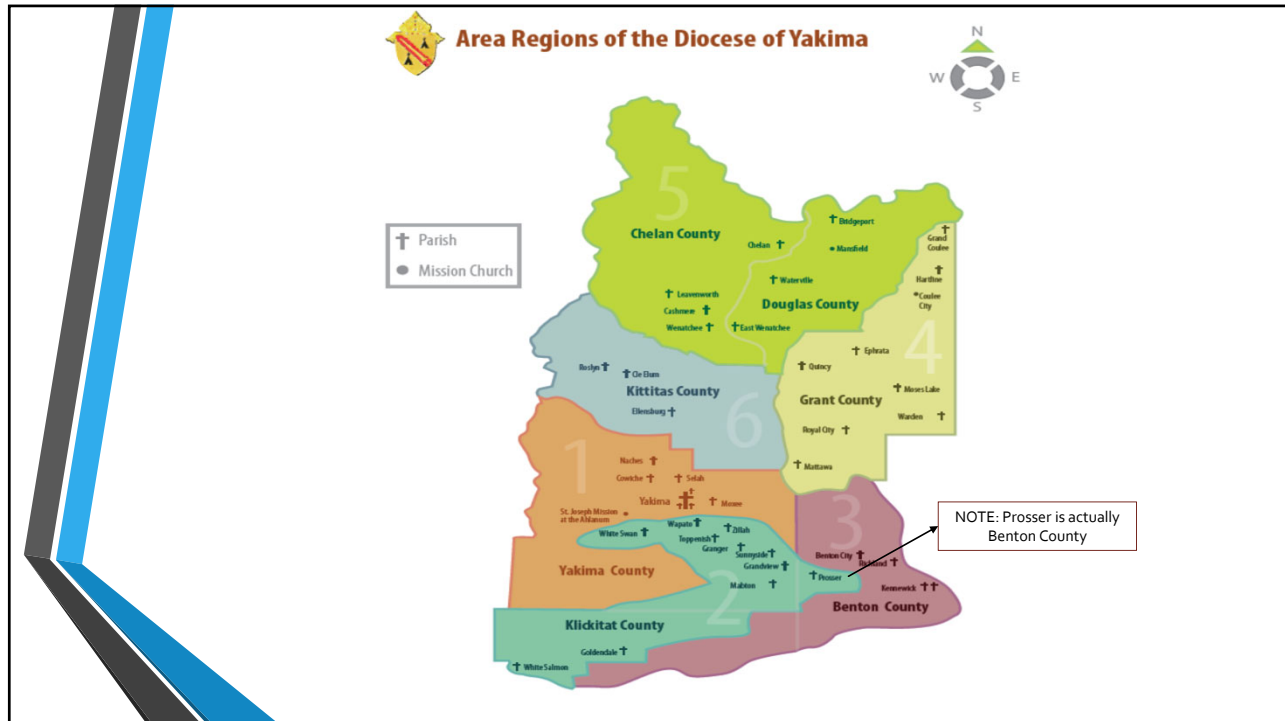


Diocesan Finance Policies & Procedures

By Sue Schoolcraft
Chief Finance Officer

Financial Objectives

- Identify, record and report all transactions of the parish/school/cemetery and maintain a uniform system of accounting
- Safeguard the temporal goods (cash) of the parish/school/cemetery
- Provide adequate and timely information regarding cash flow to make sure all obligations can be met as they become due
- Enable completion of timely financial reporting to parishioners, finance councils and parish pastoral councils as needed



Accounting Software

- All parishes, schools and cemeteries are using QuickBooks Desktop software to record financial activities
- The Diocese is contracting with a third party network to house QuickBooks
 - All QuickBooks data can be accessed remotely
 - Each location is charged an annual fee to help pay the cost of the network and software (\$700 for 2021, which is approx. 60% of the total cost)

Annual Catholic Appeal (ACA)

- Campaign renews annually on November 1st
- Current ACA goals were calculated based on 16.5% of total offertory income for the prior fiscal year ended June 30th
- Offertory Income includes Sunday Collections and Holy Days income in the form of:
 - Envelope & loose money collected at mass celebrations
 - Receipts received through the mail or dropped off at the rectory or parish office
 - Offerings made by children, notwithstanding where collected
 - Receipts given monthly, quarterly, and annually by parishioners in lieu of their weekly offering
 - Receipts can be in the form of electronic payment, checks, currency, real property, stocks, etc.
 - Does NOT include collections taken for a specific purpose. i.e. National Collections, Diocesan collections, Christmas collection for Catholic Charities, Building Fund and endowment collections, etc.

Background Checks

- Diocesan policy requires that all employees and volunteers who will have an ongoing unsupervised contact with children, youth, and vulnerable adults, or who will handle money (i.e. bookkeepers, collection counters, ushers and money handles, etc.) complete a satisfactory background check
- All results are kept 100% confidential and only negative results are shared with the pastors

Bank Accounts

- Each location must maintain at least one operating checking account
 - Separate checking accounts must be used for parish, school and cemetery accounts under each respective federal tax ID number
 - Bishop Joseph Tyson must be a signer on ALL checking accounts, along with the pastor
 - Bookkeepers or whomever is creating the checks CANNOT be check signers
- Savings accounts outside of the Capital Revolving Program (CRP) are not permitted
- Operating checking accounts should only contain 45 days operating cash. Any excess must be deposited into the location's CRP account for safekeeping
- Bank statements are to be mailed to the location's office
- A finance council member must review the bank reconciliations at least once a month (bank reconciliations must be performed by the bookkeeper)

Bookkeeper's Responsibilities

- The financial records must be maintained in an accurate and timely manner
- Bookkeepers are expected to perform their duties in a competent manner and must exhibit strong ethical values at all times
- Bookkeepers must inform the pastor, chair of the Finance Council and the Diocesan CFO of incidents of misappropriation of assets or fraudulent reporting immediately
 - Procedure:
 - The Diocese will provide protection through the insurance policy
 - Use discretion when reporting the alleged act
 - Make sure to have accurate and detailed documentation of the alleged act
- Bookkeepers who are asked to do anything that is against policy by a pastor or any other supervisor should report the issues to the Diocesan CFO for consultation

Budgeting

- All parishes / schools and cemeteries are expected to prepare an annual budget
 - This should be completed prior to the beginning of the next fiscal year - before July 1st
 - Budgets should be balanced – projected income should equal or exceed projected expenses
 - Budgets should be reviewed by the pastor and finance council for approval

Capital Revolving Program

- All savings in excess of 45 days operating cash are to be deposited into the CRP account for safekeeping (no outside savings accounts are allowed)
 - Operating cash between 46 and 180 days should be invested in a CRP FICA account (Federally Insured Cash Account)
 - Operating cash over 180 days should be invested in CRP general investments (70% fixed income / 30% equities)
- Depositors may borrow from the CRP to the extent approved by the Bishop
 - Loans are presented to the CRP Board of Directors for review
 - Depositor must have 50% of loan value in project cost, and the other 50% in donor pledges plus present projected financials which support ability to repay the loan
 - Loan rate is Knights of Columbus rate plus 1%
 - Loan term is up to 10 years
 - For parishes, the Annual Catholic Appeal goal must be met before a loan can be issued

Cash Receipt Procedures Other than Sunday Offertory Collections

- All such receipts must be kept in a locked file cabinet or safe until deposited
- Mail should not be opened by the bookkeeper
- Envelopes & checks must be listed and totaled before being turned over to the bookkeeper for deposit
- Checks should be immediately endorsed "For deposit only" by person opening mail and listing
- A copy of the list goes to the bookkeeper and the original list goes to the pastor or parish administrator for subsequent comparison to bank deposit
- Cash delivered by hand should be recorded with a pre-numbered receipt to the donor

Offertory Collections – Handling Procedures

- Collections must be placed in pre-numbered tamper evidence bags, sealed with at least two people present
- Offertory receipts should be counted by a Collection counting committee or designated group/team
 - 2 or more unrelated individuals
 - All counters must complete background and credit checks
 - Team members should be rotated on a regular basis
 - Should have at least three to five counting teams to rotate duties
- Collection team must compile a cash collection report, signed by all members
- Envelopes and checks must be recorded and tracked by the parishioners' name for future recordkeeping and annual gift acknowledgements
- Collection proceeds must be deposited within 24 to 48 hours

Charge Accounts

- Authorized users should be limited to 2 persons
- Keep a list of authorized merchants/vendors that are approved by the pastor
- Receipts for all purchases are required to be attached and reconciled to monthly statements
- Monthly statements should be reviewed by the pastor or chair of the finance council

Credit Cards

- Should only be issued to the pastor or individuals approved by the pastor
 - All credit card users must sign a statement acknowledging agreement to adhere to the terms of the credit card policy
 - Cards not used on a regular basis should be stored in a locked cabinet or safe when not in use
 - Should only be used for convenience for items purchased in the normal course of daily business operations. All purchases must be pre-approved by the pastor.
 - Credit card limits for other authorized individuals should be pre-approved by the pastor
 - ALL credit card purchases must be supported by receipts that indicate the who/what/why/when business purpose of the purchase
 - Credits cards must NEVER be used for personal purchases
 - Balances should be paid off every month to avoid finance charges & interest
- All activity must be recorded on the books

Chart of Accounts

- The Diocese has a set Chart of Accounts that must be used by all locations
- Any new accounts must be approved by the Diocesan CFO before being created
- Sub-accounts can be added at will to help provide more details

Clergy Compensation

- Priests' compensation and benefits have a unique status within the IRS code. They are recognized as *self-employed* individuals for the purposes of Social Security. Therefore, the Diocese does not withhold Social Security taxes from their paychecks. All earnings from services performed are reportable as self-employment income on their annual federal income tax returns. It is the Diocese's policy to report all earnings paid to priests by the parish/school/cemetery on Form W2.
- Permanent Deacons are treated the same for tax purposes.
- The salary provider for each priest will reimburse priests for one-half of their annual Social Security Tax up to \$2,025

Offerings from the faithful (formerly called Stole Fees)

- Stole fees presented for baptisms, confirmations, marriages, funerals, and sacramental all belong to the parish.
- The following scale for offerings is established as policy by the Diocese:
 - Wedding \$200
 - Baptism \$ 20
 - Funeral w/Graveside \$100
 - Graveside only \$ 50
 - Quinceanera \$250
- Less may be accepted for good reason if agreed by the pastor
- Offerings given to Deacons belong to the Deacon
- Parishes may add a charge for use of the parish facility

Gifts to Clergy

- Gifts are private, not for services performed
- Gifts should not be combined with special service offerings or stipends
- Gifts are not recorded on parish books – they go straight to the priest
- Gifts are not taxable to the priest, nor are they tax deductible by the donor
- Excessive gifts (i.e. gifts that make up a significant portion of the active pastor's annual receipts) can trigger unwanted attention by the IRS – the courts have settled cases recently where excessive gifting triggered an audit where the pastor was assessed taxes on those gifts.

Mass Intentions (Mass Stipends)

- The offering presented by the faithful for the celebration of Mass for a definite intention belongs to the priest. A normal offering is \$10 per mass.
- Mass intentions should be paid directly to the priest and are not recorded on parish books (unless check is made out to the parish or cash is received in advance)
- Mass intentions are taxable to the priest
- Mass intentions deposited by the parish are recorded on parish books, and should be paid to the priest through payroll and included on the priest's Form W2 as wages

Clergy Work Schedule and Time Off

- Priests in the Diocese of Yakima have a 6 day work week which includes Saturday and Sunday. They are entitled to one day (24 hours) off per week, which can accumulate to up to five (5) days depending on the needs of the parish. These days do not count against vacation days.
- Vacation: Each priest is entitled to take up to 31 days of paid vacation each calendar year. Any exceptions must be approved by the Bishop. Priests must arrange for a priest substitute during their absence.

Clergy Retirement

- Each parish pays \$300 per month into the Diocesan Priest Retirement Fund to support retired priests.
 - The Fund pays for all costs of retired priests except for their pension and health insurance, i.e. retreats, assisted living, long-term care, medical reimbursements, legal & professional, travel, etc.
- Retired priests are supported with a monthly pension payment made from the Diocesan Priest Retirement Trust, along with medical insurance coverage

Other Clergy Benefits Available

- Up to one-half of vehicle insurance premiums for one vehicle (taxable)
- Auto allowance (taxable)
- Personal Food Reimbursements (reimbursable only with receipts):
 - Groceries (food and beverages only) for use in the rectory kitchen (non-taxable)
 - Meals/Food consumed away from the rectory in a personal setting up to \$600 per month (taxable)
 - Business meals where parish/diocesan matters are the main topic (non-taxable)
- Rectory: A furnished home or an apartment shall be provided for each priest (housing value is taxable for self-employment purposes, but non-taxable for federal income tax purposes)

Agreed Upon Procedures (AUP)

- AUP is a program where an outside CPA firm reviews the location's processes and procedures and determines their compliance with Diocesan Finance Policies and Procedures
- AUPs purpose is to assist the location with accounting related issues, identify areas that need improved internal controls and governance issues and hold the location accountable to Diocesan policies
- All locations will have an AUP program review at least once every 6 years

Conflict of Interest 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.
- The purpose is to provide a statement to the location that the members are committed to ethical, businesslike, and lawful conduct, and that they do not possess any unknown conflict of interests to the location by their other affiliations; business or personal.

These forms must be sent to the Diocesan CFO

Diocesanum (Parish Assessment)

- The annual parish assessment is a tax assessed to parishes which helps cover the governance needs of the Diocese
- Diocesanum rates are voted on annually by the Diocesan Finance Council and Priest Presbyteral Council
- Currently, the assessment is 6% of total Offertory Collections (Sunday Collections plus Holy Days) minus School Subsidies
- Assessment is billed annually every November 1st

Disbursements

- The pastor (or his delegate, if he is not present) must sign all checks
- Each check should be supported by an invoice, payroll summary, and/or receipts to substantiate the business purpose
- Unused checks must be stored in a locked safe or file cabinet accessible only by the pastor and the bookkeeper
- Expense reimbursements must be accompanied by receipts for items purchased – plus should be pre-approved by the pastor before purchase
- Mileage reimbursements must be accompanied by a detailed mileage log

Electronic Banking

- Deposits with Remote Deposit Scanner
 - Checks are sent directly to the bank through the remote deposit scanner (not endorsed)
 - The electronic deposit must balance exactly to the computer deposit
 - Print a check listing after sending the deposit and file with the deposit records
 - 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 shredded
- Online Bank Statements
 - Online bank statements must be accessed and printed each month
 - The pastor or finance chair should review the monthly bank statements and initial it prior to reconciliation
- Emailed Invoices:
 - Emailed invoices should be printed, reviewed and processed the same as mailed invoices

Electronic Disbursements

- Locations are allowed to pay recurring expenses through automated payments only if an adequate paper trail is maintained
- Once payments are made, the payment receipt must be printed and attached to the invoice as would a check copy
- Locations must have adequate computer safeguards and software to protect financial information

Electronic Receipts

- The Diocese encourages parishes/schools to offer electronic payment methods to their parishioners and parents.
 - Third party merchant services, local bank set up, personal online banking
- All donor credit card information must be handled and stored securely

Fraud Policy

- The Diocese of Yakima does not tolerate fraud and anyone violating these policies may be faced with disciplinary actions, including termination and prosecution if necessary
- Fraud is any theft or misuse of parish assets for another's gain, such as:
 - Any dishonest or fraudulent act
 - Forgery or alteration of policy related items, such as loans, bank documents, changes in beneficiary
 - Alteration of checks, drafts, promissory notes, and securities
 - Any misappropriation of funds, securities, supplies or any other asset
 - Any irregularity in the handling or reporting of money transactions
 - Disappearance of furniture, fixtures and equipment (computers, printers, etc.)
 - Any similar or related irregularity
- Any suspicion of fraudulent acts should be reported discretely to the Diocesan CFO or Diocesan Chief of Staff

Fundraising

- All bank accounts for fundraisers must use the parish/school tax ID number and have the pastor and Bishop included as signers
- Documentation for all fundraising expenses should include invoices and/or receipts which indicate approval from the pastor or supervisor, committee chair or designee
- Debit/credit cards tied to fundraising accounts are not authorized at this time

Fundraising Receipt Collection

- Two (2) people separate from the Treasurer must count/document all funds received:
 - For checks – run two (2) tapes, one for each person, initial and date, give to Treasurer for deposit
 - For cash – All cash must be counted by two (2) people at the same time, and receipt with date, initials and total is submitted to Treasurer for deposit
- All receipts must be deposited to the bank within 24 hours of receipt
 - If unable to meet that deadline, funds must be stored in a secure fireproof location (safe)
- Receipt acknowledgements / thank you letters should be submitted to donors for their tax records

Other Fundraising Procedures

- Bank statements must be reconciled monthly by the Treasurer or bookkeeper of the location
- Bank statements / reconciliations should be reviewed and initialed by the Pastor, Committee Chair or finance council member
- Financial Statements should be prepared no later than 60 days from the date of the event and should include profit & loss and beginning and ending cash balances
- All volunteers must complete background checks and sign confidentiality statements.
- All volunteers who will handle cash must complete a credit check

Gambling

- Gambling includes activities like bingo, casino nights and raffles
- The Diocesan Finance Office must be notified if the parish/school or an organization in the parish is to undertake any activities related to gambling
- The pastor must approve of all gambling activities
- Any gambling activities must follow all state and other laws regarding gambling, including proper filing of all related paperwork on the WA State Gambling Commission's web page at www.wsgc.wa.gov

Health & Safety Guidelines

- Employee Health and Safety is of utmost concern to the Diocese of Yakima. Employees who feel they are subject to unsafe environments should report it immediately to their supervisor or pastor.
- In the event of an accident, details should be reported promptly to the supervisor or pastor, even if the injury does not appear to be serious. For serious or life threatening injuries, call 911 for emergency assistance
- Accidents must be reported to the Pastoral Center within 24 hours via an Employee Accident/Illness Report

Internal Controls

- Bank accounts must include the Bishop and pastor on all parish/school accounts, and NEVER the bookkeeper (or individual preparing the checks)
- Bank statements should first be reviewed by an authorized signer before going to the bookkeeper
- Finance councils must meet at least quarterly to review and give advisory approval for the annual budget and parish financial reports
- An individual independent of payroll must review the payroll and related tax returns at least semi-annually
- All cash receipts must be deposited within 24 to 48 hours of receipt
- All financial records must be kept for at least seven (7) years

Pastor's Responsibilities Regarding Parish Finances

- The responsibility for the parish finances are entrusted to the Pastor.
- The Pastor is directly accountable to the Bishop for temporal responsibilities of the parish.
- Pastor must form a Parish Finance Council
 - Finance council members can be appointed after consultation with Parish Pastoral Council
 - Pastor should appoint between three and five members to serve a limited term
 - Finance council should establish by-laws
 - When a change in pastor occurs, a new council should be established after six months
 - Finance council assists the pastor in the formulation of the annual budget and review of monthly financials, along with all other financial queries as needed
 - Finance council should meet at least quarterly
 - If parish has a parochial school, the Finance council will assist the pastor in all matters related to the parish's financial support of the school
 - Finance council is to assist the pastor to ensure participation in the ACA campaign
 - One member of Finance council should be assigned as liaison to the Pastoral Council

Payroll

- Locations must maintain employee personnel files that contain:
 - Employee application and resume
 - Salary information
 - Vacation and sick leave accruals
 - Performance evaluations
 - W-4 Form and other withholding forms (i.e. voluntary health benefits)
- A completed Eligibility Verification Form I-9 must be kept on file for all employees
- Completed I-9's for priests are kept on file at the Diocese's pastoral office
- Locations must stay current with all federal and state payroll reporting requirements and tax payments: Form W-2/W-3, Form 941, Dept. of Labor & Industries and Employment Security (for PFMLA & CARES only)
 - Note: Participation in state and federal unemployment is voluntary for religious organizations

Other Tax Reporting Requirements

- Locations who make payments to independent contractors for services performed must also file Form 1099 annually (along with Form 1096)
 - Form W9 should be collected from every independent contractor and kept on file
 - Payments of \$600 or more per year to an individual or company are reportable
 - Except for payments to attorneys – ALL amounts are reportable
 - Payments of \$600 or more per year for rents are reportable
- Locations with gambling activities 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 \$1,200.
 - 27% Federal income tax withholding is required if winnings are \$5,000 or more

Real Estate Transactions

- All real estate transactions involving either acquisition, disposal or leasing of parish property are to be approved and signed by the Bishop
- The Diocese, under WA state law, is a Corporation Sole in whose name is vested the title to all real properties – land, buildings and improvements
- All contracts must be signed by the Bishop
- In all contracts, the owner is the Corporation of the Catholic Bishop of Yakima

Special Events Insurance Coverage

- Locations using parish grounds for a non-parish sponsored event need to either get a Certificate of Insurance naming the Diocese of Yakima as additional insured, or purchase Special Events Coverage from Catholic Mutual
- Cost per event is \$100, which provides \$1,000,000 in liability coverage for the event
- For-profit organizations are not permitted to have events on parish grounds, as it would compromise our tax-exempt status as a non-profit corporation
- Payments are to be made to the parish/school. The parish/school then sends a parish/school check to the Diocese for processing. The Diocese pays the premiums annually to Catholic Mutual.

Special Events Coverage - Continued

- Events that Catholic Mutual will NOT cover include:
 - Any carnival event
 - Fireworks & fireworks displays
 - Events involving BYOB
 - Events involving pool or lake activities
 - Events involving recreational vehicles
 - Rap/Hip-Hop/Alternative music (non-religious bands)
 - Organized sporting events, including tournaments and camps
 - Events where an admission is charged, unless all proceeds go to charity
 - Political Rallies
 - Amusement rides, including mechanically operated devices, trampolines, and rebounding devices
 - Claims related to an epidemic / pandemic

Weekend Mass Counts

- The parish must conduct a head count twice a year on the 2nd week of March and October at each mass over a weekend mass schedule
 - Count the number of attendees for each mass
 - Complete the *Weekend Mass Counts Form* at Appendix U provided by the Diocese
 - Email the form to Msgr. Robert Siler at Robert.siler@yakimadiocese.org or fax to 509-966-8334 within 2 days of completing the count
 - Keep a copy for at least 10 years

Questions?

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