP program reviews are based on the most recent completed fiscal year.
7. Parishes/schools/institutions will receive a management letter summarizing the results of the AUP program review. The report will list any required changes in procedures or non-compliance with diocesan policies that are discovered, and make recommendations for improvement.
8. Parishes/schools/institutions will make all noted corrections and implements any required changes in order to be in compliance with diocesan policy and procedures within 60 days after completion of the AUP program review or have a plan to be in compliance within one year.
9. The report will be provided to the Director of Finance/Controller, and the Chief Financial Officer/Chief Operating Officer.
10. Diocesan Finance Office will follow up on compliance review recommendations.



Conflict of Interest Policy

Policy: A conflict of interest form must be signed annually by each member of any diocesan/parish council (finance/building/pastoral), school, institution, or similar governing body.

Procedures:

- 1) The Chief Financial Officer oversees the conflict of interest policy. He may seek legal advice on any issues or concerns under this policy.
- 2) The committee chairs, pastor, or principal are responsible for overseeing the implementation of the conflict of interest policy.
- 3) The governing member/Pastor/Principal is responsible for the administration of this policy and safekeeping of signed statements.
- 4) Members must follow all applicable as listed in the conflict of interest policy.
- 5) All noted conflicts of interest completed forms must be sent to the Chief Financial Officer.
- 6) Refer to Appendix W for the *Conflict of Interest Statement & Form*.



Diocesan Collections & Remittance

Policy: It is essential that checks be made out to the correct diocesan corporation in order to be processed properly.

Procedures:

- 1) It is not necessary to write multiple checks to the same entity.
- 2) The monies will be applied as directed on the check.
- 3) The following points indicate how checks must be written:
 - All checks for diocesan collections and assessments must be made out to the **Diocese of Yakima**. In addition, allocations between diocesan collections must be calculated and listed according to donor directions. Special Events checks must be written out to the location. Then the location will make a check from their account to the **Diocese of Yakima**.
 - Checks to be deposited to Capital Revolving Program or for parish loans must be made out to the **Diocese of Yakima Capital Revolving Program**.
 - Checks to Priest Retirement Trust must be separately made to **Priest Retirement Trust**.
 - Checks to Seminarian Education Trust must be separately made to **Seminarian Education Trust**.
 - Checks to be deposited to parish/school endowments must be made out to the **Central Washington Catholic Foundation**.
 - Checks to be deposited to Catholic Charities Christmas Collection must be made out to the **Catholic Charities**.
 - Checks for the **ACA** must be a separate check.
- 4) Checks made payable to the wrong corporation will be returned to the parish to change the payee name to the correct corporation.
- 5) Using the correct corporate name helps maintain the separate nature of these funds.



Diocesanum

Policy: The Bishop sets the Diocesanum, otherwise known as the parish assessment, with advisement from the Diocesan Consultors and the Diocesan Finance Council in accordance with Canon Law:

After the diocesan Bishop has heard the finance council and the presbyteral council, he has the right to impose a moderate tax for the needs of the diocese upon public juridic persons subject to his governance...

Canon 1263

Diocesanum Calculation: Beginning with the 2018-19 assessment, the calculation is based on 6% of ordinary income minus school subsidies for the previous fiscal year. (Prior to this, it was calculated using 6% of the prior fiscal year's Sunday Collections minus school subsidies).

Ordinary Income:

- Parish ordinary income is synonymous with offertory income.
- Offertory income is defined as receipts from regular offerings given during the celebration of weekday, regular Sunday and Holy Day masses.
- These receipts shall include:
 - i. Envelope and loose money collected at the time mass is celebrated;
 - ii. Those receipts that are sent through the mail or dropped off at the rectory;
 - iii. Offerings made by children, notwithstanding where collected;
 - iv. Receipts given monthly, quarterly, and annually by parishioners in lieu of their weekly offering.
 - v. The offering may be in the form of electronic payment (ACH), checks, currency, real property, stocks, etc.

Offertory income will not include collections that are taken for a specific purpose, i.e. national collections, Diocesan collections, such as seminary & retired priest collections, Christmas collection for Catholic Charities, Good Friday collection for the Holy Land, building funds, and endowment donations.

School Subsidies:

- 1) School Subsidies are all direct and indirect funds paid for the support of one or more of the Diocese of Yakima's catholic schools.
 - a. Direct funds are those paid directly to the school for support.
 - b. Indirect funds are costs paid on behalf of the school, such as property insurance.
- 2) The deduction applies even when the parish does not have a school, but has children of parishioners attending a catholic school. In that case, the parish can take a credit equal to the amount the parish provides the school as a deduction.

Procedures:

- 1) Funds are used for the administration and the ministries of the Diocese of Yakima, which include the administrative offices of the Bishop, Vicar-General, Finance, and other general diocesan programs.
- 2) The parish assessment is based on Ordinary Income. School subsidies are deducted from Ordinary Income upon which the Diocesanum is based. Additional deductions occur if a parish does not have a school, but has children of parishioners attending a catholic school. In that case, the parish can take a credit equal to the amount the parish provides the school as a deduction.



Diocesanum (continued)

Example #1: Parish without school & no parishioner's children attending another Catholic School

Parish: \$500,000 (2017-18 Sunday Collections + Holy Days) x 6% = \$30,000 (Diocesan billing for 2018-2019)

Example #2: Parish with school

Parish: \$500,000 (2017-18 Ordinary Income)
- \$8,000 (Property insurance for the school)
- ~~\$25,000~~ (less school subsidy)
\$467,000 x 6% = \$28,020 (Diocesan billing for 2018-2019)

Example #3: Parish without school, but has children of parishioners attending a nearby diocesan school and contributes monetarily to that school.

Parish: \$500,000 (2017-18 Ordinary Income)
- ~~\$20,000~~ (less school subsidy)
\$480,000 x 6% = \$28,800 (Diocesan billing for 2018-2019)



Disbursements by Check

Policy: All expenditures are to be approved by the pastor and be paid by check.

Procedures:

- 1) The pastor must also sign all checks.
- 2) If the pastor is taking an extended absence from the parish, he may select a member of the Finance Council to sign checks in his absence. The Finance Council member selected must receive an appointment in writing by the pastor.
- 3) A set day(s) of the week is recommended for check approval and payment.
- 4) The documentation (invoice, payroll summary, petty cash receipts) supporting the check must note the account charged and must be filed alphabetically by fiscal year.
- 5) A person independent of the accounting, authorization process, and asset custody, must review the bank reconciliations and cash disbursements and receipts of all accounts once a month. For example the finance council chairman may be available to perform this duty.
- 6) The unused checks must be stored in a locked safe or file cabinet accessible only by the pastor and the bookkeeper.



Electronic Banking

Policy: Parishes/Schools/Institutions that engage in electronic banking must follow the procedures below.

Procedures:

Internal Controls for Electronic Banking

3) Deposits with Remote Deposit Scanner

- a. Checks are sent directly to the bank through the remote deposit scanner (checks are not endorsed). The electronic deposit must balance exactly to your computer deposit. Print a check listing after sending the deposit to the bank and file with your deposit records.
- b. Checks must be kept in a safe secure location with limited access. Check items should be destroyed after 14 days or when all reasonable attempts to collect on the checks have been made using a cross cut shredder. If necessary check copies are available on line through the bank or you may receive scanned copies with your bank statement.

4) Online Bank Statements

- a. Online bank statements must be accessed and printed each month and the pastor or the chair of the Finance Council (a person not involved in the check writing process) should review and initial it prior to reconciliation.

5) E-mailed Invoices

- a. E-mailed invoices are treated the same as invoices received through the mail. Online invoices and statements must be printed, reviewed and processed the same as any mailed invoices.

6) Electronic Disbursements

- a. Parishes/Schools are allowed to pay recurring expenses through automated payments only if an adequate paper trail is maintained. Once the payment is made online the payment receipt is attached to the invoice as you would a check copy and held in the parish/school files. Parishes/schools must have adequate computer safeguards and software to protect financial information.

7) Electronic Receipts

- a. We encourage parishes/schools to offer electronic payment methods to their parishioners/parents. Different methods include third party merchant services, local bank set up, and personal online banking.
- b. All donor credit card information must be handled in compliance with PCI (Payment Card Industry) regulations. Parishioner bank or credit card information submitted to the parish/school must be stored in a secure (locked) file or safe or password protected computer.



Expense Reimbursement

Policy: Persons who have incurred expenses on behalf of the parish/school must use the Diocese of Yakima Check Request Form or another parish/school approved form to request reimbursement.

Procedures:

- 1) The *Check Request Form* (Appendix C) must be accompanied by receipts for items purchased.
- 2) Personal expenditures for the parish must be pre-approved through this form before they are incurred.
- 3) Expenses incurred by volunteers are only reimbursed if they are pre-approved by the pastor.
- 4) Non-reimbursed expenses, including mileage (according to the published IRS standards), can be claimed as a tax deduction on the volunteer's income taxes in the form of charitable contributions.
- 5) The parish must issue a receipt for a noncash contribution as explained on page 63.
- 6) See the Appendix M for sample *Ministry Mileage Log*.



Fraud Policy

Policy: The Diocese of Yakima does not tolerate fraud and anyone violating these policies may be faced with disciplinary actions and including termination and prosecution if necessary.

Procedures:

- 1) Fraud is any theft or misuse of parish assets for another's gain.
- 2) The following list provides examples of fraud:
 - a. Any dishonest or fraudulent act.
 - b. Forgery or alteration of policy related items, such as loans, bank documents, changes in beneficiary.
 - c. Forgery or alteration of checks, drafts, promissory notes and securities.
 - d. Any misappropriation of funds, securities, supplies or any other asset.
 - e. Any irregularity in the handling or reporting of money transactions.
 - f. Disappearance of furniture, fixtures and equipment (computers, printers, etc.)
 - g. Any similar or related irregularity.

The parish internal controls are designed to minimize the possibility of fraud and protect employees and volunteers. However, parish assets are still vulnerable to fraud. Unfortunately, fraud is most often committed by long-term and trusted employees who have fallen into personal financial difficulties.

- 3) The pastor and finance council are responsible for being aware of exposures and symptoms of exposures in their parishes, and for detecting suspected wrongdoing. As soon as an impropriety is detected or suspected, the Chief Financial Officer must be contacted immediately.
- 4) The Diocesan Office of Finance is responsible for the investigation or for the direction of the investigation of any suspected irregularity and will coordinate all investigations in coordination with the Chief of Staff. The Chief Financial Officer or the Chief of Staff will notify Catholic Mutual.
- 5) The pastor and finance council will support the Diocese of Yakima's responsibilities and must cooperate with law enforcement agencies in the detection, investigation and reporting of criminal acts, including prosecution of offenders. Additionally, failure to report alleged incidents to local law enforcement will jeopardize future ability for prosecution and restitution.
- 6) Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid incorrect accusations or alerting suspected individuals that an investigation is under way and also to avoid making any statements which could provide a basis for a suit for false accusation or other offenses. Accordingly, the pastor and finance council must do the following:
 1. Not contact the suspected individual to determine facts or demand restitution.
 2. Not discuss the case with anyone inside the Diocese of Yakima other than the Bishop of Yakima, Chief of Staff and Chief Financial Officer and any others who have a "need to know".



3. Not discuss the case, facts, suspicions or allegations with anyone outside the Diocese of Yakima, unless specifically directed to do so by the Bishop, Chief of Staff or Chief Financial Officer.
4. Direct to the Chief of Staff or the Chief Financial Officer all inquiries from the suspected individual or from the individual's representative or attorney. Proper response to such an inquiry must be, "I'm not at liberty to discuss this matter." Under no circumstances must there be any reference to "what you did," "the crime," "the fraud," "the forgery," "the misappropriation," etc.

Please contact the Chief Financial Officer with any questions regarding this policy.



Fundraising Accounting Policies & Procedures

Policy: If a parish/school is having a fundraiser, the following conditions must be met.

Procedures:

Bank Accounts:

- 1) All bank accounts must use the parish/school Tax ID number.
- 2) The Principal, Vice Principal, Pastor, and the Bishop for the Diocese of Yakima must be included as signers for all accounts. The Treasurer may be a signer on the account.
- 3) Copies of the check signer cards must be maintained in the parish/school office.
- 4) All accounts must have two signatures required on all checks issued. However, if the check is payable to one of the check signers or related party (spouse, family relation or business owned by signer), then that person may not sign the check payable to themselves or related party.

Documentation for Check Writing:

- 1) Documentation that supports all checks written must be maintained. For example:
 - a. Invoices from vendors.
 - b. Approved receipts for checks payable to individuals.
 - c. Approval for receipts shall be indicated by signature or initials of approving authority (committee chairs or designees).
- 2) Establishing vendor accounts for charging goods and services too:
 - a. This may be done by the Committee Treasurer.
 - b. A list of authorized signers must be maintained, and a copy submitted to the parish/school office.
 - c. These accounts may only be used during the fundraisers/committees peak operation times. During non-peak times reimbursement only options will be used.
- 3) At this time debit/credit cards tied to the fundraising accounts will not be authorized.

Procedures for Revenue Collection:

- 1) Two people separate from the Treasurer must count/document all funds received:
 - a. For checks:
 - i. Run two tapes, one for each person, initial and date, give to Treasurer for deposit.
 - b. For cash:
 - ii. All cash must be counted by two people at the same time, receipt with
 - iii. date, initials and total is submitted to treasurer or designee for deposit.
 - c. On the day of event:
 - iv. Cash and checks are counted and totaled at the end of the event using the same procedures listed above.



- 2) All revenues collected must be submitted to the bank within 24 hours of receipt:
 - b. If unable to meet that deadline, then funds must be stored at the parish/school in a secure fireproof location.

Documentation for Revenue Collection:

- 1) Documentation for all Individual donations received:
 - a. Letters of registration/acknowledgement.
 - b. Receipts issued by fundraiser for amounts received.
 - c. Thank you letters with amounts indicated or receipts attached.
 - d. See pages 61 and 70 for more information on cash receipt acknowledgements.
- 2) In-Kind Contributions (goods and services) must also be documented:
 - See page 62 for more information on in-kind donations.

Bank Reconciliations:

- 1) Must be completed monthly by the Treasurer of the organization.
- 2) Completed bank reconciliation with bank statements must be submitted to Committee Chairs for approval:
 - b. Chairs sign/initial bank reconciliation to indicate approval.

Financial Statements:

- 1) For Annual Events: Golf Tournament, Auction, Yearbook, Book Fair, School Supply Kits, etc.
 - a. Financial statements are to be completed and submitted to parish/school no later than 60 days from date of event.
 - b. Should include a revenue and distributions report:
 - i. The ending balance “excess of revenues over disbursement” must be equal to the amount contributed to the parish/school. Do not include the check to the school as an expense.
 - c. Beginning and ending cash balances.
 - d. Copy of final bank statement that reconciles with the ending cash balance.
- 2) For ongoing events and committees:
 - a. Financial statements are to be completed and submitted to parish/school on a Quarterly basis.
 - b. The reports must include items b. thru d. listed above.
 - c. A balance sheet is also required. This report must include inventory, receivables and payables outstanding.

Background Checks and Screenings: The Diocese of Yakima policy is that all volunteers must complete background checks and sign confidentiality statements. See background check policy on page 6.



Gambling

Policy: Gambling is permitted as long as the parish/school sponsors the activity but does not budget for the income/expense or rely on it.

Procedures:

- 1) The Finance Office must be informed if the parish/school or an organization in the parish is to undertake any activities related to gambling.
- 2) The pastor must approve of all gambling activities.
- 3) Some examples of gambling activities include:
 - Bingo
 - Casino Nights
 - Raffles
- 4) If you undertake any gambling activities follow all state and other laws regarding gambling, including the proper filing of all related paperwork provided on the Washington State Gambling Commission's web page at www.wsgc.wa.gov. For more information and restrictions for non-profit organizations on gambling please visit the Washington State Gambling Commission's web page and consult the "Gambling Activities" tab. Be sure to visit this website before your event and include it as a part of your planning process.



Health & Safety (L&I)

Policy: All diocesan employees are required to comply with all safety rules and regulations

Procedures:

Employee Health & Safety

Employee health and safety are of vital concern to the Diocese of Yakima. Accordingly, employees are not required to work at jobs known to be unsafe, unhealthy, or hazardous. If employees believe their work environment is hazardous or unhealthy, they should report it immediately to their supervisor or someone in a managerial capacity no matter how minor the injury may seem. The Diocese of Yakima expects all employees to share this responsibility for safety and health, and to comply with all safety rules and regulations.

Procedures for reporting your any accident or injury

Employees are obligated to report promptly to their supervisor any accident or injury even if the injury does not appear to be serious. If the employee requires medical attention, arrange to have the employee driven to a hospital emergency room. Do not let injured employees drive themselves to the clinic or hospital. For serious or life threatening injuries, call 911 for emergency assistance. Your manager must contact the Pastoral Center within 24 hours of you reporting your injury and speak with the Vice Chancellor for Human Resources (509-965-7117) to answer certain questions needed to set up your claim.

In the event of a job related illness or injury, the supervisor and/or employee (if able) must complete an Employee Accident/Illness Report if applicable at their location. The injury must be reported to the appropriate authority at the location as soon as possible. The Pastoral Center representative or appropriate authority will gather all employee personnel information as well as the injury information in order to report the injury to the Diocese of Yakima workers' compensation insurance carrier. The employee must have a return to work release before returning to work. In addition, we may require medical examinations to determine your fitness for duty. All information regarding the job related illness or injury must be filed in the employee's confidential file.

Refer to Appendix Y1 for the *Employee Work Related Injury or Illness Report Form*.



Internal Controls

Policy: All parishes/schools are to follow the following internal controls.

The ordinary is to exercise careful vigilance over administration of goods which belong to the public juridic persons subject to him (canon 1276).

All (clerical and lay) administrators of ecclesiastical goods must fulfill their functions in the name of the church (canon 1282).

*Administrators are to fulfill the obligation of a good householder;
Therefore they must: (canon 1284 –1,2,7,8)*

- *exercise vigilance against loss or damage, taking out insurance policies as necessary*
- *protect ownership by civilly valid methods*
- *maintain well-organized records of receipts and expenditures*
- *make an annual report on the administration*

Procedures:

A. Parish & School

1) Parish Internal Controls:

- a. The parish bookkeeper must not be an authorized signer on any checking or savings accounts.
- b. The Bishop must be a signer on all accounts including parish and school organizations.
- c. The pastor must be a signer on all parish accounts.
- d. Additional authorized signers can be chosen from the Finance Council Chair or Finance Council Members.
- e. Other non-administrative paid staff may not be authorized signers on any checking or savings accounts.
- f. Bank statements will be first delivered and opened by an authorized signer or their delegate who is not related to the accounting or bookkeeper function.
- g. An authorized signer or delegate will review the bank statement monthly along with the completed reconciliation.
- h. Parishes should maintain one checking account for all financial operations.
- i. Until June 30, 2019, parishes are encouraged to use QuickBooks Software or other approved software (see page 1, for a list of other approved diocesan software). Beginning July 1, 2019, all parishes are required to be using Quickbooks on the Cloud through the Diocese.

2) School Internal Controls:

- a. The Bishop, pastor and principal are signers on all accounts.
- b. The school bookkeeper may not be an authorized signer on any checking or savings accounts.
- c. Other non-administrative paid staff may not be authorized signers on any school checking or savings accounts.
- d. The pastor has the right to determine if a check requires two (2) signatures.



- e. Bank statements will be first delivered and opened by an authorized signer or their delegate who is not related to the accounting function.
- f. An authorized signer or delegate will periodically review the bank statement along with the completed reconciliation.
- g. Schools should maintain one checking account for all financial operations including hot lunch programs.
- h. Until June 30, 2019, schools are encouraged to use QuickBooks Software or other approved software (see page 1, for a list of other approved diocesan software). Beginning July 1, 2019, all schools are required to be using Quickbooks on the Cloud through the Diocese.
- i. Any applicant who will have regular, unsupervised access to children must, as a condition of employment, successfully complete a Washington State Patrol check, a Disclosure Statement and an FBI Fingerprint Background check, plus complete Safe Environment training.
- j. The school bookkeeper will publish monthly financial reports on all accounts, on a timely basis. Financial reports will be reviewed by the pastor, principal and school finance council members.
- k. The Finance Council must include individuals with financial competency who actively participate in the oversight of the organization's finances.

B. Additional Internal Controls

Numerous internal control procedures are included in this manual. The following checklist highlights additional internal control procedures which are recommended for all parishes. Please refer to this checklist in conjunction with the preceding policy to ensure that your parish is using the proper control procedures.

- 1. The Finance Council must meet at least four times per year, review and give advisory approval for the annual budget to the pastor, and review the most recent parish financial report which must be prepared monthly on a timely basis, meaning by the 15th of the following month. Any variances from the budget must be analyzed. Minutes must be maintained for all meetings. The Finance Council must be aware of all bank accounts and their activity.
- 2. A person independent of the payroll and accounting process must review the payroll and the related tax returns at least semiannually. This must include the tracing of wire payments to the bank statements as evidence of tax and withholding remittance.
- 3. All monies received, from any income source, must be deposited intact on a prompt basis. The individuals counting or depositing the monies must not be maintaining the financial system.
- 4. All parish financial records must be maintained and stored at the parish office for at least seven years.
- 5. All employees must be placed on the formal payroll.
- 6. Personnel files must be maintained for lay workers. The files must contain the completed application form, Form I-9 for employment eligibility, Form W-4 for tax exemptions, compensation information, vacation and sick time usage, and a description of the job duties.
- 7. Personnel files must be maintained for clergy. The files must contain the completed I-9's for employment eligibility and the Clergy Withholding Election Form (Appendix E).



Month-End Procedures and Preparation of Financial Statements

Policy: All parishes must follow Month-End Procedures and Preparation of Financial Statements as outlined below.

Procedures:

- 1) At the end of each month, the parish bookkeeper must make any necessary adjusting journal entries, including recording all past due assessments and accounts payable amounts.
- 2) Backups must be promptly made with duplicate copies maintained at another location. The pastor must maintain a current list of all passwords. NOTE: Locations using Quickbooks in the Cloud will have automatic backups available through the third party network, but can also keep duplicate copies at another location as an extra precaution if desired.
- 3) **Parish Financial Statements** must be prepared on a monthly basis by the 15th of the following month with review by the pastor monthly and by the Finance Council at least quarterly.
- 4) If applicable, separate statements must also be prepared for the school and cemetery. All parish organizations with their own checkbooks must be combined with the parish books and reports.
- 5) The school, cemetery, and parish organizations must be submitting the statements at least quarterly to the Finance Council for review. Specifically, the following statements must be prepared:
 1. A **statement of financial position** (balance sheet) listing all assets, liabilities and net assets. The accounting equation is Assets equals Liabilities plus Net Assets.
 2. A fiscal year-to-date **statement of activities** (income and expense report) containing columns for the year-to-date budget amounts and the actual versus budgeted numbers. A column showing percentages may also be desired as well as a column showing the current month activity versus the same period activity for the prior year.
 3. The Pastor and the Finance Council must receive a detailed schedule of all liabilities of the parish. Examples include: unpaid invoices past 30 days, taxes, insurance and other payroll deductions, unpaid short and long-term borrowings, outstanding diocesan assessments, priest pension assessment, un-remitted special collections, and contract commitments.
 4. An optional statement of cash flows may also be prepared.
 5. Refer to Appendix O for an explanation of *Non-Profit Financial Reporting*.



Monthly Financial Reports

Policy: At the end of the month, parish bookkeepers must submit a financial statement to the Diocese using accrual basis accounting

Procedures:

- 1) There are many reasons for having each parish complete and send Monthly Financial Reports to the Diocese of Yakima. The Diocese of Yakima uses Monthly Financial Reports as a tool for financial accountability, internal financial analysis, historical record, and to combine with the annual financial statement for the diocese.
- 2) In addition, Monthly Financial Reports are used to determine the Diocesanum and Annual Catholic Appeal target.
- 3) It is important to receive accurate and timely financial information so that these objectives can be obtained.
- 4) All parishes are required to file the Final Financial Reports to the Diocese of Yakima by July 20th of each year.
- 5) The reporting period is from July 1st through June 30th.
- 6) The pastor/principal is expected to sign a Monthly Financial Report.
- 7) A fixed assets report must also be submitted monthly.
- 8) All funds held in bank accounts must be disclosed on the Monthly Financial Reports.
- 9) Annual activity in each fund or account must be included in the receipts and disbursement activity disclosed on the reports.
- 10) The most recent Chart of Accounts must be used for the Monthly Financial Reports.

Monthly Financial Reports are to include:

- 1) Copy of all bank statements and monthly reconciliation reports for all cash accounts.
- 2) Detail of fixed asset purchases and/or disposals.
 - a) Date purchased or disposed
 - b) Cost or proceeds from sale (if applicable)
 - c) Description
- 3) Balance Sheet as of month-end for the month.
- 4) Income Statement showing activity and year- to-date for the fiscal year.
- 5) Trail Balance which shows account numbers, descriptions and month-to-date plus year-to-date balances.

(NOTE: Participating locations using Quickbooks in the Cloud provided by the Diocese are only required to send in copies of the bank statements and reconciliation reports.)



Offertory Collections – Handling Procedures

Policy: All parishes must follow the following procedures for the handling of Sunday Collections.

Procedures:

- 1) A collection counting committee or designated group/team must be established in sufficient number to count collections as expeditiously as possible. Selection of members is extremely important. Prospects must be screened and approved by the pastor. The number of members must be sufficient to cover the counting requirements without overburdening the members, considering absences, vacations, etc.
- 2) At least two unrelated people must be involved in counting parish collections. All counters must successfully complete a background check. These persons must be rotated on a regular basis and at least one of them must not be an employee. Additionally, there must be at least three to five counting teams utilized since odd numbers prevent rotation routine. For a *Background Check Form* refer to Appendix V1 for English and Appendix V2 for Spanish.
- 3) A cash collection report must be compiled, in writing, during the counting process and signed by all the counting team members. Refer to Appendix F for a sample *Collections Count Form*.
- 4) All collections must be placed in pre-numbered tamper evidence bags. The collection must be placed in the bags by two unrelated people and the collection count must be done in a secure area in the parish office or another parish facility. Counting collection in parishioners' homes is not permissible.
- 5) The bag must be sealed with at least two people present. After the bag is sealed, it can be in the presence of one person, however when the bag is opened two people must be present. Suggested tamper evidence bag procedures and a sample log are included in Appendix S.
- 6) The same two unrelated people must make the final tally (in ink) and agree on the amount of the bank deposit, which must be made as soon as possible. For electronic banking cash and checks would be deposited separately.
- 7) The amount of offering must be indicated on the outside of the envelopes for subsequent postings to parishioners' statements. All envelopes must have an amount written on them. Loose checks must be listed or copied for subsequent posting to parishioners' statements.
- 8) Envelopes and checks must be recorded by the parishioners' name and the envelope and check listing must be forwarded to the appropriate individual to update the offering records. The individual must not have participated in counting the collection and must not be the bookkeeper or another employee involved in the financial recordkeeping for the parish.
- 9) Statements must be sent to parishioners at least yearly.
- 10) All checks must be endorsed during the counting procedure deposited as soon as possible after the service.



- 11) If there is no safe on the premises, collection proceeds must be deposited immediately. However, even with a secure storage area, deposits must be made no later than the first business day following the service.
- 12) The amount deposited to the bank must be reconciled to the amount posted to parishioner records. This reconciliation must be done weekly by a party not involved in either the count or the posting.

Collections must be deposited separately from other deposits, so the bank statements will only reflect the amount deposited for Sunday Collections making the statement easy to reconcile.



Other Parish/School Organizations – Accounting Procedures

Policy: The following recommendations are to be followed for any bank accounts of all parish or school activities, organizations, and societies:

Procedures:

- 1) The pastor must be listed as a signer on all such accounts so that he has the legal authority to obtain and review the bank or other financial institution account records. This does not preclude others from being listed on such accounts (e.g., organization treasurer signing the checks).
- 2) Since the accounts of affiliated societies and organizations often use the Employer Identification number of the parish, it is important that the pastor as the legal representative of the parish be in a position to oversee the activity in each such account.
 - a. Bank statements for all such accounts must be mailed directly to the rectory or parish office and reviewed by the pastor or his designee (not the bookkeeper) to ensure that all transactions are proper and that all checks paid have been properly authorized.
 - b. The pastor has the responsibility for seeing that all of the societies and organizations of the parish and school are operated in compliance with civil regulations and diocesan standards of reporting and accountability. Therefore, budgets and financial reports for parish/school organizations must be submitted to the pastor and the parish finance council on at least a monthly basis. The finance council must review the financial reports, including monthly bank reconciliations on at least a quarterly basis.
- 3) The above policies are consistent with the role of the pastor and his responsibilities for administering the temporal goods of the parish as defined in Canon Law. Moreover, they are intended to provide a means of assuring that the activities of parish organizations and societies are conducted in accordance with pertinent civil laws and regulations and that they do not jeopardize the tax exempt status of the parish and school.



Parish/School Responsibilities to the Diocese

Policy: All reports required by the diocese (e.g., monthly financial reports, Annual Catholic Appeal) are to be filed on a timely basis.

Procedures:

- 1) If a parish/school cannot meet the filing due date, or has questions regarding the completing of the report, the Finance Office or other appropriate office must be notified.
- 2) Each parish/school and mission is expected to pay its assessments on a timely basis. If a parish/school falls behind on its assessments or other obligations, the following actions may be in order:
 1. The pastor must discuss the situation with the Parish/School Finance Council immediately. The Chief Financial Officer must be notified of actions taken or planned to correct the situation within one month.
 2. If the situation does not improve or becomes severe, the Chief of Staff, pastor or Diocesan Finance Office, may request that the parish/school be financially evaluated. If appropriate, a meeting may be held at the diocese with the pastor and members of the Finance Council and the parish/school council chairperson.
- 3) It is expected policy that all parishes/schools will classify income and expenses using the definitions found in this manual and that all financial transactions of the parish/school, including activity from other parish/school organizations, will be reported on the monthly report.

The diocese must be informed of all lawsuits and other legal problems involving the parish/school in order to comply with the requirements of Catholic Mutual. It is very important that the diocese uses its own law firm. If the diocesan law firm is used in parish matters, the parish/school will be asked to pay some or all of the fees.



Pastor Responsibilities Regarding Parish Finances

Policy: The responsibility for the parish finances are entrusted to the pastor. The pastor is the chief administrative and financial officer of the parish and is directly accountable to the Bishop for temporal responsibilities of the parish.

Procedures:

In order to assist the pastor in carrying out his responsibilities, in accord with the Code of Canon Law (Canon 537), the following norms will govern the functioning of all parish finance councils within the diocese:

- 1) All parishes must form a Finance Council.
- 2) Any parish that does not have a Finance Council, the Chief Financial Officer will talk to the pastor and encourage him to develop a Finance Council. If that does not occur, the Chief Financial Officer is required to report it to the Bishop.
- 3) The term pastor signifies a canonically appointed parochial shepherd.
- 4) Members of the Parish Finance Council are to be appointed by the pastor after consultation with the Parish Pastoral Council. A chair person is selected from Parish Finance Council members.
- 5) The pastor represents the parish in all matters of church law (Canon 532), and is responsible to the Bishop for the total communion of the parish community in word, worship, and service. According to the law of the Church, the Parish Finance Council assists the pastor in a consultative capacity. The importance of the consultative role of the Parish Finance Council is found in the particular expertise the members bring to the area of responsible stewardship of material goods available to further the mission of the Church in and beyond the parish.

It is essential that the pastor and the members of the Parish Finance Council be aware of their stewardship responsibilities in light of the Gospel, the teachings of the Catholic Church, and the Code of Canon Law.

- 6) The Parish Finance Council assists the pastor in the formulation of the parish budget as it relates to the overall life of the parish and with special concern for the goal and strategy(ies) of the parish pastoral plan established by the Parish Pastoral Council.
- 7) The pastor is not a member of the Parish Finance Council but presides over it. The Parish Finance Council never meets without the pastor.
- 8) It is recommended that membership on the Parish Finance Council shall consist of no less than three (3) but no more than five (5) members of the parish who have a recognized expertise in financial matters and, where possible, in matters of civil law as applicable to parochial circumstances. Furthermore, they are to be prayerful people who are fully aware of the mission of the parish in the church. Other specific qualifications may be identified as necessary by the pastor or Pastoral Council.
- 9) The pastor must ensure that by-laws exist within the Parish Finance Council.



- 10) The members of the Parish Finance Council serve a limited term determined in the bylaws established by each Parish Finance Council.
- 11) When the pastor ceases from office and upon the appointment of a new pastor or administrator, the existing Parish Finance Council continues in existence for a period of six months. During this time, the new pastor or administrator, together with the Pastoral Council, should enter into a period of discernment focused on whether the present Finance Council should complete its term or be partially or entirely replaced.
- 12) The Parish Finance Council is to adhere to church law governing the administration of ecclesiastical goods as stated in the Code of Canon Law. (For example, Canon 1292 par. 4.)
- 13) The Parish Finance Council, adhering to the guidelines of the diocese and its accounting procedures, is to assist the pastor in preparing the yearly parish budget of income and expenses. Procedures should be developed to guide this process.
 - a. The Parish Pastoral Council recommends final approval of the budget to the pastor.
 - b. The Parish Finance Council will assist the pastor in monitoring the budget during the course of the fiscal year through quarterly financial statements and through the required monthly financial cash disbursement and receipt reports. These financial statements are to be made available to the Pastoral Council and the parish community.
- 14) The Parish Finance Council is to meet quarterly or more often, if necessary.
- 15) If the parish has a parochial school, the Parish Finance Council will assist the pastor in all matters related to the parish's financial support of the school.
- 16) The Parish Finance Council will assist the pastor to insure that there is active and informed participation of the parishioners in the Annual Catholic Appeal.
- 17) The Parish Finance Council is to be especially concerned that diocesan assessments are kept current and that funds for health insurance, lay-retirement, etc. are not used as operating funds.
- 18) The Parish Finance Council will assist the pastor in developing just salaries and benefits for parish employees.
- 19) The Parish Finance Council should be available to assist the pastor in any financial area of parochial administration where their financial expertise might be needed in addition to the areas outlined above.
- 20) The Parish Finance Council is to keep abreast of diocesan policies regarding investments, fund raising, property sale, new construction, etc.
- 21) One member of the Parish Finance Council is to be designated as liaison to the Parish Pastoral Council.
- 22) If appropriate, pastors may hire a parish manager who will oversee administrative duties in the parish and work with the Parish Finance Council.



- 23) Most civil documents and instruments are to be signed by the pastor. This includes his being an authorized signer for all parish bank accounts and those of any societies and organizations.
- 24) At a minimum, the pastor must review, or appropriately delegate to review, all incoming mail including unopened bank statements, approve and sign all checks, establish an active Parish Council and a Finance Council, meet with them at least quarterly, and periodically supervise or review all parish activities, societies and organizations.
- 25) The pastor must annually send in the names and signatures of all Finance Council members as of June 30th to accompany the Annual Finance Report.
- 26) See Appendix J for a sample *Finance Council Agenda*.



Payroll

Policy: Each parish/school/institution is responsible for submitting the proper documentation to federal and state governments for compensation paid to their employees.

Procedures:

A. Personnel Records

- a. A personnel file must be maintained for each active diocesan/parish employee. That file must contain the following:
 - i. Employee application
 - ii. Resume
 - iii. Salary information
 - iv. Sick leave taken and accrued
 - v. Vacation record
 - vi. Performance evaluations
 - vii. W-4 form and state withholding forms
 - viii. Results of background checks
- b. A completed Eligibility Verification Form I-9 must be on file for each employee. It is recommended that these forms be maintained in a file separate from the employee's personnel file.
- c. These records are *confidential* and should be made available only to diocesan/parish representatives with a legitimate right to know, unless their disclosure is compelled by some legal action. In many states, employees and former employees have the right to inspect their own personnel files. The diocese/parish/organization/employer has the right to require that the request be in writing and has a stated number of working days to comply with the request.
- d. Several items likely to be in a personnel file are specifically excluded from mandatory inspection in many states:
 - i. Investigation of criminal offenses
 - ii. Reference letters
 - iii. Test documents
 - iv. Materials dealing with staff management planning
 - v. Personal information concerning another employee that could, if released, be an invasion of privacy
 - vi. Records relating to a pending legal claim that would be discoverable in court

B. W-2 Forms

- a. Each year, before January 31st, the parish must issue a Form W-2 to all compensated employees of the parish. *Please refer to pages 20-27 for specific instructions on diocesan priests.*
- b. Each tax year (ending December 31st) the Form W-2 is subject to change. It is the responsibility of the parish bookkeeper or secretary to obtain the appropriate updated form.
- c. A Form W-2 must be prepared and given to an employee if any of these conditions are met:



- a. The individual received any amount of compensation as an employee.
- b. The employee has had FICA or income tax withheld.
- c. The employee would have had FICA or income tax withheld but did not because the number of exemptions claimed exceeded the deduction amount.
- d. The employee received third party sick pay.

These are general requirements subject to annual change. The Diocese of Yakima Finance Office must be consulted if there are any questions regarding who is to receive a Form W-2.

- d. Only originals of copy A of the Form W-2 may be filed with the Social Security Administration. The form must be typed or printed from computer software.
- e. Copy B and C are normally provided to the employee for their tax return preparation. The parish retains copy D of the Form W-2 for parish files.
- f. Each box of the Form W-2 requires specific information to be entered into it. Each year, changes in filing requirements require that parishes confirm the correct information for each box.
- g. The Form W-2 must be filed with the Social Security Administration by January 31st along with Form W-3. (NOTE: Its important to double-check filing deadlines every year, as these sometimes change.)

C. Form W-3

1. The parish must file a Form W-3, Transmittal of Income Tax on Tax Statement, along with the Forms W-2.
2. This form must be completed and filed by January 31st. This form must accompany the Forms W-2.

D. Forms 1099

1. All parishes (**When “parish” or “church” is used it is also intended to cover all schools and cemeteries**) are required to file Forms 1099 for various payments they make for services rendered to the parish by individuals who are not employees of the parish or companies, such as payments to the an individual or company who performs repair work on the building as an independent contractor. The following questions can be used to determine whether an individual is an employee or independent contractor. Answering “yes” to one or more of these items may indicate employee status.
 - a. Does the parish furnish tools or a place to work?
 - b. Does the parish control the meaningful aspects of the work performed? (for example, does the parish dictate which specific songs and music to be played at services?)
 - c. Is the relationship between the parish and the worker ongoing and/or permanent?
 - d. Is payment based on the time spent rather than the task performed?
 - e. Does the parish have the right to discharge the individual performing the service without legal liability?



- f. Does the parish provide training for the individual?

If the individual is truly an independent contractor, they should provide proof on insurance and a completed Form W-9, Request for Taxpayer Identification Number and Certification. It is also recommended that they provide their Washington State Unified Business Identifier (UBI) number and show that their business is in good standing with the state.

If further clarification is needed, contact the Finance Office.

2. There are at least 12 forms in the 1099 family. The 1099-MISC is the form most parishes will be using to report these payments.
3. In general, the following rules apply to determine if a Form 1099 needs to be completed:
 - a. Payments of \$600 or more are made to an individual or company (other than a corporation) in a calendar year.
 - b. Payments made to an attorney of any amount (the \$600 threshold does not apply to attorneys).
 - c. Rents of \$600 or more for real estate or machine rentals.
 - d. The payments made to a person that are not subject to withholding taxes and are not reported on a Form W-2.
 - e. Bonuses and reimbursements under a non-accountable reimbursement plan (i.e., expenses are not substantiated or adequately accounted for) are to be reported on a Form W-2, not a Form 1099.
4. The form must be filed by January 31st of each year. (Check the due dates annually – they sometimes change from year to year.)
5. A copy of the Form 1099 must be retained and kept on file for three years.

E. Form 1096

1. The parish must file a Form 1096, Annual Summary and Transmittal of U.S. Information Returns, along with the Forms 1099 and Forms W-2G.
2. This form must be completed and filed by January 31st. (Check the due dates annually – they sometimes change from year to year.)

E. 941/944 Reports

1. Each parish is responsible for filing its Form 941 to the federal government.
2. The 941 Quarterly Tax Report is to be filed by the last day of the month following the quarter's end. This report can be filed on the internet.
3. A copy of the 941 Quarterly Tax Report must be retained by the parish for three years.
4. Beginning in 2006, for organizations owing less than \$1,000 in payroll tax in any given year, payroll tax reporting may be done on an annual basis using Form 944. Participation in the annual reporting program must be pre-approved by the IRS. Contact the IRS at 1-800-829-4933 and select Option 2.



F. Form W-2G

- 1) Parishes conducting charitable gambling must file a Form W-2G for each person who wins a single \$600 prize or more and such winnings are at least 300 times the amount of the single wager. For bingo winnings, the amount is a single \$1,200 prize or more.
- 2) The form must be filed by February 28th of the year following the year the winnings were paid.
- 3) There may be situations where the parish may be required to withhold a 27 percent tax from the winnings if the winnings exceed \$5,000 and are at least 300 times the amount of the wager.

More information on these payroll forms is available on the internet at www.irs.gov.



Payroll Taxes

Policy: Quarterly payroll taxes to government entities must be paid and filed timely.

Procedures:

- 1) 941 Employers Quarterly Federal Tax Return (IRS) is due the last day of the month following each quarter. However the taxes due must be paid according to your IRS schedule.
- 2) Labor and Industries:
 - All diocesan employees, including priests and religious must be included in the quarterly report to Washington State Dept of Labor and Industries.
- 3) Unemployment:
 - All diocesan schools and parishes are exempt from state and federal unemployment insurance.
- 4) Family Medical Leave Act – new tax in Washington State beginning January 1, 2019
 - All diocesan employees, excluding priests, are subject to the FMLA tax beginning January 1, 2019
 - The total tax is 0.4% of gross wages, to be paid out 63.33% by employees and 36.67% by employers
 - Every employee, excluding priests, is subject to FMLA tax withholding of 0.253% of gross pay
 - Gross wages includes, but is not limited to, salary, hourly, holiday, bonuses, stipends, sick pay, bereavement and vacation time - basically ALL pay before any deductions for retirement, health premiums or any other pre-tax deduction
 - The employer portion is not due unless the parish/school has 50 or more total employees, including part time employees
 - The FMLA tax is to be reported and paid quarterly and is due by the end of the month following each quarter.
 - See the Employment Security Department website for more details <https://paidleave.wa.gov/employers>



Payroll – W-2’s for Employees

Policy: W-2’s must be completed by January 31st of each year.

Procedures:

W-2’s are due to employees and the Social Security Administration by the end of January. Bookkeepers should check to make sure that the 941 quarterly reports balance to your W-2’s. There is also information on the IRS website if further explanation is needed.

Employee W-2’s

For employees who pay for health, FSA or vision insurance with pre-tax dollars, do not include those amounts in their W-2, since the withheld amount is not subject to Federal Withholding or Social Security or Medicare. You may label and put those amounts in Box 14 if desired, but not mandatory.

For all employees (including Clergy) who are covered by the Diocesan Health Insurance plan, the health insurance premiums paid on behalf of the individual must be reported annually on the Form W2 in box 12, using code DD.

For employees who participate in our 403-B plan, check box 13 “Retirement Plan”, and if they have a contribution deducted from their salary that amount is deferred from Federal Withholding (not Social Security or Medicare). That amount is taxable when it’s withdrawn. Their contribution is deducted from box 1, and shown in box 12 using code E and the amount.



Payroll – W-2’s for Priests

Policy: Priests are considered employees for the purposes of reporting wages to Social Security. Their earnings are reported to Social Security on Form W-2.

Procedures:

These wages must be reported in the following manners:

W-2 Box 1

Box 2 if there is any optional withholding

941 Line 2

Wages must include the following:

1. Salary
2. Social Security Reimbursement
3. Mass stipend
4. Car allowance
5. Food consumed away from rectory
6. One half of Auto Insurance Reimbursement

Notes:

- 1) In parishes where there are no lay employees, it is not necessary to file a Quarterly 941 Report. The priest must simply receive a W-2 and the W-3 must be mailed to the following address: Social Security Administration, Data Operations Center, Wilkes-Barre, PA 18769-0001.
- 2) In parishes where there are lay employees, the parish bookkeeper is responsible for the completion of the Quarterly 941 Report. Priest wages must be merged with those of the lay employees to provide an accurate report of compensation paid by the location. These wages must be added to Line 2 on the Quarterly Report. (Line 2 is for total wages subject to withholding. It does not mean that withholding must have occurred.)
- 3) At the end of the calendar year, a W-2 is issued to the priest along with all lay employees. The W-3 Transmittal Form is then sent to the address above.
- 4) Parishes which use a computerized payroll system may find that priest wages are being handled in this manner automatically.
- 5) If a visiting priest receives \$50 or more we are required to give them a W-2.
- 6) If you have additional questions on visiting priests contact the Diocesan Finance Office.



Petty Cash

Policy: To properly account for petty cash funds, the following must be implemented:

Procedures:

- 1) A check must be drawn payable to petty cash or the person responsible for petty cash.
- 2) The check must be for a fixed amount of money, e.g., \$100.
- 3) This check must be cashed with the proceeds immediately deposited into a locked cash box. The bookkeeper or equivalent must be in charge of the petty cash distributions.
- 4) Receipts, noting the date, payee, amount, purpose, and the account to be charged must be maintained for all expenditures.
- 5) When almost all of the cash in the box is depleted, another check can be drawn equal to the total amount expended.
- 6) The expenditure receipts are then cancelled, with the amounts posted to the cash disbursements journal under their appropriate account categories.
- 7) At all times, the total of cash and receipts contained in the cash box must equal the beginning cash amount.
- 8) Collection proceeds or other cash sources (e.g., votive candle money) must not be used to replenish petty cash.



Real Estate Transactions

Policy: All real estate transactions involving either the acquisition, disposal or leasing of parish property are to be approved and signed by the Bishop.

Procedures:

The diocese, under Washington State civil law, is a *corporation sole* in whose name is vested the title to all real properties – land, buildings and improvements. Since the parish is not a legal entity, all contracts must be signed by the Bishop. In all contracts, the Owner is the Corporation of the Catholic Bishop of Yakima, a corporation sole.

- 1) As the legal owner of record, the Bishop must sign all legal documents in the event of property purchased or sold.
- 2) The Bishops signature is also required on other property documents, e.g., those granting easements or right-of-ways.
- 3) Any property transaction that is the least bit complicated must be reviewed by the Diocesan Finance Office, prior to the signature of the Bishop, who will determine if legal review is required.
- 4) All donated property must be evaluated before it is accepted by the parish/school/institution. An example of an evaluation would be a phase I environmental study.
- 5) The Bishop reserves the right to accept or decline any donated property.



Receipts for Contributions over \$250 (Cash)

Policy: Contributions from any individual, corporation, or other entity (e.g., estate) that are equal to or exceed \$250 require that a receipt be provided to the contributor.

Procedures:

- 1) The receipt must contain the following information:
 - a. Name and address of contributor
 - b. Amount of cash
 - c. A statement declaring the parish did not provide any goods or services for the contribution:
“_____ did not provide any goods or services in whole or partial consideration for the above contributions. Only intangible benefits were provided. All contributions are tax deductible as allowable by law.”
 - d. The date the contribution was received
 - e. The date the receipt was issued
 - f. Name and title of the parish personnel issuing the receipt
- 2) The parish must retain a copy of the receipt for at least seven years.
- 3) Parishes must issue contribution statements at the end of the year for all contributions made during the year no later than January 31st.

A sample (cash only) *Contribution Receipt* is provided in Appendix G2.



Receipts for In-Kind Donations (Non-cash/goods & services)

Policy: Contributions of goods or services from any individual, corporation, or other entity to the parish require that a receipt be provided to the contributor.

Procedures:

- 1) The receipt must contain the following information:
 - a. Name and address of contributor
 - b. List of goods and services
 - c. A statement declaring the parish did not provide any goods or services for the contribution:
“_____ did not provide any goods or services in whole or partial consideration for the above contributions. Only intangible benefits were provided. All contributions are tax deductible as allowable by law.”
 - d. The date the contribution was received
 - e. The date the receipt was issued
 - f. Name and title of the parish personnel issuing the receipt
- 2) The parish must retain a copy of the receipt for at least seven years.
- 3) Parishes must issue contribution statements at the end of the year for all contributions made during the year no later than January 31st.
- 4) The individual/corporation’s goods and/or services must be listed on the receipt. The donor, not the parish, must assign the value to the goods or services provided.

A sample *In-Kind Contribution Receipt* is provided in Appendix G1.



Records Retention

Policy: Parishes will follow the records retention policy as outlined by the United States Catholic Conference of Bishops (USCCB) in *Records Retention Appendix R*.

Procedures:

Introduction

The records retention guidelines for diocesan/parish records were prepared to assist dioceses' and/or parishes' needs to establish control over routine records and to preserve records of permanent value. The list of records included is lengthy but not all inclusive. Each diocese/parish may have a series of records not mentioned here. Do check with the retention requirements applicable to your jurisdiction and nature of your documents. The following are samples of typical record retention periods.

Note: This section on Records Retention comes directly from the USCCB Guidelines.

Records Retention Schedules

Records retention schedules represent the period of time that records must be kept according to legal and/or organizational requirements.

This document covers retention schedules for seven different groups of diocesan/parish records:

- Administrative
- Personnel
- Financial
- Property
- Cemetery
- Publications
- Sacramental

Within each group, different series are listed followed by a retention period. Records older than the retention period should be destroyed. Those of permanent value must be stored appropriately.

Definition of Records

The word “records” used in this policy refers to all recorded information, documents, letters, maps, books, photographs, films, sound recordings, tapes (magnetic and otherwise), electronic data processing records, emails sent and received, recorded voice mails, electronic data banks and other documentary material created, received, maintained or preserved by any department or employee of the Diocese of Yakima in the course of transaction of business or ministry or in pursuit of its legal obligations.

Ownership of Records

All records as defined above and created or preserved by a department, ministry or employee of the Diocese of Yakima in the course of employment or in the transaction of Diocesan business are solely the property of the Diocese.



Conservation of Records

No records shall be removed, destroyed, transferred, stored, transferred into another media or otherwise disposed of except in compliance with Diocesan policies.

Retention Periods

Retention periods in this policy are absolute, except when legally halted by official notice. They are not minimum guidelines. There are no exceptions.

Electronic Records

Records generated and/or stored electronically, including emails, are subject to these policies in the same manner as printed documents. Retention decisions will be based on the content of the electronic record in the same manner as a printed document. As is the case with all records, they must be accessible and retrievable for the stated retention period.

Disposal of Expired Records

Annually, the second week of January, each department of the Diocese of Yakima will dispose of records whose retention time has expired. Records may be shredded or, if electronic, deleted or destroyed by another approved method. No exceptions may be made, the retention times are absolute. Arrangements will be made for commercial shredding. A copy of the Certificate of Destruction will be executed and signed by the department head. One copy should be sent to Archives and the other retained by the department.

Certification of disposal of expired records

Each year, by January, every department head will submit to the Chancellor a letter testifying to the fact that all expired records pertaining to his/her department have been destroyed in accordance with the Record Retention Schedule.

Conversion of Records to Electronic Medium

Paper records may be scanned or otherwise transferred to an electronic medium. When the conversion is complete the paper records will be destroyed in accordance with the “Disposal of Expired Records” policy noted above.

Administration

Administration of the Record Management and Retention Program will be the responsibility of the Chancellor of the Diocese and will be the specific responsibility of the Diocese of Yakima Archivist, who will publish the exact dates and confirm conformance to this policy by all departments. The Archivist will submit a written report of conformance to the Chancellor by February of each year.

Changes and implementation

Changes to this policy or the Record Retention Schedule may be made only with the written approval of the Bishop of Yakima. This policy will become effective upon approval of the Bishop of Yakima with the first period for record disposal the month following promulgation.

A. Administrative Records

These records are produced in the course of the management of the affairs of the diocese/parish. Refer to Appendix R for detailed *Records Retention* procedures.



School Tuition vs. Donation

Policy: Nondeductible tuition cannot be a charitable contribution for school tuition.

Procedures:

Payments made to a parish by parents of children enrolled in a Catholic school may qualify as deductible contributions if they are gifts, *i.e.*, if they are voluntary transfers of funds made with no expectation of obtaining commensurate benefit. Specifically, enrollment in the school must in no manner be contingent on making the payment; the payment must not be made pursuant to a plan (whether express or implied) to convert nondeductible tuition into charitable contributions; and the receipt of the benefit (schooling or reduced tuition payments) must not otherwise be dependent upon making the payment. Rev. Rul. 83-104, 1983-2 C.B. 46, cites the following factors as creating a presumption that a payment is NOT a charitable contribution:

1. The existence of a contract (express or implied) whereby a taxpayer (*i.e.*, parents, etc.) agrees to make a contribution and which insures school admission for the taxpayer's child.
2. A plan allowing taxpayers either to pay tuition or make contributions in exchange for schooling.
3. The earmarking of contributions for the direct benefit of a particular individual.
4. The otherwise unexplained denial of admission/readmission of children of taxpayers who are financially able but who do not contribute.

Additional adverse factors include:

5. The absence of a significant tuition charge.
6. Substantial or unusual (different from that applied to non-parents) pressure applied to parents of children attending school.
7. Contribution appeals made as part of the admissions or enrollment process.
8. The absence of significant school revenue sources other than parent contributions.
9. Other factors suggesting a contribution policy created as a means of avoiding characterization of payments as tuition.

Situation 6 of Rev. Rul. 83-104 sanctions differential tuition for parishioners and non-parishioners in certain limited circumstances. The parish received contributions from all its members. These contributions are available to support all parish activities, a substantial portion of which are unrelated to the school. The parish has full control over the use of the contributions it receives. Most parish members do not have children in the school. The methods of soliciting contributions from parishioners with children in the school are the same as the methods of soliciting members without children in the school. No tuition is charged to parishioners, but non-parishioners are charged tuition. In this situation, IRS concluded that the contributions made by parishioners with children in the school are ordinarily deductible, unless there is a showing that contributions by parishioners with children in the school are significantly larger than those of other parishioners.



The IRS has indicated in other rulings that it will compare parental giving levels to non-parental giving levels in evaluating deductibility of payments.

Any attempt to link school enrollment or tuition reductions/benefits to parish contribution or level of parish contribution jeopardizes the deductibility of contributions by parishioners who benefit from such practices. Various labels given to parish contributions, *e.g.*, sacrificial giving, tithing, negotiated tuition, stewardship, minimum giving, etc., are not determinative of deductibility. Further, parishes cannot qualify under Situation 6 by defining parish “membership” (or otherwise qualifying for reduced or no tuition) according to level of contribution. All such practices undercut parish claims that parish contributions are “gifts”, the *sine qua non* of charitable deductibility.

Tuition Discounts:

Tuition discounts given to employees are considered to be taxable fringe benefits and therefore must be included in annual wages and subjected to income taxes. This includes parish staff who are receiving tuition discounts for their kids attending the Diocesan school.

Exception:

Diocesan schools that adopt a Qualified Tuition Reduction Plan can exclude tuition discounts from income for:

- 1) All current employees of the school,
- 2) Employees of the school who currently have retired or have left on disability, and
- 3) Spouses of employees who died while an employee of the school, or who have retired or left on disability.

See Appendix R1 for a template for a School Board Resolution for an Employee Qualified Tuition Reduction Plan

If the school does not adopt a Qualified Tuition Reduction Plan, all tuition discounts given to employees are taxable income to the employee. For assistance in setting up this income in Quickbooks, contact Sue Schoolcraft in the Diocesan Finance Office.



Scrip – Handling Procedures

Policy: Parishes/Schools may utilize Scrip for fundraising.

Procedures:

Many parishes/schools utilize Scrip as a fundraiser. Parishioners/Parents purchase Scrip from the parish/school, which they then use at local stores such as JC Penney, Kohl's, or K-Mart. There are literally hundreds of businesses nationwide that participate in the Scrip program. When parishioners/parents purchase items with Scrip, the parish/school receives a small percentage as the fundraiser contribution.

People order Scrip from the parish/school, which in turn orders Scrip from a company such as the National Scrip Center. The Scrip then arrives at the parish/school to be picked up by or distributed to parishioners/parents.

Scrip can be an excellent fundraiser if it is properly handled and safeguarded. Since Scrip is an alternative form of currency, it should be treated as cash. Accordingly, parishes/schools should practice safe procedures in the handling of Scrip. The following procedures should be followed:

1. A minimum of 85% of SCRIP hours must be accomplished by uncompensated volunteers.
2. A separate bank account must be maintained for all SCRIP activity.
3. Volunteers should not take Scrip home for delivery. Parishioners/parents participating in the program should pick up Scrip at the parish/school in a centralized location. Scrip can be sent home from school with a person's son or daughter if the person signs a waiver providing the parish permission to do this. Refer to Appendix Q *Permission for Child/Ward Delivery of Scrip & Waiver Claim*.
4. Scrip should be stored in a safe, which is locked at all times. The safe should be kept in a non-obvious, secure area on the parish/school premises.
5. A large inventory of Scrip should not be maintained. Scrip can be received from the National Scrip Center (or other Scrip clearinghouses) in one day by airmail. Parishes/Schools should only order the amount of Scrip which has been requested by program participants.
6. Adequate bookkeeping that tracks the purchase and distribution of Scrip is required. At least two people should have dual responsibility for the maintenance of Scrip records. When a parish/school receives an order of Scrip, serial numbers should be recorded. In the event that Scrip would be lost or stolen, the recording of the serial numbers would allow the parish/school to quickly identify which Scrip was missing. Local stores could then be alerted to watch for the stolen Scrip.
7. Scrip records should be audited or reviewed by the parish/school finance committee on a regular basis. Additionally, the Scrip records should not be stored with the Scrip, but in a separate area.

Scrip can be an excellent way for a parish/school to raise funds. To be successful, parishes/schools must understand that Scrip is a cash equivalent and should be treated with the same care.



Special Collections

Policy: All parishes must allow special collections as directed by the Bishop.

Procedures:

Canon 1266 of the revised *Code of Canon Law* states:

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

The *New Commentary on the Code of Canon Law* explains this further:

“The collection must be for a specific, not indeterminate, undertaking, but it need not be diocesan; it can be parochial (i.e., aid to a poor or struggling parish) or national or international. Nor does the undertaking or project which is the object of a mandated collection have to rise to the level of a need or necessity, as in the case of a tax (see canon 1263), suggesting that the motivating causes for collections can be less urgent than those for taxes.”

The final clause in Canon 1266 requires that the proceeds of a mandated collection be sent diligently (*sedulo*) to the diocesan offices. The import of the adverb is twofold: that the proceeds are sent without delay and in their entirety. All proceeds must be remitted within three months of the date of the collection. Unless contributors have been so informed in advance, no part of the proceeds may be withheld at the parish or any other level; not to turn over the entirety of the collection immediately is to violate the intentions of the donors and, as such withholding becomes known, seriously compromises the perceived integrity of fund-raising in the church.

The United States Conference of Catholic Bishops administers eight national collections:

- Church in Latin America
- Catholic Relief Services (formerly the American Bishops’ Overseas Appeal)
- Catholic Communication Campaign
- Retirement Fund for Religious
- Catholic Campaign for Human Development
- Aid to the Church in Central and Eastern Europe
- Catholic Home Missions Appeal
- Church in Africa

Other collections include the following:

- Black and Indian Missions
- The Catholic University of America
- Holy Land
- Operation Rice Bowl
- Peter’s Pence
- World Mission Sunday



Additional collections specific for the diocesan operation of Catholic Charities and the Diocese of Yakima:

- Annual Catholic Appeal
- Catholic Charities
- Diocesan Priest Retirement and Seminarian Education

Donor Acknowledgements:

- Parishes are responsible for sending out acknowledgements to donors for all national and Diocesan collections (except for Annual Catholic Appeal). These acknowledgements should be sent out every January to acknowledge all donations for the prior calendar year.



Special Events Coverage – Guidelines

Policy: When an individual or organization is using parish grounds for a non-parish sponsored event, that parish must have that individual/organization sign the Special Events Coverage Form and must include the \$100 fee as a part of the rental billing.

Procedures:

1) What is Special Events Coverage?

Special Events Coverage is a mechanism, which allows the Diocese of Yakima through its insurer, Catholic Mutual, to extend liability coverage to an individual/organization using parish facilities for a non-parish sponsored event. For a cost of \$100.00 per event, \$1,000,000 (one million) in liability coverage is extended to a non-parish sponsored facility user (lessee).

A for-profit organization such as a local business is excluded from using parish facilities for any purpose as it would compromise our tax exempt status as a non-profit organization.

2) When Should Special Events Coverage be Utilized?

Special Events Coverage can be used when a parish or other church institution is allowing an individual/organization to use its facilities for a non-parish sponsored activity. When determining whether or not an activity is parish sponsored, the following questions are helpful.

1. Did the parish have full control or final decision making authority over the function?
2. Did any fees associated with the function flow through parish accounts?
3. If applicable, was the function open to all parish members?
4. Was the purpose of the function to facilitate learning, raise funds for the parish or provide a social service on behalf of the parish?
5. Was the organizer or leader of the function a parish employee or volunteer?

Generally, if the answer to any of the above questions is “no”, the activity is not parish sponsored meaning that the facility user needs to provide insurance which includes the Diocese of Yakima and the parish as additional insured.

3) Who is Eligible for Special Events Coverage?

Special Events Coverage is designed for dioceses and parishes and can be extended to individuals and/or organizations (non-profit). Many individuals need this coverage for events such as private wedding receptions or family reunions. Non-profit organizations such as a charity organization may need the coverage for a pancake breakfast.

4) What is covered (& Not Covered) by Special Events Coverage?

Below is a brief explanation of what is covered by Special Events Coverage along with some items that are excluded. Please note that the actual coverage form must be completed which will give an exhaustive explanation of what is covered and excluded.



- Most non-parish sponsored activities are covered by Special Events Coverage. Common examples are wedding receptions, family reunions, awards banquets, & fund raisers.
- \$1,000,000 (one million) in liability coverage for bodily injury and property damage is provided for the special event user, parish, and Diocese of Yakima. Please note that the \$1,000,000 (one million) limit is shared by the covered parties and is a “per event” coverage.
- Liquor liability coverage is provided.
- Some types of events **are not covered**, including, but not limited to:
 - Any carnival event
 - Fireworks & fireworks displays
 - Events involving “BYOB” (Bring your own bottle of alcohol)
 - Events involving pool or lake activities
 - Events involving recreational vehicles
 - Rap/Hip-Hop/Alternative music (non-religious bands)
 - Events organized or operated by professional promoters/performers
 - Organized sporting events, including tournaments & camps (some sporting activities are allowed and must be pre-approved)
 - Events where a fee or admission is charged unless all proceeds go to charity
 - Political Rallies
 - Events involving amusement rides, including mechanically operated devices, trampolines, & rebounding devices

5) How do I Complete and Process the Special Events Application Form?

The application form should be completed in full and must include the following information.

1. Name of Parish, Institution, or School – Please include the name and address of the parish, facility, or school where the event will be held.
2. Lessee Information (additional insured) – Please include the name of the individual(s) or organization holding the non-parish sponsored event.
3. Lessee (additional insured) Contact Person – Please indicate the name, address, and telephone number of the person primarily responsible for the activity.
4. Type of Activity – Please provide a brief description of the activity including the date, time, approximate number of participants, whether or not food and/or liquor is being served. If liquor is to be sold (or cost included in ticket price) and/or a license or permit is required in order to serve or furnish alcohol, the parish must obtain LIQUOR LIABILITY coverage by separate applications.
5. Processing the Completed Application – One copy of the application should be given to the lessee, another retained for your location records, a third to Catholic Mutual and a fourth to the Finance Office at the Diocese of Yakima. The original application should be submitted at least 15 business days prior to an event to Catholic Mutual. If this is not possible you may also fax it to Catholic Mutual. The copy



sent to the Diocese Office should be accompanied by a \$100.00 check made payable to: The Diocese of Yakima.

6. Additional charges will apply for:

- Overnight stays cost \$125
- Events which exceed 3 days in duration
- Inflatable Amusement Device (Must be pre-approved, picture required. Minimum charge of \$100 per inflatable applies; each device is underwritten; charge is determined by size and potential risk.)
- Events that exceed 1,000 in attendance (charge TBD)

Any questions regarding the completion or processing of the application should be directed to Catholic Mutual or the Finance Office at the Diocese of Yakima.

6) Are there Risk Management Guidelines to Assist My Parish in Allowing Outside Use of Its Facilities?

Risk Management Guidelines are available to assist your parish in allowing outside organizations to use your facilities. Information includes but is not limited to liquor liability control, security, and food handling. Please review page 17 for a how to access Catholic Mutual Risk Management Policies or contact Catholic Mutual's Risk Management Department at (800) 228-6108 for further information.

Special Events Coverage - Categories

What do we understand as special events? What does the Insurance Company see as special dangerous events? How can we reconcile these different perceptions?

Category One

- Birthdays
- Quinceañera
- Boy Scouts
- Girl Clubs
- Client-Counselor Session
- Local High School
- Adults – Second Language

Most of us would see and understand these and similar types of gatherings as part of parish hospitality, outreach, evangelization . . . these are not special for insurance purposes. However, as a precaution and extra safeguard, scouts, High School and families should be asked to supply a certificate of insurance.

Category Two

Wedding receptions and 50th wedding anniversaries are definite receptions that the insurance company would require the additional insurance coverage. Generally their homeowners insurance should cover these. This is the category where you do need to file a special events form and insurance coverage . . . again homeowners insurance generally suffices.



Category Three

- Bacalaureate
- Late Night Catechism
- Symphony Concerts
- A.A. – Al Anon* - weekly meetings
- Wireless Association
- Capri (heart exercises)
- Civic Groups
- Pigeon Show
- Polling Booths

These are parish events since at many of them, pastor or others may offer a prayer, a word of welcome, etc. However, as a precaution ---- always get a certificate of insurance from these various groups. (*A.A. is the problem one --- on insurance---- use a Facility Usage Form---not good, better than nothing)

Category Four

Carnival, amusement rides, fireworks, October Fest, May Fest, Sausage Fest, major rummage sale, auctions, dinners with libations, etc. ---- coverage is automatic . . . no need for special events applications. Carnivals and amusement rides are outside people, so they should provide insurance coverage.

Refer to *Special Events Coverage* Appendix CM6 English and Appendix CM7 Spanish. Plus *Facility Usage/Indemnity Agreement Forms* Appendix CM3 English and Appendix CM4 Spanish.



Weekend Mass Counts

Policy: The parish must conduct a head count twice a year (the second weekend of March and October) at each mass over a weekend mass schedule.

Procedures:

Reporting Requirements:

- 1) Count the number of attendees for each mass.
- 2) Complete the *Weekend Mass Counts Form* Appendix U provided by the Chancery.
- 3) E-mail the form to robert.siler@yakimadiocese.org or fax to Msgr. Robert Siler, 509-966-8334 within two days after completing the count.
- 4) Keep a copy of your *Weekend Mass Counts Form* for at least 10 years.