



DIOCESE OF
Jefferson City

BETTER
TOGETHER

FINANCE AND ACCOUNTING POLICY FOR PARISHES, SCHOOLS AND ENTITIES

*Prepared by the
Finance Office*

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INTRODUCTION

ORGANIZATION

The diocesan bishop exercises the pastoral mission of sanctification, teaching, and leadership, which is entrusted to him by the Lord Jesus, in communion with the Church Universal, under the leadership of its chief pastor, the Pope.

The bishop is entrusted with all ordinary, proper, and immediate power necessary to carry out his mission. With respect to the temporal goods of the Church, the bishop is to exercise careful vigilance over all the goods which belong to the various entities in the diocese entrusted to his care (cf. CIC can. 1276 §1).

TRANSPARENCY AND ACCOUNTABILITY

In order for the bishop to exercise this vigilance, sound business practices are vital for the Church and her ministry. Paramount to this end is the strengthening of financial oversight mechanisms at both the diocesan and parish levels. Transparency, accounting integrity, vigilance and good management are all essential to the proper functioning of the diocese.

All people in the Church are accountable for their response to the Lord and for the ministries to which they are called. St. Peter explains, “As each one has received a gift, use it to serve one another as good stewards of God’s varied grace” (1 Peter 4:10).

Those entrusted as administrators of the entities in the diocese are bound by canon law and are accountable to the bishop in their day-to-day management of the financial and other affairs of the Church community.

CANON AND CIVIL LAW

This Finance & Accounting Policy for Parishes, Schools and Entities is particular law of the Diocese of Jefferson City. It defines the major policies, practices, and procedures required for all the juridic persons (parishes, schools and other entities) subject to the bishop of the Diocese of Jefferson City. It is intended to serve as the framework and setting for the financial principles by which the parishes/schools/entities in the diocese operate. It provides useful guidance for pastors, parochial administrators, school administrators, bookkeepers, stewardship, pastoral, finance, and school advisory councils, and others who will help achieve the goal of consistent parish financial accountability throughout the diocese.

Upon promulgation of this manual, all other manuals, statements of policy, oral or written procedures and particular laws contrary to this Finance & Accounting Policy are hereby abrogated. None of the policies or regulations in this manual are intended by reason of their publication to confer any contractual rights or privileges. This manual is not a contract of employment.

The operation and administration of all entities in the diocese are governed by the provisions of the Code of Canon Law (CIC), the statutes of the State of Missouri and the United States of America, and the administrative policies and procedures promulgated by the bishop of the Diocese of Jefferson City.



The pastor or parochial administrator represents the parish in all juridical matters. He has the responsibility of ensuring the goods of the parish are administered in accordance with all relevant canons.

The CIC specifies that each parish has a finance council. It is a mandate of the bishop of the Diocese of Jefferson City that each parish also have a pastoral council and a stewardship council to aid the pastor in the management of the parish. Each school is to have a parish (or inter-parish) school advisory council as a representative group of the parish to give general guidance and oversee the operations of the school (see the [Diocese of Jefferson City's Policy and Regulation Manual for Diocesan Catholic Schools](#), DSP 9301). Canon 1284 requires all administrators to fulfill their office with the diligence of a good householder. The canon lists specific duties and responsibilities involving the management of goods, financial actions, keeping books, preparing reports, and budgeting.

This manual delineates the specific responsibilities of the pastor and councils, their relationship to each other, and the parish community. The responsibilities of ministries and those who serve in them are also included (applicable canons: 515, 532, 537, 1276, 1281-1287).

Accounting and bookkeeping functions are in accordance with current state and federal tax laws and consistent with professional best practices.

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PARISH FINANCE COUNCILS: Parish Finance Council Policies

FAP 1101

INTRODUCTION AND BACKGROUND

The parish finance council assists the pastor in the administration of the temporal goods of the parish. The following norms are designed to aid pastors and parish finance council members in their important tasks. The parish finance council supports the pastor in his stewardship of parish resources while being accountable to the parish and the bishop. An active, well-formed parish finance council is a key element for promoting the financial health of a parish, assuring accountability and assisting the pastor with his temporal responsibilities.

Canon 532 of the Code of Canon Law gives the pastor certain rights and duties vis-à-vis the parish. *“The pastor represents the parish in all juridic affairs in accord with the norm of law. He is to see to it that the goods of the parish are administered in accord with the norms of canons 1281-1288.”* (See [Appendix #1100](#))

Canon 537 mandates the creation of a finance council. *“Each parish is to have a finance council which is regulated by universal law as well as by norms issued by the bishop; in this council the Christian faithful, selected according to the same norms, aid the pastor in the administration of parish goods with due regard for the prescription of canon 532.”*

Every parish is required to have a parish finance council, both by universal law and by these norms which have been instituted by the bishop and constitute the particular law of the Diocese of Jefferson City.

January 1, 2024

PARISH FINANCE COUNCILS: Parish Finance Council Policies

FAP 1102

DIOCESAN NORMS ON PARISH FINANCE COUNCILS

The task of the parish finance council is to assist the pastor, who is accountable to the bishop for the administration and stewardship of the temporal goods of the parish. The pastor has the ultimate responsibility for parish financial and temporal management. The parish finance council is a consultative body that assists the pastor in meeting these obligations. By sharing their expertise and experience with the pastor, lay members of the Christian faithful participate in the governance of their parish. While the parish finance council does not have decision making authority, consultation is at the heart of the decision-making process: sharing information, listening, contributing to the discussion and promoting consensus.

Canon law obligates the pastor to consult the parish finance council on certain matters. Although the pastor is not obliged to follow the recommendations of the parish finance council, the pastor should only act against such advice, especially when there is consensus, if there is a grave cause. In other words, a prudent pastor does not ignore the advice of the parish finance council unless there is a serious reason to do so. When acting contrary to its recommendations, the pastor must provide an explanation to the parish finance council regarding his decision. This rationale is to be recorded in the minutes of the meeting or in a written memorandum kept in the parish archives together with the meeting minutes.

Members of the parish finance council should have a love for the Church and a thorough understanding of the parish's mission, goals, people and resources. The parish finance council members have an obligation to learn applicable canon law, diocesan norms and policies regarding the administration of temporal goods. They should also possess, in so far as possible, expertise and experience in finance and related fields.

REQUIRED CONSULTATION

While it is always prudent for the pastor to consult the parish finance council for any act of administration, he is required to consult the parish finance council before engaging in administrative acts which require the approval of the bishop. These are called "acts of extraordinary administration." The Diocese of Jefferson City defines an act of extraordinary administration as any administrative act which has a value or cost which exceeds the minimum amount of \$25,000 for parishes with ordinary annual income less than \$2,000,000 and \$50,000 for all other parishes. Acts of extraordinary administration include, but are not limited to:

- ▶ capital expenditures for acquisition, improvement, repair or modification of parish buildings and other immovable assets that exceeds the minimum amount;
- ▶ leases of real property or goods which exceed the minimum amount or are for a longer term than one year;
- ▶ assumption of debt or mortgage in excess of the minimum amount; and/or
- ▶ alienation or sale of any real property, fixture, equipment or movable good whose value (in the aggregate) in excess of the minimum amount or which constitute part of the parishes stable patrimony (All property, real or personal, movable or immovable, tangible or intangible, that either of its nature or by explicit designation, is destined to remain in the possession of the parish for a long or indefinite period of time to afford financial security for the future.).

In addition to the acts of extraordinary administration noted above, the pastor must consult the parish finance council regarding the decision to open a new bank account and annually approve authorized signers on all parish bank accounts and accounts for auxiliary parish groups. The pastor must provide financial reports on all parish accounts to the parish finance council, and annually to the bishop through the annual report.

RECOMMENDED CONSULTATION

While acts of ordinary administration which fall below the minimum amount noted above do not require prior consultation such acts must still be reported to the parish finance council. The following are administrative acts for which it is recommended, but not required, that the pastor consult the parish finance council:

- ▶ management of parish funds and banking arrangements (It is recommended that a limited number of bank accounts be established, with procedures for approving and reconciling accounts documented by the parish finance council.);
- ▶ hiring, training and evaluating a business manager, bookkeeper or anyone providing business services to the parish;
- ▶ approval of parish fundraisers as described in the [Instruction on Transparency in Fundraising](#); and
- ▶ all other ordinary acts of administration which fall below the amount for acts of extraordinary administration.

OTHER DUTIES

In addition to consultation on matters of ordinary and extraordinary administration, the parish finance council assists the pastor by preparing the annual budget report; the parish annual report to the diocese; reviewing the parish's internal controls, procedures, and general financial operations; tracking compliance with diocesan fundraising norms; reviewing all financial activity by parish auxiliary groups; and by providing expert advice. Where applicable, the parish finance council advises the pastor in the creation or management of a parish endowment program.

Prepare the annual budget report

The parish annual budget report is a complete and accurate presentation of the financial status of the entire parish, including the parish, school and all auxiliary groups. The purpose of this report is to present the members of the Christian faithful a complete picture of the financial health of their parish. This report may also include non-financial information such as important issues facing the parish, descriptions of programs and events, sacramental and Mass attendance statistics and enrollment in school and parish school of religion programs. It is recommended, though not required, that the parish finance council provide the parish with semi-annual or quarterly budget reports.

Develop a communication plan for the annual budget report

The parish finance council assists the pastor in developing a communication plan to more easily and accurately share the information contained in the annual parish report with the entire parish.

Submit annual report to the diocese

The annual parish report is required to be submitted to the bishop according to the form established by the diocesan Finance Office, which shall include all parish accounts and the signatures of the pastor and the members of the parish finance council.

Review of internal controls

The parish finance council reviews the parish's internal controls, procedures, and financial reports for general parish operations, parish school and other parish organizations or programs with bank accounts or revenue collection responsibilities, to determine that proper accounting practices and internal control procedures are in place. These reviews must be conducted in compliance with these financial norms and the diocesan fundraising norms. When necessary, the diocesan Finance Office will assist with these reviews.

Review quarterly financial and budget reports

The parish finance council should review the following financial reports: balance sheet, income statements, comparisons to budget and prior year results and cash flow analysis. The parish finance council should also review detailed budget-to-actual comparisons by individual program category, such as the parish school, religious education and other parish programs. Significant variances from budgeted figures should be brought to the attention of the pastor and further investigation undertaken at his direction.

Review of parish auxiliary groups

The parish finance council reviews the activities of all parish auxiliary groups including verifying cash balances and activities of bank accounts. Members of the parish finance council should meet annually with auxiliary groups to review the reporting of prior year's activities, fundraising reports and the budget for the coming year. This includes assessing the accounting practices and internal control procedures in place to ensure compliance with diocesan norms and state and federal laws so that the tax-exempt status of the parish is not jeopardized.

Review all parish fundraising

The parish finance council reviews all parish fundraising activities to assess effectiveness as well as to ensure compliance with state law, canon law and diocesan norms, especially the requirements of Catholic Stewardship Renewal.

Provide expert advice

The parish finance council provides advice regarding: compliance with diocesan policies and civil regulations with respect to conflicts of interest, protection of whistleblowers and fraud detection, reporting and prevention; accounting for restricted contributions and their proper use; and how to use undesignated bequests or other unbudgeted revenue.

Manage parish endowment program

The parish finance council assists the pastor with establishing and managing a parish endowment program, particularly to ensure that the purpose of the endowment is well-defined, that it considers the long-term needs and life of the parish, and that any restricted gifts are reviewed to ensure that the parish can accept the gifts and that, once accepted, the funds are spent consistent with the donor's restrictions.

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PARISH FINANCE COUNCILS: Parish Finance Council Policies

FAP 1103

MEMBERSHIP

REQUIREMENTS FOR MEMBERSHIP

Members of the parish finance council must be Catholics in good standing and active stewards in their parish. Members must be chosen based on demonstrable skills or expertise in business, management or finance. At least one member must have current accounting knowledge and computerized accounting skills to assist the parish bookkeeper, and to identify irregularities in the financial statements. Useful expertise includes business, law, accounting, communications, information technology, engineering, construction, maintenance and purchasing. It is preferred that members of the parish finance council be members of the parish. When it is not possible to find sufficient representation from an individual parish, the pastor may select members from another parish, provided they meet the other requirement of this section.

It is also foreseen that when a pastor is assigned to multiple parishes, he may select a single group that is appointed as the parish finance council for each parish. Finance councils appointed in this way must always conduct their own separate meetings and keep separate records but the membership may be identical to another parish's finance council.

NUMBER OF MEMBERS

The parish finance council must have at least three but not more than nine members. A quorum shall be constituted by the majority of the members together with the pastor.

OFFICERS

The pastor is the president of the parish finance council and presides at all meetings. A chairperson, who is appointed by the pastor from the membership of the parish finance council for a term not to exceed three years, assists the pastor with the formulation of the agenda, conducts the meetings and performs any other duty assigned by the pastor. Only the pastor may convoke a meeting of the parish finance council. The pastor may also appoint a vice-chairperson in the event the chairperson is absent or otherwise impeded from fulfilling his/her duties.

The secretary, who is either appointed by the pastor or, at his discretion, elected by the membership of the parish finance council for a term not to exceed three years, records and distributes meeting minutes; notifies members of the agenda, place and time of meetings; maintains a permanent record of each member's tenure and of the business conducted by the parish finance council; and any other duties as assigned by the pastor.

FIDUCIARY RESPONSIBILITY

Parish finance council members have a fiduciary responsibility to the parish and diocese. This duty requires members to act in the interest of the parish and diocese rather than in the personal interest of the member or some other person or organization. This fiduciary responsibility requires a parish finance council member to avoid any conflicts of interest, whether real or perceived, that are detrimental to the parish or diocese.

Any person who may have a conflict of interest, whether real or perceived, as a result of other services, either paid or unpaid, rendered to the parish by the member, the member's family, or the member's business is ineligible to serve as a member of the parish finance council. For the purposes of this section, an officer of a local bank where the parish is a client is not considered to be a conflict of interest.

If a conflict of interest arises, whether real or perceived, the member must immediately disclose the conflict in writing to the pastor and to the other members of the parish finance council.

Parish employees and family members of parish employees, as well as any relative of the pastor, are prohibited from membership on the parish finance council.

Members of the parish finance council may serve in other volunteer service roles in the parish, including on other committees or boards, so long as the pastor determines such dual service will not create a conflict of interest. However, the role of the parish finance council member should not be vitiated.

If a temporary conflict of interest occurs, that member must recuse themselves from any discussion or decisions related to the conflict.

Membership on the parish finance council is prohibited for members who are familially related in the first degree either in the direct line or collateral line, and by marriage. This means sibling, parent-child, and husband-wife relationships among the membership of the parish finance council are prohibited.

ROLE OF PARISH EMPLOYEE

Parish employees support the parish finance council. Parish employees must be available to answer questions regarding parish programs, accounting, financial reporting and internal controls. The parish finance council must be provided relevant and timely financial information, which includes: balance sheets, income statements, budget-to-actual comparisons, loan balance payments and interest payments, investment of surplus funds and status of fundraising drives.

Not counting the pastor, who is automatically the president, only one cleric (priest or deacon) who has an official assignment to the parish may be appointed to membership on the parish finance council. Other clergy may attend parish finance council meetings at the discretion of the pastor, but without the privileges of membership.

TERMS

Members of the parish council are appointed for three-year terms. They may be appointed for two additional terms. It is recommended, but not required, that the terms of the members of the parish finance council be staggered such that there is continuity of service to avoid disruption to the function of the parish finance council. Members are appointed to the parish finance council and reappointed at the sole discretion of the pastor. For just cause, the pastor may remove a member from the parish finance council prior to the expiration of his/her term.

When the office of pastor becomes vacant, the regular terms of all parish finance council members automatically expire. However, finance council members and officers continue their service on the parish finance council on an interim basis to assist the temporary administrator and facilitate the transition of a new pastor. Within three months from taking possession of his office, the new pastor must appoint a new parish finance council, at which time the terms of the interim members of the parish finance council automatically cease. The new pastor may reappoint previous members of the parish finance council or select entirely new membership. Partial terms do not count towards the total term limits for members.

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PARISH FINANCE COUNCILS: Parish Finance Council Policies

FAP 1104

MEETING PROTOCOLS

MEETINGS

- ▶ While the parish finance council must meet at least once a quarter, it is recommended that they meet every other month, with committees of the parish finance council meeting during the off months. It is highly recommended that meeting times and dates should be predictable, such as a specific time, day and week each month (e.g., 7 pm on the third Tuesday of the month). The pastor may call an emergency meeting at any time.
- ▶ The pastor must be present at all parish finance council meetings.
- ▶ It is recommended to establish a communication method so that financial matters may be addressed between scheduled meetings.

USE OF AGENDAS AND REVIEW MATERIALS

- ▶ An agenda which lists the major discussion items for each meeting must be prepared in advance by the chairperson at the direction of the pastor.
- ▶ All relevant information should be sent to the members at least five days in advance of the meeting for review and preparation.

RECORDING OF MEETING MINUTES

The secretary of the parish finance council records the minutes of each meeting. The minutes include a summary of the discussions, any decisions or recommendation made, noting any actions that are to be accomplished and by whom. The secretary is responsible for placing the minutes in the permanent archives of the parish.

CONFIDENTIALITY

- ▶ To facilitate an open and honest dialogue between members of the parish finance council, the discussions are strictly confidential.
- ▶ Parish finance council meetings are not open to the parish community. At the discretion of the pastor, the secretary may prepare a report to the community on matters where transparency is recommended. These reports should contain only conclusions or recommendations, not individual comments or discussions.

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COMMITTEES

The magnitude and complexity of a parish finance council's committees depends upon the size, resources, obligations and needs of each parish.

A list of suggested committees and their responsibilities are included below.

BUDGET COMMITTEE

Responsibilities may include:

- ▶ assisting the pastor in the preparation, presentation and review of the annual parish budget;
- ▶ assisting the pastor in the preparation of the parish annual report to the diocese;
- ▶ assisting other programs, ministries and auxiliary groups in preparing and submitting their annual budgets to the parish;
- ▶ studying parish revenue and make recommendations to the parish pastoral council for maintaining and increasing revenues to meet parish objectives and priorities;
- ▶ reviewing periodically (e.g., monthly or quarterly) income and expenditures, making recommendations as necessary to see that expenses are within set limits and monitoring parish contribution trends;
- ▶ providing parishioners with periodic (e.g., semi-annual or annual), comprehensive written reports on the parish's financial position, including a statement of activities and balance sheet accounts (consider oral reports to parishioners to elaborate on key results and issues); and/or
- ▶ working with the parish school advisory council and the religious education programs regarding the budget, review internal controls of the business office and prepare recommendations regarding subsidy approval.

INTERNAL CONTROL COMMITTEE

Responsibilities may include:

- ▶ conducting self-administered internal control and procedure reviews using diocesan norms including, but not limited to, cash receipts and disbursements; gathering, counting and recording collections; adequately segregated duties and other financial controls (when necessary, these are to be shared with the diocesan finance office);
- ▶ ensuring tamper-evident cash bags and a robust collection and counting procedure are routinely used in the parish (tamper evident bags with robust handling procedures are required for any event or activity using cash, not just offertory collections);
- ▶ reviewing the regular completion of bank reconciliations in a timely manner; and/or
- ▶ reviewing and recommend cost-cutting and/or revenue enhancement measures when necessary.

FACILITIES AND MAINTENANCE COMMITTEE

Responsibilities may include:

- ▶ advising the pastor regarding the periodic inspections of all parish facilities;
- ▶ recommending repairs or replacements based on priorities established by inspections;

- ▶ developing a detailed inventory of all parish assets in accordance with canon 1283 §2 of the Code of Canon Law and update the inventory on an annual basis;
- ▶ assisting in the development of guidelines concerning use of parish facilities;
- ▶ assisting in the development of parish energy conservation programs;
- ▶ developing teams of parishioners to donate time and talents for parish maintenance tasks, ensuring this volunteer work follow diocesan risk management and insurance programs, and no maintenance or warranty agreements are jeopardized; and/or
- ▶ ensuring the safety and security of the parish campus is addressed and the plan is reviewed regularly.

FINANCIAL PLANNING AND DEVELOPMENT COMMITTEE

Responsibilities may include:

- ▶ providing long-range planning for both the financial and physical needs of the parish; and/or
- ▶ working closely with the budget and maintenance committees, parish pastoral council, parish school advisory council and other parish organizations to adequately plan and identify for the long-range financial and physical needs of the parish.

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PARISH FINANCE COUNCILS: Parish Finance Council Policies

FAP 1106

RELATIONSHIPS

TO PARISH PASTORAL COUNCIL

The parish finance council is not part of the parish pastoral council. The chairperson of the parish finance council may serve as an *ex-officio* member of the parish pastoral council at the pastor's discretion. Communications between the two councils is essential to implementing the pastoral plans and priorities.

Appropriate means of communication are developed between the two councils to ensure the parish finance council does not enter areas of policy and mission, which are the prerogative of the parish pastoral council.

The parish finance council advises on the adequacy of resources to accomplish the mission and specific ministries of the parish.

TO PARISH SCHOOL ADVISORY COUNCIL

The parish school advisory council provides consultation to the pastor on some of the same areas as the parish finance council, but only with respect to the parish school. It is not a subset of the parish finance council; it operates in concert with the parish finance council in areas of budget and finance for the school. The parish finance council may be a resource to the parish school advisory council on an as-needed basis.

TO THE STEWARDSHIP COUNCIL

The role of the stewardship council is to assist the pastor in fostering the spirituality of stewardship in the parish and implementing the yearly Catholic Stewardship Renewal. The stewardship council interacts with the parish finance council through a liaison from the stewardship council who represents and communicates the stewardship way of life to the parish finance council.

TO OTHER PARISH GROUPS/COUNCILS

Although there is no formal reporting process between the parish finance council and other parish groups/councils, the parish finance council may interact with parish groups/councils to study, create and revise plans for the effective management and use of parish resources.

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CHECKLIST OF MAJOR ACTIVITIES

The parish finance council should establish an annual plan of its activities. Such a checklist might include the following activities:

PARISH ANNUAL REPORT

- ▶ Review completed report prior to submission to the diocese. The report is completed and submitted by the first Monday following August 15.
- ▶ Coordinate communication to the parish community of the financial situation of the parish. Consider using printed material, oral presentations and parish hall meetings. A report is presented to the parish as soon as possible, but no later than four months after the end of the fiscal year.

PARISH BUDGET REPORT

- ▶ Project and plan resources to meet specified goals.
- ▶ Review all individual program budgets including parish, school, religious education and auxiliary groups.
- ▶ Share proposed budget with the parish pastoral council and the parish community
- ▶ Complete and submit to bishop as required.

FINANCIAL REVIEW

- ▶ Prepare financial report and significant financial facts for every meeting. These reports should be as of month-end and not presented until the bank accounts and significant asset and liability accounts have been reconciled.
- ▶ Compare budget amounts to the actual income and expenditures to monitor results in comparison to budget projections.
- ▶ Analyze weekly offertory contributions by envelope (check or cash), loose cash and electronic giving.
- ▶ Analyze year-over-year trend reports for programs, revenues and expenses to plan corrective action.
- ▶ Consider reviewing, at least quarterly, the general ledger detail and reconciliation of cash and investment accounts.

ACCOUNTING/INTERNAL CONTROL SYSTEMS/BEST PRACTICES

- ▶ Review accounting system to determine if it produces current and accurate financial records.
- ▶ Ensure appropriate risk management practices are in place.
- ▶ Identify all parish bank accounts, not just known operating accounts. Confirm that these account balances are reflected in the financial statements. Determine if the number of accounts can be reduced to ease administration.
- ▶ Review current bank account signature cards and addressee of bank statements on a regular basis.
- ▶ Review the separation of duties, to the extent possible, of personnel involved in the finances of the parish.

- ▶ Review any statements received for any parish account related to a credit or debit card, store account, purchase order, purchasing cards or other similar instrument. Verify that purchases had the necessary approvals, were for a parish (not personal) purpose and are coded to the proper general ledger account. Reimbursements should be made directly to the individual and not to the individual's credit card company for parish-related purchases charged to an individual's credit card.

AUXILIARY GROUPS

- ▶ Review budgets and upcoming activities for the next year.
- ▶ Review revenues, expenses and transfers between organizations along with bank account reconciliations.

COMPLIANCE OVERSIGHT

- ▶ Ensure fundraiser compliance with diocesan [Instruction on Transparency in Fundraising](#) policy for all parish and auxiliary groups.
- ▶ Review support documentation and tax filings for payroll taxes (including Internal Revenue Service [IRS] Form W-2s), bingo, pull-tabs and concession sales.
- ▶ Review support documents and filings for liquor, bingo, pull-tabs, carnivals, raffles and other events that may be restricted by the local municipality.
- ▶ Confirm that IRS Form 1099s are completed and filed for independent contractors.
- ▶ Confirm that payroll deductions are submitted on a timely basis to the benefit providers.
- ▶ Confirm that all compensation to employees and contractors, including bonuses or gifts, is reflected appropriately on the respective Form W-2 (for employees) or Form 1099 (for independent contractors).

January 1, 2024

REVENUES AND RELATED ACTIVITIES: Processing Receipts

FAP 2101

OVERVIEW

Diocesan parishes/schools/entities have a moral, canonical, civil and fiduciary obligation to ensure that donations are secured and used for the purpose specified by the donor. The policies in this section are designed to ensure basic internal controls related to the processing of receipts.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Processing Receipts

FAP 2102

PROCESSING RECEIPTS FROM OFFERTORY COLLECTIONS

Prior to a Mass in the Diocese of Jefferson City in which an offertory collection will be taken up, the parish business manager, secretary or bookkeeper should prepare pre-labeled tamper-evident bags with the name of the offertory collection, Mass date, Mass time and unique serial number and place them in a designated location for use by the ushers.

Immediately following Mass, the ushers (at least two, who are unrelated) place the offertory collection in a single tamper-evident bag and seal it in plain sight of others. The removable strip should be placed in the tamper-evident bag before sealing. The tamper-evident bag should be signed in the indicated location.

The ushers transport the sealed tamper-evident bag to the count team for immediate counting. If the offertory collection cannot be immediately counted, the ushers secure the sealed bag in a locked safe until the count occurs.

Access to the safe used for storing offertory collections must be strictly limited to authorized personnel.

The offertory collection must be maintained in its original form from the time of offertory collection until deposited in the bank (i.e., no change is given and no checks are cashed from the offertory collection).

The offertory collection is to be counted and recorded by at least three designated persons, two of whom are unrelated. (See [FAP 2202](#))

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Processing Receipts

FAP 2103

FUNDRAISING FOOD SALES

All methods of raising funds for a diocesan parish/school/entity, are subject to the [Instruction on Transparency in Fundraising](#), including approval from the bishop. There are many ways that parishes/schools/entities raise funds and all should be reviewed by the pastor/parochial administrator/pastoral minister and parish finance council annually to determine need or purpose.

When the selling of food provided and served by volunteers is part of an authorized fundraiser, if payment is only made at the fundraiser and tickets are not sold, then a log for each meal sold must be maintained. This must be kept by an individual other than the individual collecting money. This is used to reconcile the number of meals served and the funds raised. This is usually only appropriate for very simple fundraiser meals.

If tickets are to be sold, then the tickets must be pre-numbered and a log of ticket numbers issued, returned and sold must be maintained and reconciled. They must be issued in sequential order so that missing tickets can be easily identified.

Once all payments have been collected, the money, receipts, logs and unsold tickets, if applicable, are to be counted, or transferred to a tamper-evident bag and secured in a locked safe until the count occurs. Access to the safe used for storing fundraising proceeds must be strictly limited to authorized personnel.

Funds from the event must be maintained in its original form from the time of collection until deposited in the bank (i.e., no change is given and no checks are cashed from the collection).

Funds from the event are to be counted and recorded by at least three designated persons, two of whom are unrelated. (See [FAP 2202](#))

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Processing Receipts

FAP 2104

VOTIVE OFFERINGS

Diocesan parishes that receive votive offerings should collect those offerings at least weekly.

At the time collected, the funds are to be counted using Count Procedures. (See [FAP 2202](#)) If these procedures cannot be followed at the time of collection, place the funds in a safe or secure area to be counted when the next collection is counted.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Processing Receipts

FAP 2105

RECEIPT OF FUNDS RECEIVED BY MAIL

Diocesan parishes/schools/entities that receive funds that are hand delivered or by mail should be processed by one of the following procedures:

- ▶ Funds received in an offertory envelope should be placed in a secure area until the next regular offertory collection, and included when that collection is counted.
- ▶ Funds received in the form of a check (not in an offertory envelope) should be endorsed (with "for deposit only," the parish name and account number) and placed in a secure area until the next regular offertory collection, and included when that collection is counted.
- ▶ Funds received in the form of cash should be counted and placed in an envelope, which is to be sealed. The amount is to be recorded on the envelope and signed and dated by the person performing the count. The envelope should be placed in a secure area until the next regular offertory collection, and should be included when that collection is counted.
- ▶ If the amount received is substantial (subject to individual discretion), the funds should be deposited in the bank on the day received. The applicable steps (See [FAP 2202](#)) should be followed including the completion of a signed Collection Summary Form. (See [Appendix #2202](#))

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Count and Deposit Procedures

FAP 2201

OVERVIEW

Administrators of the temporal resources of the Church have significant responsibility to safeguard the Church's assets, exercise prudence in financial matters, be accountable to those who provide financial support to the Church and to comply with all civil and canonical regulations.

To that end, the controls and procedures outlined in this section are in place to protect both the financial assets of the parish and those who are responsible for counting, recording, depositing and reporting them.

As such, they are not be altered without serious consideration and consultation with, and written approval of, the diocesan Finance Office. Changes can only be approved if adequate alternative controls can be put in place to mitigate the increased risk.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Count and Deposit Procedures

FAP 2202

COUNT PROCEDURES

The counting of funds collected from diocesan parish/schools/entities is to be performed by at least three designated persons, two of whom are unrelated. If a designated counter is not available, then a substitute counter should be assigned. The parish should establish teams of counters. The teams could be comprised of three or more individuals, at least two of whom are not related, depending on the size of the parish. The teams should be rotated regularly. A list of all counters and substitute counters, with contact information, should be maintained.

The following supplies should be available before the count is started:

- ▶ Collection Summary Form (See [Appendix #2202](#));
- ▶ deposit stamp (with "For deposit only," parish name and account number);
- ▶ deposit slip;
- ▶ printing calculator with extra tape (the calculator should be set so that the number of entries is accumulated on the side of the tape); and
- ▶ current list of parishioners.

Before the count takes place, at least two unrelated members of the count team should accompany the tamper-evident bags from the locked safe to the count room.

Members of the count team should verify all the bag numbers used/unused by writing their initials next to each bag number, as it is opened, on a log containing the bag numbers originally issued. If any bag is missing or there is evidence that any bag was tampered with, a report should be made immediately to the pastor/parochial administrator/pastoral minister and to the diocesan Finance Office. Failure to do so may limit insurance recoveries if a theft has occurred.

All bags should be opened in the presence of all the counters.

SEPARATING AND ORGANIZING

The collection should be separated by the various Collection Type (account), as shown on the Collection Summary Form. (See [Appendix #2202](#)) Envelopes should be separated from loose checks and loose cash. Currency and coins should be organized by denomination.

LOOSE CASH

Two counters should count and record the cash. The first counter should count and record the quantity of each denomination received (e.g., \$20 bills: 6; \$10 bills: 32, etc.). The denomination should be multiplied by the quantity, adding these amounts together and recording the total. The second counter should recount the currency and coins using this method and record the total.

Each total should be compared and investigate any discrepancies. The agreed total amount of currency and coins received should be recorded on the Collection Summary Form (See [Appendix #2202](#)) on the proper account line.

CASH IN ENVELOPES

Two counters should count and record the cash. Each envelope should be opened, counting the cash in it and comparing it to what is written on the envelope. If no amount is written, record the amount on the envelope.

Once all the cash envelopes are opened, one counter should count and record the quantity of each denomination received (e.g. \$20 bills: 6; \$10 bills: 32, etc.). The denomination should be multiplied by the quantity, adding these amounts together and recording the total.

A second counter should run a calculator tape on the amounts listed on the envelopes. This tape, once reconciled, should stay with the envelopes.

Each total should be compared and investigate any discrepancies. The agreed total amount of currency and coins received should be recorded on the Collection Summary Form (See [Appendix #2202](#)) on the proper account line.

LOOSE CHECKS

Checks that are not in an envelope should be kept separate and photocopied. All checks should be restrictively endorsed using the deposit stamp.

The total amount of loose checks received should be recorded on the Collection Summary Form (See [Appendix #2202](#)) on the proper account line. Copies of the checks should be retained with the completed Collection Summary Form. (See [Appendix #2202](#))

After the count has concluded, loose check copies should be entered into the donor database software. If the name is not included in the donor database, a new record should be created for the donor.

CHECKS IN ENVELOPES

All envelopes should be opened and checked to see if the amount written on the outside of the envelope agrees with the enclosed amount. If it is not written, write the amount and the check number. (Most companies that provide parish collection envelopes can add a check number line on the envelopes.)

A calculator tape should be ran on the amounts on the envelopes, and a tape on the amounts on the checks. The totals should be compared and any discrepancies investigated until the two tapes agree. The tape on the envelope amounts, once reconciled, stays with the envelopes. The tape on the check amounts is included with the grouping of checks that goes to the bank.

All checks should be restrictively endorsed using the deposit stamp.

The total amount of checks received should be recorded on the Collection Summary Form (See [Appendix #2202](#)) on the proper account line. The empty opened envelopes and their tapes should be bundled by date and kept to be recorded in the donor database software.

AFTER ALL CASH AND CHECKS ARE RECORDED:

All cash should be placed together and counted twice, by two separate counters. This total should be compared to the total amount of cash on the Collection Summary Form. (See [Appendix #2202](#)) Any discrepancies should be investigated and resolved.

The number of checks should be totaled with the total amount of checks on the Collection Summary Form (See [Appendix #2202](#)), and investigate and resolve any discrepancies. All counters are to sign and date the form.

The copy of the deposit slip should be retained and the original deposit slip sent to the bank. The deposit and the original deposit slip should be placed into a tamper evident/lockable bank bag, sealed the bag in the presence of the counters, and deposited in the bank.

The bank will process a receiving slip for the deposit and hold the bag for pick-up or mail it back to the parish. The numbered bag seal (if using tamper-evident bags) should be removed and affixed to the Collection Summary Form (See [Appendix #2202](#)) and deposit slip.

An entry to record the deposit should be made in the parish's accounting software by reference to the completed Collection Summary Form. (See [Appendix #2202](#)) Compare the receiving slip issued by the bank with the deposit slip copy and with the Collection Summary Form. (See [Appendix #2202](#)) Any changes or differences should be investigated.

The total of loose checks and envelopes from the Collection Summary Form (See [Appendix #2202](#)) should be reconciled with the total of the donor database batch report. Any discrepancy should be investigated and resolved immediately. If discrepancies cannot be resolved, they must be reported to the pastor/parochial administrator/pastoral minister immediately.

All supporting deposit documentation is to be retained on file as per the diocesan Financial Records Retention. (See [FAP 6104](#))

For fundraising events, counters who were not involved with the collection of money or issuance of tickets at the event should count the money and reconcile the funds received to the number of tickets sold/meals sold/receipts issued (for example, \$700 in cash and checks should be on hand if 100 tickets were sold at \$7 each). Once the funds are reconciled to the event records, the count should be done by following the protocol above. Any discrepancies must be investigated and resolved immediately.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Count and Deposit Procedures

FAP 2203

DEPOSIT SAFETY GUIDELINES

The safety of diocesan employees and volunteers is of the greatest concern. These steps should be followed when making deposits:

- ▶ Never make a deposit alone.
- ▶ Never make a deposit after dark.
- ▶ Always conceal the deposit bag in a backpack, brief case, etc.
- ▶ Vary the schedule for going to the bank.
- ▶ Be alert to the surroundings.
- ▶ Never approach the night deposit box when people are in the vicinity.
- ▶ If confronted, do not resist relinquishing the funds.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Count and Deposit Procedures

FAP 2204

DEPOSIT ADJUSTMENTS AND CORRECTIONS

Upon notification of an error by the bank, the discrepancy should be investigated to identify the cause. The deposit entry in the parish's accounting system, and the Collection Summary Form (See [Appendix #2202](#)) should be adjusted accordingly.

Upon receipt of a returned check by the bank (NSF, closed account, etc.), the Collection Summary Form (See [Appendix #2202](#)) should be adjusted accordingly. An adjusting entry in the parish's accounting system should be made, referencing the appropriate Collection Summary Form. (See [Appendix #2202](#))

The check writer should be contacted to determine if funds are available to cover the check. If so, the check should be redeposited the next time a bank deposit is made (if it has not previously been returned by the bank). If returned by the bank a second time, the returned check can be sent to the issuer or retained on file.

In both of the above events, the pastor/parochial administrator/pastoral minister/parochial administrator must be notified.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Guidelines for Processing Credit Card Information

FAP 2301

CREDIT CARD TRANSACTIONS

The procedures in this section are designed to ensure that diocesan parishes/schools/entities are in compliance with the Payment Card Industry (PCI) requirements and Data Security Standards.

Compliance with these procedures is mandatory, except with written permission of the diocesan Chief Financial Officer. The pastor/parochial administrator/pastoral minister may request such permission only after consultation with the parish finance council. A copy of this permission should be kept with other documents specified in this policy. Additional liability insurance or proof that the parish/school/entity can afford restitution and credit protection for the parties involved, due to the modifications, may also be required.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Guidelines for Processing Credit Card Information

FAP 2302

PROPER HANDLING OF CREDIT CARD INFORMATION

The best practice for diocesan parishes/schools/entities in handling transactions via credit card, is to advise donors to enter their own credit card information using a secure giving web page. Direct the donor to the parish's online giving website for donations/gifts/payments.

When soliciting gifts or requesting payment via mail, a pre-addressed envelope should always be enclosed that is addressed to the specific office processing the gift/payment. This limits the possibility of having the credit card information exposed to multiple people.

Upon receipt of credit card data, the information is to be stored in a locked safe or other similarly locked, access-controlled location until ready for processing. Pledge card envelopes should be delivered (unopened) to the staff person responsible for processing donor gifts. Pledge cards that cannot be processed upon receipt should be kept in the secure, locked location until processing can be completed.

The designated staff person should only remove the number of cards to be processed at one sitting from the secure location/safe. Credit card information should be kept in view at all times. If the designated staff person has to leave for any reason, all credit card information should be put into in the secure, locked location.

The designated staff person should enter their own personal user login information directly into the system, not via the giving web page. User information is to be specific to each staff person, and not to be shared with anyone.

When entering the credit card information, the full card number should only be visible while processing the specific record. Once the next record is started, all but the last four digits should be masked/encrypted. All reports should contain only the last four digits of the card number. (The three-digit security code is generally not required for processing.)

The credit card data should be retained in the secure location until successful processing is confirmed. Once confirmed, the designated staff person should then remove the card number from the pledge card(s) or other source document(s), and shred the numbers. If it is not possible to remove the card number, then it should be defaced and rendered unreadable.

Approved transactions should be printed by the designated staff person and file or forward to appropriate staff, along with supporting documentation.

When online gifts are entered directly by donors, only the last 4 digits of the card number should be visible to staff.

Rev. October 11, 2024
September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2401

OVERVIEW

The Internal Revenue Service (IRS) requires that most contributions require some sort of substantiation and acknowledgement for a donor to be permitted a tax deduction for the contribution. Each type of contribution, however, has different rules and procedures.

It is the responsibility of the charity receiving the contribution to properly report and acknowledge it.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2402

STOCK GIFTS

When a diocesan parish/school/entity receives a stock donation, the following procedures should be followed:

If the parish/school/entity has a brokerage account, the donor should be directed to send the stock to that broker. The parish/school/entity should contact the broker to alert them to the incoming stock and direct them to sell the stock as soon as it comes in.

If the parish/school/entity does not have a brokerage account, the diocesan Finance Office can accept the donation for the parish in its brokerage account. The diocesan Finance Office should be contacted to get the broker's account information for the donor. Upon receipt of the stock into the diocesan brokerage account, the diocesan broker will sell the stock and remit the net proceeds (gross, less broker commissions and fees) to the diocesan bank account. Once confirmed, the diocesan Finance Office will remit the net proceeds (gross, less broker commissions and fees) to the parish/school/entity expeditiously.

Once the funds have been received by the parish/school/entity, they should be treated like any other contribution, except that the amount credited to the donor should not be reduced by brokerage fees. Brokerage fees and other costs related to the sale of securities are an operational expense of the parish/school/entity receiving the proceeds and should be accounted for as such.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2403

QUALIFIED CHARITABLE DISTRIBUTIONS

A qualified charitable distribution (QCD) is a nontaxable distribution made directly by the trustee of an Individual Retirement Account (IRA) to an organization that is eligible to receive tax deductible contributions. In 2015 year-end legislation, Congress made this provision permanent. A distribution from an IRA is deemed non-taxable to the individual when the distribution is contributed directly to a qualifying charitable organization. Individuals who have attained the age of 70½ may make the contributions. The maximum amount per year (as of the date of this publication) is \$105,000. QCDs may be made from any IRA or individual retirement annuity, but not from a simplified employee pension, a SIMPLE retirement account or an inherited IRA. QCDs automatically satisfy required minimum distributions (RMDs) for the year when the QCD is made.

To make the contribution, the donor should instruct the IRA trustee or custodian to issue a check from the IRA directly to the parish/school/entity, with the donor's name included on the check, and notify the parish/school/entity to expect the IRA donation.

The distribution from the IRA is reported on the donor's Form 1040, but as a non-taxable distribution. There is no charitable deduction for the contribution.

The parish/school/entity must give the donor a timely written acknowledgement of the payment, specifically stipulating that it was an IRA distribution received directly from the IRA custodian or trustee and that no goods or services were given in connection with the IRA distribution. The acknowledgement serves to substantiate the donor's claim that the distribution is excludable from income.

The entire distribution must be paid to the charity with no quid pro quo. The exclusion applies only if a charitable deduction for the entire distribution would have been allowable. Thus, if the donor receives (or is entitled to receive) a benefit of any value in connection with the transfer to the charity from the IRA, the exclusion is not available for any part of the IRA distribution.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2404

AWARDS FROM DONOR-ADVISED FUNDS

A donor advised-fund is one in which the donor contributes to a fund held by a charitable sponsor. The donor receives an immediate tax benefit for the total contribution to the fund. Over time, the donor advises the sponsor to award grants or gifts to the charity of the donor's choice.

Receipt of an award or gift from a donor-advised fund requires two acknowledgements. The charitable sponsor is the official donor; the gift should be recorded on a donor record for that organization. The gift should also be recognized as a non-deductible gift to the specific donor who advised the gift.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2405

VEHICLE DONATIONS

Vehicle donations cannot be accepted without approval from the bishop. Before accepting a donation of a vehicle, boat or plane, diocesan parishes/schools/entities need to determine whether they will

- ▶ sell the vehicle, or
- ▶ donate the vehicle to an individual or other entity, or
- ▶ keep the vehicle for parish/school/agency use.

If the donated vehicle is sold, Congress has decided that the price for which a charity ultimately sells a vehicle is a better measure of the tax deductible value of a vehicle, rather than an established market value. The tax deductible amount of the donation is the amount which is received upon selling it.

If the sale occurs without significantly using or improving the vehicle, an acknowledgement with the following information must be given to the donor:

- ▶ the donor's name ;
- ▶ description of the vehicle: make, model, and VIN (vehicle identification number);
- ▶ a statement that the vehicle was sold in an "arm's length" transaction between unrelated parties;
- ▶ the gross proceeds from the sale of the vehicle; and
- ▶ a statement that the deductible amount is limited to the gross proceeds.

This information must be provided to the donor within 30 days of the sale of the vehicle. The donor is required to attach the acknowledgement to the tax return on which the corresponding deduction is claimed.

If the vehicle is to be used in ministry (which includes donating it to a needy individual), or has material improvements made to it (major overhaul, paint and body work, etc., not just a car wash and oil change), an acknowledgement with the following information must be given to the donor:

- ▶ the donor's name;
- ▶ description of the vehicle: make, model, and VIN (vehicle identification number);
- ▶ a statement of the intended use or material improvement of the vehicle, and the intended duration of that use; and
- ▶ a statement that the vehicle would not be sold before completion of that use or improvement.

The information must be provided to the donor within 30 days of the donation of the vehicle. The parish/school/entity should not assign a value to the vehicle. The donor may use the fair market value (Blue Book) of the vehicle for tax deduction purposes. The donor is required to attach the acknowledgement to their tax return on which the corresponding deduction is claimed.

REPORTING TO THE INTERNAL REVENUE SERVICE (IRS)

The parish/school/entity is required to file Form 1098-C, Contributions of Motor Vehicles, Boats, and Airplanes with the IRS for any contribution of a vehicle received with a claimed value of more than \$500. This form must be submitted to the IRS, with a copy to the donor, on or before February 28 of each year.

In lieu of a written contemporaneous acknowledgement, the parish/school/entity may use Copy B of Form 1098-C to the donor, (which contains the same information required in a written acknowledgement), if it is provided to the donor within 30 days of the donation of the vehicle. If Copy B is used to provide contemporaneous acknowledgement, it is recommended that an accompanying letter be sent to the donor thanking him/her for the donation.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2406

OTHER NON-CASH GIFTS

A taxpayer may not take a charitable deduction for donations of clothing and household items unless the items are in good used condition or better. The parish/school/entity should indicate the condition of the items donated with an acknowledgment, but state that the value was not determined unless it can be shown to have a verifiable market value or appraisal.

Donated building materials, from an individual (not a business) should be treated as above. Donated building materials from a business or contractor are already deductible for tax purposes by the business or contractor and should be acknowledged by a thank you letter, but not as a charitable donation. The parish should treat it as a donation for accounting purposes, but it may not be treated as such for the donor's tax purposes. The same applies to donated services.

The following gifts are not to be accepted unless approved in writing by the bishop:

- ▶ bonds,
- ▶ insurance policies,
- ▶ investment interests,
- ▶ real estate,
- ▶ motor vehicles (including boats & airplanes)

In addition to written approval by the bishop, before accepting donations of bonds, insurance policies or other investments or real property, consult the diocesan Finance Office for proper reporting and acknowledgement requirements.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2407

ACKNOWLEDGEMENTS – GENERAL

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without receiving or expecting to receive anything of value in return. The following payments do not constitute charitable contributions:

- ▶ The value of volunteer services is not tax deductible to the donor. A dollar amount in the donor's statement of contributions should not be included.
- ▶ Services rendered with reduced or zero payment are not deductible to the donor (they are deductible as a business expense for the donor). A dollar amount in the donor's statement of contribution should not be included.
- ▶ Contributions earmarked by a donor for a particular individual or narrow class of recipients are not deductible by the donor. A dollar amount in the donor's statement of contribution should not be included (e.g., a parishioner who wants to donate money to the school to cover a certain student's fees, is not deductible and should not be listed on the donor's statement).

Effective for contributions made on or after January 1, 2007, a taxpayer may not take a charitable deduction for a cash gift of any amount unless the taxpayer has maintained records of support in the form of:

- ▶ a cancelled check;
- ▶ a wire transfer acknowledgement;
- ▶ a credit card record; or
- ▶ a written communication from the organization showing the name of the donor and the date and amount of the contribution.

As such, all identifiable cash contributions should be recorded in the donor database. In addition, a taxpayer may not take a charitable deduction under section 170 of the Internal Revenue Code (I.R.C.) for any contribution of \$250 or more unless the taxpayer substantiates such contribution with a contemporaneous written acknowledgement from the charitable organization to which the donation was made (I.R.C. s.170 (f)(8)).

NOTE: A canceled check does not constitute adequate substantiation. Separate payments will generally be treated as separate contributions and generally will not be aggregated for the purpose of applying the \$250 threshold.

The written acknowledgement must contain the following information:

- ▶ the amount of cash contributed, or a description (not a valuation) of contributed property other than cash and its condition (for items of clothing or household items);
- ▶ the date of the contribution;
- ▶ an indication whether the receiving organization provided any goods or services in whole or partial consideration for any contribution (if not, the acknowledgment must specifically so state);

- ▶ a description and good faith estimate of the value of any goods or services provided by the charitable organization in consideration for the payment; and
- ▶ if such goods or services consist solely of intangible religious benefits, a statement to that effect.

As such, all diocesan parishes/schools/entities should strive to send an acknowledgement for all donations of \$250 or more on a timely basis (within 30 days), except for recurring offertory gifts of \$250 or more, in which case acknowledgements may be sent annually. In addition, parishes, schools and entities must keep a record of all contributions of \$250 or more and respond to all requests for written acknowledgements by donors, even if such contributions are reported annually.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2408

ACKNOWLEDGEMENTS – QUID PRO QUO

Internal Revenue Service (IRS) regulations require that charitable organizations must inform donors in writing that quid pro quo contributions in excess of \$75 are deductible only to the extent they exceed the value of any goods or services provided by the charitable organization in return (I.R.C. s. 6115). For purposes of this provision, quid pro quo contributions are defined as payments made partly as contributions and partly in consideration for goods or services furnished to the donor. These may take the form of a contribution that includes a dinner or some other goods or services.

In connection with the solicitation or the receipt of a quid pro quo contribution, charitable organizations must provide a written statement that informs the donor that the amount of the contribution deductible for federal income tax purposes is limited to the excess of the amount of money or property contributed over the value of the goods or services provided by the charitable organization; and provides the donor with a good faith estimate of the value of such goods or services. Failure to make the proper disclosure may result in an IRS penalty to the organization.

Therefore, all diocesan parishes/schools/entities involved in fundraising events involving quid pro quo contributions in excess of \$75 must develop written statements to inform contributors of the estimated value of the goods or services provided by the parish/school/entity and to inform them that the amount of the contribution deductible for federal income tax purposes is limited to the excess of the amount of money or property contributed over the estimated value of the goods or services provided. These written statements must be provided to all donors contributing \$75 or more at the time of solicitation or upon receipt of the actual contribution. Placing the disclosure statements on the solicitation materials, event programs, tickets, etc. is an acceptable method for compliance.

When the quid pro quo contribution is \$250 or more, the acknowledgement provisions of the tax act also apply. Therefore, records must be kept of all contributions of \$250 or more.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2409

ACKNOWLEDGEMENTS — RESERVED FOR FUTURE USE

To Be Developed — Substantiation of Unreimbursed Out-of-Pocket Expenses

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Accepting and Acknowledging Contributions

FAP 2410

ACKNOWLEDGEMENTS — AUCTIONS

Quid pro quo disclosure is required if an auction item is sold for more than \$75 and the selling price is greater than its fair market value. When one-of-a-kind items are sold, such as art works, hand-made quilts, sports memorabilia, etc., it may be difficult, if not impossible, to establish a fair market value. In the absence of any reliable fair market value, the Internal Revenue Service (IRS) is likely to say that the purchase price is the fair market value. In this situation, no part of the purchase price at the auction would be considered a deductible charitable contribution.

Therefore, the parish/school/entity should either list the fair market value of the auction items in the auction booklet; or, if the fair market value cannot be determined, state that the item's fair market value is considered to be the price paid for the item at the auction. The auction booklet should also contain a disclosure statement indicating that the amount deductible for federal income tax purposes is limited to the excess of the amount paid over the fair market value of the item purchased.

If the amount exceeds \$250 and the selling price is greater than its fair market value, an acknowledgement letter should also be sent stating the amount contributed, the fair market value of the item purchased, and that the amount deductible for federal income tax purposes is limited to the excess of the amount contributed over the fair market value of the item purchased.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Restricted Donations

FAP 2501

OVERVIEW

Generally accepted accounting principles define a donor-imposed restriction as a donor stipulation that is more specific than the broad limits naturally resulting from the character of the organization, the environment in which it operates, and the purposes specified in its bylaws. Restrictions can be temporary, such as for a specific use or period of time or permanent, but the restriction must be in writing from the donor.

Some examples of restricted donations are:

- ▶ a contribution received from a donor who has sent a letter restricting its use to the purchase of a particular statue to be placed in the Church sanctuary in memory of a family member; or
- ▶ a gift received from a donor accompanied by a letter stipulating that the parish invest the gift amount and use only the investment income for a Catholic school.

If there is any question of how to classify a gift, the parish/school/entity should contact the diocesan Finance Office for assistance.

By accepting a restricted donation, the parish/school/entity agrees to abide by the restriction placed on the gift by the donor under the penalty of forfeiture. For this reason, there are two questions to consider regarding restricted donations:

- ▶ Can the parish/school/organization even accept the gift?
- ▶ Should the parish/school/organization accept the gift?

Careful consideration should be exercised before accepting restricted contributions. If there is a question of whether it is appropriate to accept a restricted contribution, the pastor/parochial administrator/pastoral minister should contact the diocesan Finance Office.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Restricted Donations

FAP 2502

RECORD KEEPING

Diocesan parishes/schools/entities receiving individual restricted donations must abide by the following:

- ▶ Keep records for each individual restricted donation from the time of acceptance to the time the donation has been expended, and retain the records for at least seven years after the restriction has been met and the donation expended.
- ▶ Maintain a file in the parish/school/entity's office for each individual donation, including the original donor letter and copies of all transaction activities concerning the donation.
- ▶ If the donor restrictions are received orally, a written record must be produced to document the donor's intention as soon as possible.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Restricted Donations

FAP 2503

REPORTING FOR RESTRICTED DONATIONS

Donations that are truly restricted should be recorded in the diocesan parish/school/entity's accounting software as such and maintained as a separate fund until expended. The software system should be used to generate a report showing all activities pertaining to each restricted donation/fund over any given period. The report should be reviewed periodically by the pastor/parochial administrator/pastoral minister and the parish finance council to ensure that the restricted donations are used as stipulated by the donor. Also, the parish/school/entity should report in writing to the donor once the restriction has been satisfied and the donation fully expended.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Restricted Donations

FAP 2504

ALTERNATE USE OF RESTRICTED FUNDS

Diocesan parishes/schools/entities receiving individual restricted donations must abide by the following:

- ▶ Restricted funds are never to be used for a purpose other than that specified by the donor without the donor's (or the bishop's) written permission.
- ▶ In the event the parish/school/entity cannot use the restricted funds for the purpose for which the funds were given, the donor must be notified. The donor has the option to grant permission for the funds to be used for an alternate purpose or to have the restricted contribution returned. In the event it is impossible to contact the donor, the bishop may modify the restriction to provide for an alternate use of the restricted funds.
- ▶ The permissions must be kept on file with other documentation pertaining to the donation.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Contributions to Capital Campaigns

FAP 2601

CONTRIBUTIONS TO CAPITAL CAMPAIGNS

Diocesan parishes/schools/entities require written permission of the bishop prior to beginning a capital campaign which is an Act of Extraordinary Administration subject to the parish finance council policy and other particular diocesan law. The diocesan Development Office can provide valuable assistance in establishing a campaign committee.

The campaign committee:

- ▶ organizes and oversees the campaign activity;
- ▶ ensures that the campaign activity is recorded and maintained, usually through the parish/school/entity business office; and
- ▶ provides timely reporting to the pastor/parochial administrator/pastoral minister, parish finance council and parish on the status of the campaign.

Contributions to capital campaigns may only be expended in accordance with the purposes described in the campaign literature. If major changes to the capital campaign are needed, donors must be notified. At the end of the campaign, if it is determined that the campaign generated more revenue than was needed for the project, donors should be asked if the funds may be used for an alternate purpose.

A master list shall be generated of all pledge requests/cards issued to potential donors. This master list shall:

- ▶ document the status of the campaign;
- ▶ detail the pledge cards issued and returned; and
- ▶ indicate the total amount pledged, received and outstanding for any given date.

As the pledge cards are returned, they should be reviewed for completeness. The reviewer should check that the terms of the pledge are clear, and that the card bears the signature of the donor. If there is any uncertainty, the donor must be notified. The uncertainty should be clarified, and, if necessary, the donor should be informed that the card will be returned to him/her for updating and/or signature. Altering a pledge card is not allowed, even with permission from the donor.

Pledge cards are to be retained for the duration of the campaign and pledge payment period plus seven years. They should be filed alphabetically or numerically in a secure, locked receptacle.

As the cards are received, pledge information is to be entered into the parish donor database. Care must be exercised to ensure that the correct terms are set up to facilitate accurate aging reporting and accurate mailings to donors. A calculator tape shall be tallied of pledge amounts from the pledge cards received. A report of current pledge additions to the campaign shall be generated from the donor database, and compared to the calculator tape. Any discrepancies must be investigated. The calculator tape is to be stapled to the reports, and they are to be filed together. The reports are to be signed and dated by the persons compiling the information.

Billing/reminder notices are to be sent to all donors via mail or email (excluding those on auto-draft) each time a payment is due. The notice must denote the current amount due as well as any past due amounts. If the donor is delinquent two or more installments, the campaign committee should consider whether to contact the donor. **They must obtain the pastor/parochial administrator/pastoral minister's approval prior to contacting the donor.**

Donors should have the option to drop the envelope in the regular collection basket or return by mail. The envelopes are to be accumulated and counted by the regular count team or by a special count team. These count teams should follow the same guidelines set forth for counting regular collections. (See [FAP 2102](#))

After the count team counts the pledge payments, the payments are to be entered into the donor database.

- ▶ A report should be generated and maintained showing the total of the payments received.
- ▶ Checks or envelopes should be tallied via an adding machine and the adding machine tape compared to the report.
- ▶ A detailed listing of auto-draft deposits should be generated to compare with auto-draft payments entered into the donor database.
- ▶ Totals for all payments should agree with the donor database reports and should be signed by the person who compiled the information, filed in a permanent binder and kept for seven years after the campaign has ended.

The campaign committee has both weekly and monthly responsibilities as follows:

- ▶ Weekly — review records of amounts pledged and amounts received; and report the status of the campaign to the parish finance council.
- ▶ Monthly — review aging reports; present a status report of the campaign to the parish through the parish bulletin; determine if there are new parishioners that should be approached to make a pledge; review records from the initial campaign drive to determine if it is appropriate to approach parishioners who did not make a pledge; and consult with the pastor/parochial administrator/pastoral minister before any communication with parishioners occurs.

If it is necessary to modify these procedures because of a unique situation related to the parish/school/entity or campaign, the pastor/parochial administrator/pastoral minister and campaign committee must first consult with the diocesan Development Office and/or diocesan Finance Office.

The procedures may not be modified until written permission is granted. A copy of the permission is to be kept with other campaign documents specified previously in this policy.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Contributions to Other Charities

FAP 2701

OVERVIEW

Only contributions to qualified organizations are tax deductible. To be a qualified organization, the organization must be organized or created in or under the laws of the United States or any possession of the United States. To qualify as tax deductible, donations must be made to a qualified organization and the qualified organization must have discretion over how and to whom the funds are to be distributed.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Contributions to Other Charities

FAP 2702

DOMESTIC CHARITIES

Diocesan parishes/schools/entities do not normally raise funds or solicit contributions for other domestic charities. However, various needs may arise over time and a parish/school/entity may wish to support some worthy cause. Fundraising, even for a charitable organization, is subject to the [Instruction on Transparency in Fundraising](#) policy.

Before doing so, however, the charitable organization should be reviewed to ensure that the charity is a qualified organization; the charity's purpose is in line with Catholic social teachings; and the charity uses a substantial majority of the donations received for the purpose of the charity and not simply for operational overhead expenses.

This information is normally available from a qualified organization's Internal Revenue Service (IRS) Form 990. Candid (formally Guidestar guidestar.com) is an online information service that collects and reports this information for the public.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Contributions to Other Charities

FAP 2703

FOREIGN CHARITIES

Diocesan parishes/schools/entities are not permitted to raise funds or solicit contributions for foreign charities without permission of the bishop.

Once permission is granted, solicitation may begin with the following requirements:

- ▶ Donors must be instructed to make payments to the diocesan Missions Office. Payments made to any other office or entity must not be accepted. Contributions can be collected by the parish/school/entity, but must not be deposited in the parish's bank accounts.
- ▶ Once the fundraising effort is completed, the funds are to be sent to the diocesan Missions Office, which will transfer the funds to the foreign charity.

Under no circumstances may priests who are serving in the Diocese of Jefferson City on a religious visa solicit funds directly for foreign projects. Such activities may put their visa status in jeopardy.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Contributions to Other Charities

FAP 2704

BENEVOLENCE GIFTS

Benevolence gifts are gifts given to needy families and individuals to help them meet basic needs. Benevolence gifts given directly to an individual or family from the donor are not tax deductible for the donor.

To qualify as a charitable contribution for the donor, the gift must be made to a qualified organization (diocesan parish/school/entity), and the pastor/parochial administrator/pastoral minister/parochial administrator or entity director must have total authority and discretion over the use of the funds.

In the event that a pastor/parochial administrator/pastoral minister makes a pulpit appeal for funds, the funds should be donated to the “Benevolence Fund.” Parishes may use other names for this fund (e.g., Guardian Angel Fund), but it must be a separate fund used only to accept benevolence gifts.

Even though specific events trigger such appeals, the pastor/parochial administrator/pastoral minister retains authority over the use of the donated funds.

If the donations received from the pulpit appeal are earmarked by the donor for a named individual or family, the donation is not tax deductible.

Benevolence gifts are not taxable to the recipient whether or not they are deductible by the donor.

Donations to a benevolence fund in a parish are considered ordinary income to the parish and are subject to the diocesan tithe.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2801

OVERVIEW

All methods of raising funds for a diocesan parish/school/entity are subject to the [Instruction on Transparency in Fundraising](#), including approval from the bishop. There are many ways that parishes/schools/entities raise funds and all should be reviewed by the pastor/parochial administrator/pastoral minister and parish finance council annually to determine need or purpose.

The following policies in this section are designed to ensure that parishes raise funds only as needed, and do not engage in activities that give rise to unrelated business income, which is taxable by the Internal Revenue Service (IRS).

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2802

RAFFLES

A diocesan parish/school/entity should refrain from using regular raffles as a means of financing normal operations. If a raffle is held, the total fair market value of all prizes awarded, either in cash or in merchandise represents taxable income to the winners, thus all entities must meet certain requirements set forth by the Internal Revenue Service as follows:

- ▶ Prior to distributing the prize, you should request and receive the winner's name, current address, and taxpayer identification number.
- ▶ Withholding—applicable only if the net value (winnings less the amount wagered) exceeds \$5,000:
 - If the winnings less the amount wagered exceed \$5,000 24% of the prize should be withheld as federal income tax. If a noncash prize is awarded, a car for example, 24% of the fair market value of the car must be collected on the date won, prior to delivering the prize.
 - The withheld amount must be deposited within three working days into a federal depository, accompanied by Internal Revenue Service (IRS) Form 8109. The box next to Form 945 should be checked (not Form 941).
 - At the end of the next calendar quarter, the prize amount and the amount withheld should be reported on Form 945.

YEAR-END REPORTING

- ▶ Year-end reporting is required if the amount won is at least \$600 but not more than \$5,000; and is at least 300 times the amount of the wager; or the amount won exceeds \$5,000.
- ▶ The winnings are reportable on Form W-2G. It should be mailed to the winner by January 31 of the following year.
- ▶ The appropriate copy of Form W-2G should be mailed to the IRS along with Form 1096 on or before February 28 of the following year.
- ▶ The appropriate copy of Form W-2G should be mailed to the Missouri Department of Revenue along with a copy of Form 1096 on or before February 28 of the following year.

Please note that if the winner refuses to provide a taxpayer identification number, backup withholding is required at the rate of 28% of the cash or fair market value of the prize, if the amount won is at least \$600 but not more than \$5,000, and is at least 300 times the amount of the wager, OR exceeds \$5,000.

NONCASH PRIZES

A noncash prize, such as a car, must be accounted for at its fair market value (the price that the car would be sold to the general public, not the price the charitable organization paid). If the fair market value exceeds \$5,000, after deducting the price of the wager, the winnings are subject to regular gambling withholding.

The tax can be computed and withheld under either of the following two methods:

- ▶ The winner pays the withholding tax to the charity who remits it to the IRS. In this case, the withholding is 25% of the fair market value of the noncash payment minus the amount of the wager.
- ▶ The charity pays the withholding tax. In this case, the withholding is 33.33% of the fair market value of the noncash payment minus the amount of the wager.

OTHER CONCERNS

Payments made for the purchase of raffle tickets do not constitute a charitable contribution, are not tax deductible, and should not be acknowledged.

Some parishes and schools may want to hold a dinner where the purchase of a meal ticket includes the opportunity to receive door prizes. Such door prizes are also considered raffles and subject to the provisions in this policy.

If a nonresident alien wins a raffle, they are subject to a 30% withholding under sections 1441(a) and 1442(a) of the Internal Revenue Code and the winnings are reportable on Form 1042 (Annual Withholding Tax Return for U.S. Source Income of Foreign Persons) and Form 1042-S (Foreign Person's U.S. Source Income Subject to Withholding).

Also, while Missouri statutes allow for charitable organizations to conduct a raffle, it is illegal to use the U.S. Postal Service to send raffle tickets through the mail unless the tickets and any other materials sent clearly state that the participant is not required to pay to participate in the raffle. The U.S. Postal Service recommends the following language be used:

- ▶ Use the wording "suggested donation" before the price of the ticket.
- ▶ Use the wording "no donation required to enter" or add a check box "Please enter my name in the drawing. I do not wish to make a donation at this time."

Finally, it is important for all raffle advertisements and the tickets indicate that one must be a resident of the State of Missouri and over age 18 to participate.

UNRELATED BUSINESS INCOME

Raffles or other games of chance do not constitute unrelated business income so long as they do not violate state law and are not conducted regularly.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2803

BINGO

In Missouri, a bingo game may be operated by a charitable or religious organization that has maintained a membership of at least 20 for five years prior to applying for a bingo license. There are several restrictions for bingo game operations including:

- ▶ The organization may not use any proceeds to pay game workers;
- ▶ All workers must be volunteers and members of the organization for at least two years;
- ▶ The bingo license must be displayed during all games;
- ▶ The organization must renew its license yearly.

Since employees are required to be paid for hours worked under the Fair Labor Standards Act and Missouri Bingo regulations require those working the bingo game not be paid, it is not permissible for employees of the diocesan parish/school/entity to work the bingo game.

UNRELATED BUSINESS INCOME

Bingo games are specifically excluded from the definition of unrelated business income if the following exist:

- ▶ The games are conducted for the public. Wagers are placed, winners determined, and prizes distributed in the presence of all persons wagering in that game;
- ▶ The games are normally not conducted on a commercial basis and do not compete with bingo games conducted by for-profit businesses in the same jurisdiction;
- ▶ The games do not violate Missouri state or local law.

For purposes of the exclusion, bingo games are defined as a game of chance played with cards imprinted with five rows of five squares each.

The bingo exception does not apply to scratch-off bingo cards or to other forms of “walk-away” games.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2804

GAME NIGHTS, RACES AND OTHER GAMES OF CHANCE

Diocesan parishes/schools/entities often look for creative ways to facilitate fundraising. Many of the activities pursued are actually considered gambling by the State of Missouri and are illegal.

In Missouri, a person engages in “gambling” when he/she stakes or risks something of value upon the outcome of a contest of chance or a future contingent event not under his/her control or influence, upon an agreement or understanding that he/she will receive something of value in the event of a certain outcome.

Gambling includes both games of skill and games of chance. Some popular forms of gambling include various forms of poker, blackjack (twenty-one), craps, roulette, Texas hold'em, mouse or other animal races, wagering on sporting events and any video or electronic representation of such games.

According to the definition of gambling, even games like “Trivial Pursuit” would be considered gambling if the following three elements which define gambling are present.

- ▶ Consideration—When a participant stakes or risks something of value for the opportunity to participate in the game.
- ▶ Chance—A participant’s winning is dependent upon the outcome of a contest of chance or a future contingent event not under his/her control or influence, notwithstanding that the skill of the participant may also be a factor therein; and
- ▶ Prize—The activity includes an agreement or understanding that the participant will receive something of value in the event of a certain outcome.

Parishes/schools/entities may legally sponsor games of skill or games of chance only if one of the following is true:

- ▶ No consideration is required to be eligible to participate in the game
- ▶ The prize awarded is not something of value.

The term “something of value” is defined as any money or property, any token, object or article exchangeable for money or property, or any form of credit or promise directly or indirectly contemplating transfer of money or property or of any interest therein or involving extension of a service, entertainment or a privilege of playing at a game or scheme without charge.

If a parish/school/entity sponsors a Texas hold'em or other game in which winners will receive a prize that is considered something of value, then the parish/school/entity may not accept any consideration from the participants in the games.

Consideration paid by the participants, which makes the game illegal for a charity, includes entrance fees, purchase of chips or chits or any other form of payment. Classifying the payment as a donation does not make the activity legal.

If a parish/school/entity sponsors a Texas hold'em game or other game of skill or chance and does receive consideration from the participants in the game, then the prize or prizes awarded cannot be something of value. A prize that is a plaque, ribbon or trophy that does not have more than de minimis cash value would be considered a prize that is not something of value. Cash gift certificates or free/discounted services, on the other hand, are considered something of value.

For instance, a parish picnic may have a duck pond where participants pay a small fee and the prize awarded by picking a duck is some small trinket. Such an activity would not be illegal under Missouri law. On the other hand, if one of the prizes is a weekend trip or a paid vacation, then it would be illegal — the participant is receiving something of value.

Likewise, a school may want to offer mouse races as a means to raise funds. As long as the participants are told that their participation fee is actually a donation to the school and that they will receive a plaque if they win, the activity is permitted by Missouri law.

A parish/school/entity cannot claim there is no consideration by sponsoring the game of skill or game of chance as part of a dinner or other paid event unless it can be shown the cost paid does not exceed the value of the meal or event.

UNRELATED BUSINESS INCOME

Raffles or other games of chance do not constitute unrelated business income so long as they do not violate state law and are not regularly conducted.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2805

ADVERTISING/SPONSORSHIPS

UNRELATED BUSINESS INCOME – ADVERTISING

Advertising income in regularly-published periodicals is generally construed to be unrelated business income unless the content of such advertising is substantially related to the exempt purpose of the publication in which it appears.

Parishes that contract with a company to publish their bulletins in exchange for the publishing company's right to solicit paid advertisers should not be involved in the solicitation or approval of advertisers (other than general policies as to the suitability of ads for a parish bulletin). Otherwise, payments received by the parish for advertising, from either advertisers or the company publishing the parish bulletin would be classified as unrelated business income.

Parishes that print their own bulletins but solicit paid advertisers do have unrelated business income for the advertising sales.

One way to avoid unrelated business income is to ensure that the paid support does not constitute advertising. A bulletin sponsorship that states "First National Bank, lowest loan rates in the state" is advertising. "First National Bank, established 1901" is not.

To avoid bulletin revenue from being unrelated business income, it should only include non-advertising components such as:

- ▶ List of sponsor's locations, telephone numbers and internet addresses,
- ▶ Logos and slogans that do not have any qualitative descriptions of products, services, etc.,
- ▶ Value neutral descriptions of the product line,
- ▶ Sponsor's trade names and product listings.

UNRELATED BUSINESS INCOME – YEARBOOK ADVERTISING

Yearbook advertising generally will not give rise to unrelated business income because ads are solicited by students or other unpaid volunteers or because the activity is not regularly conducted.

UNRELATED BUSINESS INCOME – SPONSORSHIPS

Qualified sponsorship payments are any payments from a trade or business to sponsor an event hosted by an exempt organization (homecoming, parish jubilee celebration, etc.). There can be no arrangement or expectation that the trade or business will receive any substantial return benefit. The exempt organization may recognize the trade or business during the event in exchange for the payment without triggering unrelated business income.

Donor recognition is not construed to be something of significant value. Donor recognition may include:

- ▶ list of sponsor's locations, telephone numbers and internet addresses;
- ▶ logos and slogans that do not have any qualitative descriptions of products, services, etc.;

- ▶ value neutral descriptions of the product line; or
- ▶ sponsor's trade names and product listings.

The regulations also indicate the display or distribution of the sponsor's product to the general public at an event is not considered an inducement to buy, sell, or use the product and will not affect the determination of the qualification of the sponsorship.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2806

DINNERS, SOCIALS AND CATERING

UNRELATED BUSINESS INCOME – DINNERS/SOCIALS

Dinners and other similar functions sponsored by a diocesan parish/school/entity on a regular basis are considered unrelated business income unless substantially all (at least 85%) of the labor is carried out by uncompensated volunteers, or the meal is merely incidental and provided in conjunction with a primary activity related to the exempt purpose of the parish/school/entity, such as prayer, Bible study, Christian educational activities or other religious activities.

The following factors contribute to the activity not being considered unrelated business income:

- ▶ providing the meal at no charge for those unable to pay;
- ▶ publicizing the primary purpose of the event (Bible study, etc.) in all promotional materials; or
- ▶ maintaining copies of handouts, study guides, reflections and similar documentation relating to the primary purpose of the event.

As long as a parish/school/entity social or event does not have unrelated business income, to-go meals from the social or event will not trigger unrelated business income.

Dinners and other similar functions conducted by other not-for-profit organizations on behalf of the parish/school/entity will not result in unrelated business income for the parish/school/entity but may for the other organization.

UNRELATED BUSINESS INCOME – CATERING

Catering provided for non-parish/school/entity functions, such as wedding receptions and other events that are not open to the entire parish community, constitute unrelated business income, unless the catering activity is carried out by substantially all (at least 85%) volunteer labor. Such sales of meals are then considered for the convenience of the person(s) purchasing the meals and are not sufficiently connected to the exempt purpose of the parish/school/entity.

The goal of the Stewardship Model is to convert dinners, breakfasts, etc. that were once fundraisers into parish fellowship gatherings. The purpose of these gatherings will be to socialize, meet new parishioners and celebrate as a parish family rather than solely raise funds for parish/school/entity operations.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2807

RENTAL OF PARISH FACILITIES

The Internal Revenue Service (IRS) excludes rental income from real property received by exempt organizations from being considered unrelated business taxable income except under various circumstances.

UNRELATED BUSINESS INCOME – RENTAL OF SPACE IN PARISH FACILITIES

The rental of space in diocesan parish/school/entity facilities does not constitute unrelated business income if the space rented is used for religious activities that are substantially related to, and consistent with, the exempt purpose of the parish/school/entity (e.g., rental of the parish church to a non-parishioner for a wedding Mass).

The activity for which the rented space is being used must be a significant religious activity, such as a Mass, sacramental service, prayer service, or religious instruction program. Rental of a parish hall for wedding receptions, anniversary celebrations, birthday parties, etc. (whether parishioners or not), does not meet this criteria. If the rental does not meet the above criteria, a detailed review of the following conditions must be undertaken:

- ▶ No more than an incidental amount (less than 10%) of personal property (furniture, equipment, etc.) can be rented with the building rental.
- ▶ No services can be provided with the rental, including meals, food preparation, setting up the facility, clean-up, etc.
- ▶ The rental amount cannot be based on the lessee's profit or income from the rental activity.
- ▶ If there is outstanding debt on the building, no more than 15% of the building square footage can be rented.

If all of the above four conditions apply, rental of space in parish/school/entity's facilities for non-religious activities does not constitute unrelated business income.

Whether the property is rented or provided without charge, the person or organization using the facility is required to purchase or provide evidence of insurance. Special event insurance can be purchased by renters through Winter-Dent. (See [FAP 3301](#))

UNRELATED BUSINESS INCOME – RENTAL OF PARKING LOTS

If an exempt organization rents its parking lot to a third party, which is responsible for all aspects of its operation, the income is not considered unrelated business income.

On the other hand, if a parish/school/entity rents certain spaces in its parking lot during the week for use by nearby business people, these rents will generally be considered unrelated business income. They do not qualify for the rental of real property exclusion because the parish/school/entity remains responsible for lot maintenance, snow removal, signs, barriers, security, line painting, etc.

Likewise, the rental of parking for sporting and other events usually does not qualify for the rental of real property exclusion and would be considered unrelated business income.

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2808

DAYCARE/PRESCHOOL PROGRAMS

Daycare programs are not inherently charitable activities. Rather, it's an activity commonly performed by commercial enterprises. However, parish/school/entity daycare programs do not constitute unrelated business income if any one of the following four circumstances applies:

- ▶ The primary purpose of the program is to provide a religious educational environment with religious activities, such as learning prayers, religious formation suitable for young children, etc., in which all children are required to participate on a regular basis.
 - The religious curriculum must be more than incidental.
 - The religious curriculum should be well documented (including the amount of time spent on religious activities).
 - The religious curriculum should be included in all advertising and promotional materials.
- ▶ The program is limited to low-income individuals and is provided free or at substantially reduced prices.
- ▶ The program is a preschool program operated as a qualified educational program in accordance with state regulations.
- ▶ The primary purpose of the program is to provide care for children to enable individuals to be gainfully employed, and the services provided by the parish/school/entity are available to the general public. To meet this standard, both parents of at least 85% of the children must be working (parents who are full-time students satisfy the working requirement). Thus, the percentage of stay-at-home parents must be monitored. Also, enrollment may not be limited to parishioners or to employees of a particular employer.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2809

GIFT SHOPS

Diocesan parishes/schools/entities with a gift shop must abide by the following procedures:

- ▶ The gift shop is to sell only religious items, such as rosaries, prayer and religious books, and statues. The stores may not sell greeting cards or any merchandise that is not of a religious nature.
- ▶ The gift shop should have a register that generates a printed receipt. If that is not practical, a duplicate receipt book should be used to generate a written receipt to give to the customer with the duplicate receipt remaining in the receipt book.
- ▶ On a daily basis, all funds should be counted and reconciled to the total generated from the register receipts or from the total daily receipts in the duplicate receipt book. A count sheet should be prepared. It should be signed by the persons counting the funds and preparing the revenue reconciliation. The funds should never be left in the store or taken home by an individual overnight. The funds, along with the count sheet, should be placed in a sealed tamper-evident bag and taken to the parish/school/entity office for deposit in the safe or bank.

To keep items sold at parish/school/entity gift shops from being subject to Missouri sales tax, the proceeds of the sales must be used to fund operations and programs of the parish.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Raising Funds

FAP 2810

SCRIP PROGRAMS

The Diocese of Jefferson City strongly discourages diocesan parishes/schools/entities from running scrip programs to raise funds.

Scrip is a fundraising method that consists of a parish/school/entity purchasing gift cards at a discounted price and selling them to the public. The parish/school/entity benefits from the difference between the selling and purchasing prices. Since the gift cards are the equivalent of cash, controls need to be in place to ensure that these funds are protected along with the protection of the individuals working with scrip.

In addition, Internal Revenue Service guidance requires that all persons involved with a scrip program be volunteers to avoid taxation issues.

Historically, there has been significant losses from the misappropriation of scrip. Because scrip programs must be conducted by volunteers, the diocesan insurance program cannot provide any protection against these losses. Parishes/schools/entities must purchase additional insurance to cover losses due to theft/misappropriation of scrip. The cost for that additional coverage ranges from \$300-\$1,000/year.

The Diocese of Jefferson City does not recommend this or similar programs. Parishes/schools/entities may not undertake a scrip program unless the pastor/parochial administrator/pastoral minister consults with the parish finance council and parish school advisory council to determine if the benefits of a scrip program outweigh the risks. Pastors/parochial administrators/pastoral ministers of parishes/schools/entities with an active scrip program must consult with their parish finance council and school advisory council to determine if the benefits of a scrip program outweigh the risks of continuing the program. Since it is often determined that the returns of a scrip program are minimal considering the effort involved and necessary required controls, pastors/parochial administrators/pastoral ministers of parishes/schools/entities choosing to participate in scrip must consult bi-annually, at a minimum, with their parish finance council and parish school advisory council to determine if such participation should continue.

The following sources outline the procedures that must be followed in conducting a scrip program:

- ▶ Internal Revenue Service (IRS) Volunteer Labor Exclusion from Unrelated Trade or Business — irs.gov/charities-non-profits/volunteer-labor-exclusion-from-unrelated-trade-or-business
- ▶ RaiseRight Overview of tax questions and Private Letter Ruling — shopwithscrip.com/hubfs/RR_TaxMemo.pdf
- ▶ RaiseRight Overview of sharing rebates with participants — [shopwithscrip.com/hubfs/RR_GLSC_TaxInformation%20\(1\).pdf](https://shopwithscrip.com/hubfs/RR_GLSC_TaxInformation%20(1).pdf)
- ▶ RaiseRight FAQ on tax topics for gift card fundraising programs — shopwithscrip.com/hubfs/RR_tax_faqs.pdf

UNRELATED BUSINESS INCOME – SCRIP

Income from scrip is taxable to the organization as unrelated business income unless the sale of scrip qualifies for the volunteer exception. Therefore, scrip must be sold by volunteers as opposed to paid parish/school/entity staff.

The most common mistake related to scrip sales made by organizations (especially parish schools) is the school has volunteers sell the scrip at specified times during the week (perhaps after Mass on Sunday and after school during the week). Then during other times, the scrip is for sale in the school office. The school administrative staff handles the sale. **This could jeopardize the volunteer exception and result in taxability of the entire proceeds of the scrip sale.**

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Parish Cemeteries

FAP 2901

OVERVIEW

Each diocesan parish with a cemetery must establish a cemetery advisory board which is advisory to the pastor/parochial administrator/pastoral minister on issues pertaining to the policies, finances and proper care and maintenance of the parish cemetery. The board is to consist of at least three members with the appropriate knowledge to advise the pastor/parochial administrator/pastoral minister in such matters, and shall meet no less than quarterly. Minutes of all meetings are to be recorded and kept on file in the parish office.

The parish is to establish a perpetual care fund with the Diocese of Jefferson City Fund to provide for the future care of the cemetery. This is to be funded by designating a percentage of all cemetery plot, crypt or columbarium sales for this purpose. The percentage of sales designated for future care is to be no less than 15%. In addition, donors may contribute to the perpetual care fund, and the parish, with permission of the bishop, may designate accumulated surplus for this purpose.

The pastor/parochial administrator/pastoral minister, after advice from the cemetery advisory board, is to determine a target amount that is to represent the “corpus” of the perpetual care fund, which is not to be spent. Interest income earned on the corpus is available for care and maintenance expenses. The corpus amount is to be determined by projecting future care and maintenance expenses and interest income on the invested funds.

A plan is to be developed to provide for both short-term care expenses as well as achieving the corpus amount.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Parish Cemeteries

FAP 2902

CHECKING, SAVINGS AND ENDOWMENT ACCOUNTS

Diocesan parish cemeteries are to establish separate bank and investment accounts.

CHECKING ACCOUNT FOR CEMETERY OPERATIONS

A checking account is to be established following the guidelines in [FAP 3102](#). The name on the account should be "[parish name] – Cemetery Account." This account is to be used to pay all the expenses associated with the cemetery.

PERPETUAL CARE FUND

The perpetual care account is to be established with the Diocese of Jefferson City Fund to hold the percentage of each cemetery plot, crypt or columbarium sale that is designated for perpetual care. When funds are needed to pay for care and maintenance, the parish may request a transfer of funds that are available for distribution from the perpetual care fund to the cemetery checking account, from which expenses are to be paid.

SAVINGS ACCOUNT

A savings account is to be established with the Diocese of Jefferson City Fund to hold cemetery funds available for use but not yet needed. This would include the proceeds from pre-need sales exclusive of the portion designated for the perpetual care fund.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Parish Cemeteries

FAP 2903

ACCOUNTING FOR SALES OF CEMETERY PLOTS

Diocesan parish cemeteries are to be treated as a separate cost center within the parish structure. All cemetery activity is to be recorded in the parish general ledger under the appropriate accounts designated for cemeteries. While most parishes operate on a cash basis method of accounting, cemeteries should operate using the accrual basis because of pre-sales.

Funds received from sales occurring at the time of burial are to be recorded as revenue (See [FAP 2902](#) for treatment of "Cemetery Fee Income and Cemetery Perpetual Care Income.")

Funds received as a result of pre-need sales, including the portion designated for perpetual care, are to be accounted for as Unearned Revenues-Cemetery (a liability). Later, at the time services are rendered, the amount will be reclassified from unearned revenue to revenue (Cemetery Fee Income and Cemetery Perpetual Care Income).

The parish is to maintain a detailed listing (subsidiary schedule), identifying all individuals/ families who have purchased a cemetery plot on a pre-paid basis and the corresponding amounts paid, separately recording the portion designated for the perpetual care fund. The balance in the unearned revenue accounts on the quarterly Statement of Financial Position are to be reconciled to the subsidiary ledger of pre-need sales on a monthly basis. Variances should be investigated and reconciled.

Upon payment from an individual/family (including pre-need sales), the portion designated for the perpetual care fund is to be deposited as follows: deposits representing payments to fund the perpetual care corpus amount are to be deposited to the perpetual care account with the Diocese of Jefferson City Fund; deposits representing payments for earned revenue and pre-need sales are to be deposited to the checking account or diocesan savings account.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Parish Cemeteries

FAP 2904

TAX STATUS OF CEMETERY OPERATIONS

Services provided in conjunction with a diocesan parish cemetery represent activities related to the mission of the local parish and the Diocese of Jefferson City.

As such, all activities pertaining to a cemetery enjoy the same status as other parish activities with regard to the Internal Revenue Code and the Missouri Department of Revenue.

Activities conducted by the parish are exempt from income tax unless the income is generated through a trade or business which is regularly conducted, and the activity is not “substantially related” to the parish’s tax-exempt purpose.

Cemetery services are to be limited to the Catholic community (and their family members). As such, these activities are “substantially related” to the parish’s tax-exempt purpose and, therefore, are exempt from income tax.

However, payments for these services are not tax-deductible by the payer. Such payments do not represent contributions and, therefore, should not be acknowledged as a contribution by the parish.

September 1, 2024

REVENUES AND RELATED ACTIVITIES: Parish Cemeteries

FAP 2905

SALES TAXES

Fees charged for services rendered in connection with funerals in the Diocese of Jefferson City are exempt from sales and use taxes in the State of Missouri. Sales of tangible personal property in connection with funerals are subject to the general State and local sales taxes.

Sales of tangible property connected with a funeral should be listed separately, otherwise, the total of all charges may be taxable. Most parish cemeteries in the diocese do not have sales of tangible personal property. If this is unclear, contact the diocesan Finance Office.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3101

OVERVIEW

Diocesan parishes/schools/entities have a moral, canonical, civil and fiduciary obligation to ensure that donations are used for the purpose specified by the donor. The parish/school/entity must spend the funds prudently and effectively. The policies in this section are designed to ensure basic internal controls related to the processing of purchasing and disbursements.

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3102

CHECKING ACCOUNTS

Diocesan parish/school/entity disbursements, with the exception of petty cash, are to be made by check. Parishes/schools/entities should limit the number of checking accounts to the minimum number required for efficient payment of obligations. At a minimum, there should be an operating account and a separate payroll account (for the payment of payroll and payroll taxes). Small entities, may combine these two accounts. However, there is always the risk of the Internal Revenue Service (IRS) freezing the account if there are ever problems with the remittance of payroll taxes.

While many parishes/schools/entities maintain their own checking account, the practice is discouraged from an internal control perspective. All parish and school organizations are part of the parish corporation and any funds received are considered parish funds and should be accounted for as such. Regardless, the pastor/parochial administrator/pastoral minister must be a signer on all bank accounts under the parish's tax identification number. Any additional signers should be kept to a minimum and must be approved annually by the parish finance council.

Other internal controls related to checking accounts include:

- ▶ All completed checks should be physically signed.
- ▶ Blank checks are never to be signed.
- ▶ Checks should never be made payable to cash.
- ▶ Checks are to be pre-numbered and used consecutively.
- ▶ Check stock is to be stored in a locked cabinet or safe.

See the cash management section of this manual for additional internal controls related to bank accounts.

Parishes/schools/entities should never provide checking account numbers to any unknown individual or organization. It is also recommended that "Positive Pay" be used for disbursements if their bank provides this service. Positive pay provides assurance that no unauthorized transactions are processed against the account. (See [FAP 3107](#))

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3103

PURCHASING

The pastor/parochial administrator/pastoral minister is responsible for all commitments made on behalf of the diocesan parish/school/entity. He may delegate purchasing responsibilities as he deems appropriate in accordance with diocesan guidelines.

Purchases should be made within the constraints of the annual budget. Since the budget represents a guideline for spending, purchases in excess of the budgeted amount require specific authorization from the pastor/parochial administrator/pastoral minister or his delegate. Purchasing decisions should always be made in light of cash flow and any actual or anticipated shortfalls in expected receipts.

PURCHASE LIMITS

All major expenditures incurred by parish/school/entity greater than \$25,000/\$50,000 (see [FAP 3201](#)), other than employee salaries, are to be approved in advance by the bishop unless written permission is otherwise given. [FAP 3203](#) of this manual outlines procedures regarding project approvals and bid procedures.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3104

RECEIVING OF GOODS AND SERVICES

When a diocesan parish/school/entity receives delivery of merchandise, the person receiving the goods is to verify the delivery, document the receipt of the goods and initial the documentation (usually a packing slip). The documentation is to be forwarded to the parish/school/entity office in a timely manner so that it may be matched to an invoice for payment.

Upon the end of a service call by an outside provider, the person receiving the receipt is to initial and then note on the receipt/documentation that services were received. The documentation is to be forwarded to the parish/school/entity office in a timely manner so that it may be matched to an invoice for payment.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3105

PROCESSING INVOICES

When a diocesan parish/school/entity receives an invoice by a vendor, the goods received or services provided should be verified by reference to an initialed receiving document, if available. Payments shall only be made from original invoices. Copies of invoices, faxes or statements are not to be substituted for original invoices.

If there is not a separate receiving document, the goods received or services provided should be verified with the receiving organization (i.e., parish/school/entity), and indicate in writing on the invoice whether the material was received or the service provided, initial and date. The invoice should then be scheduled for payment and filed accordingly.

In the absence of an original vendor invoice, a written check request should be prepared describing the nature of the goods or services, when they were received and the reason for lack of an invoice. No check may be issued without the supporting documentation of an actual invoice or a check request.

Invoices and supporting documentation should be grouped on a regular basis (weekly, bi-weekly, etc.) and presented to the pastor/parochial administrator/pastoral minister for approval, which is then endorsed by his initials/signature on the invoice. Any concerns of the pastor/parochial administrator/pastoral minister should be investigated and addressed before proceeding to check preparation.

If the pastor/parochial administrator/pastoral minister prefers to review invoices with written checks, the pastor/parochial administrator/pastoral minister must sign/initial the invoice when the check is signed to show it was reviewed.

If a vendor provides a month-end statement, it should be used to reconcile the vendor invoices received and processed. Statements should not be used to generate payments.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3106

CHECK PREPARATION

Periodically (weekly, bi-weekly, etc.), diocesan parishes/schools/entities should prepare checks on the basis of an original vendor invoice (not a copy or statement) or check request form. The check and/or remittance advice should include the vendor's invoice number or equivalent.

The check and documentation are to be given to the pastor/parochial administrator/pastoral minister for signature. The pastor/parochial administrator/pastoral minister is to review the invoice and other documentation for completeness and accuracy, ensuring the items purchased or services provided are correct and that the payee name on the check agrees with the supporting documentation. If the pastor/parochial administrator/pastoral minister determines that everything is in order, he is to initial and date the supporting documentation and sign the check.

An alternative to the above approach is for the pastor/parochial administrator/pastoral minister to review all of the invoices and supporting documentation prior to the checks being processed. In this case, the pastor/parochial administrator/pastoral minister would still initial and date the invoice and documentation and then return it to the bookkeeper for processing. The bookkeeper would then attach the printed check to the documentation and the pastor/parochial administrator/pastoral minister would verify that the invoices have his initials and date before signing.

After the checks have been signed, they should be returned, if possible, to an individual other than the check preparer for mailing. The invoice or other documentation is to be marked "paid," and the check stub stapled to the invoice. After the checks have been mailed, the invoices should be filed in a systematic manner.

Payments for services from Internal Revenue Service (IRS) Form 1099-eligible vendors MUST be held until a Form W-9 is completed by the vendor and returned to the parish/school/entity office for tax filing purposes. It is recommended that the form is requested from the vendor before payment is required to avoid late payments.

With the exception of petty cash transactions, cash is never to be issued in payment for goods or services. Monetary gifts must be issued in the form of a check or gift card. Any bonuses or stipends must be in the form of a check and if made to the pastor/parochial administrator/pastoral minister or an employee, must be processed through the payroll system.

Any discrepancy between the next expected check number and the actual check number is to be reported immediately to the pastor/parochial administrator/pastoral minister. If a check was damaged or voided, the signature block is to be cut off the check and the check placed in a voided check file before issuing a replacement check. Voided checks should be filed numerically.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3107

POSITIVE PAY

Positive pay is a powerful tool designed to mitigate the risk of fraudulent checks being cashed. Any check presented to a diocesan parish/school/entity for payment with a payee and/or amount that doesn't match the information on the file transmitted to the bank will be flagged.

Implementation of Positive Pay may vary by banking institution so it is not possible to describe in detail any procedural changes that may be needed in check processing. General rules to follow in adapting to Positive Pay include:

- ▶ The pastor/parochial administrator/pastoral minister or designee not involved with check processing should receive the unopened monthly bank statement, review it for unusual items before reconciling the statement.
- ▶ The person mailing checks should be someone other than the person that transmits the Positive Pay check file to the bank.
- ▶ Upon signing the checks, the pastor/parochial administrator/pastoral minister should deliver them directly to the person with responsibility for mailing the checks.
- ▶ A transmittal report from the bank should be kept on file for review. In the event that the transmittal report contains an error and the payment presented for settlement is rejected by the bank, the bank should notify the parish. The pastor/parochial administrator/pastoral minister then has the option to authorize or deny the payment. If he authorizes the payment, an exception report should be generated and kept on file with the transmittal report.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3108

PETTY CASH DISBURSEMENTS

All petty cash for diocesan parishes/schools/entities is to be kept in a locked safe while not in use.

All disbursements from petty cash must be documented by either a petty cash voucher or an invoice. Vouchers are to indicate the date, account number and purpose, to who payment was made and the amount. The person receiving the cash must always sign and date the petty cash voucher or invoice to acknowledge receipt of the cash.

Petty cash vouchers and/or paid invoices are to be kept with the petty cash until the account is replenished and reconciled by someone other than the person authorized to disburse payments. When a check is issued to replenish the petty cash fund, the appropriate entries are made to the general ledger to record the expenses that were paid through petty cash.

The check to replenish petty cash is to be made payable to the individual responsible for cashing the check at the bank (e.g., “[name of Individual] – Petty Cash”).

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: General Procedures and Controls

FAP 3109

EXPENSE REIMBURSEMENTS FOR TRAVEL AND MEAL EXPENSES

For diocesan parish/school/entity employees, travel and meal expenses must be approved in advance by the employee's supervisor or pastor/parochial administrator/pastoral minister and must be necessary and reasonable, in order to qualify for reimbursement.

Personal expenses while traveling (in-room movies, side trips and other personal travel, etc.) are the employee's responsibility and not reimbursable. If an employee's spouse accompanies the individual, personal costs (including the spouse's meals, airfare, incremental room costs, etc.) are, likewise, not reimbursable. For expense reimbursements to be considered non-taxable to the individual, they must be accompanied by a receipt or other documentation for the charges.

To comply with Internal Revenue Service (IRS) guidelines, receipts should include the date of the expenditure, the amount, the purpose of the expenditure, the provider or vendor (name of hotel, airline, restaurant, etc.) and the names of the persons, other than the employee, for whom it was paid and their relationship/role to the parish/school/entity. Failure to have all of this documentation may result in the reimbursement being taxable by the IRS.

Mileage reimbursement for the use of an employee's personal vehicle is to be made at the diocesan rate. Mileage reimbursement at the diocesan rate represents total remuneration available for all expenses associated with the business use of one's personal vehicle, including fuel, insurance, routine service and repairs, etc. Volunteers are not employees and should not be reimbursed at the employee rate. Instead, Congress has set a rate of \$0.14/mile as the reimbursement rate for volunteers who use their personal vehicle for charity work.

Commuting mileage by employees (mileage from home to office and return) is not reimbursable. When traveling from home directly to a business-related appointment, the allowable mileage is the lesser of the mileage from home to the appointment or the mileage from the office to the appointment, unless the mileage occurs on a day when the offices are officially closed. On those days the mileage is calculated from the home. Priests with an assignment from the bishop are not free to choose where they live. As such, the commuting rules do not apply, and they are paid mileage from their home.

Employee expense reimbursements are not considered wages and are therefore not subject to withholding or payroll taxes if they meet the following requirements:

- ▶ the employee must have paid or incurred the deductible expenses while performing services on behalf of the parish/school/entity;
- ▶ the employee must submit a written accounting for these expenses (expense report or receipts with the appropriate information); and/or
- ▶ the employee must return any excess reimbursement.

If these three conditions are not met, the reimbursement is taxable to the employee. This would include priests and pastoral ministers.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Major Expenditures

FAP 3201

ACTS OF EXTRAORDINARY ADMINISTRATION

All major expenditures, also known as Acts of Extraordinary Administration, anticipated to be incurred by diocesan parishes/schools/entities (other than employee salaries) are to be approved in advance, by the bishop. This also applies to expenditures made by parish/school/entity auxiliary organizations and associations, or by outside third parties under the auspices of the bishop.

Acts of Extraordinary Administration are defined as follows:

- ▶ Non-recurring expenditures or expenditures that reoccur on an annual basis where the total payment exceeds the minimum amount of:
 - \$25,000 for entities with total ordinary revenue less than \$2,000,000
 - \$50,000 for entities with total ordinary revenue in excess of \$2,000,000
- ▶ Multiple payments for a single project when the total of all payments for the project are expected to exceed the minimum amount of:
 - \$25,000 for entities with total ordinary revenue less than \$2,000,000
 - \$50,000 for entities with total ordinary revenue in excess of \$2,000,000.
- ▶ Recurring expenditures (lease payments, rental agreements, etc.) when the total commitment exceeds the minimum amount of:
 - \$25,000 for entities with total ordinary revenue less than \$2,000,000
 - \$50,000 for entities with total ordinary revenue in excess of \$2,000,000.

Acts of Extraordinary Administration Include, but are not limited to:

- ▶ Capital expenditures for acquisition, improvement, repair or modification of parish/school/entity buildings and other immovable assets that exceeds the minimum amount;
- ▶ Leases of real property or goods which exceed the minimum amount, or are for a longer term than one year;
- ▶ Assumption of debt or mortgage in excess of the minimum amount;
- ▶ Alienation or sale of any real property, fixture, equipment or movable good whose value (in the aggregate) in excess of the minimum amount or which constitute part of the parish's stable patrimony. Stable patrimony is defined as: All property, real or personal, movable or immovable, tangible or intangible, that either of its nature or by explicit designation, is destined to remain in the possession of the parish for a long or indefinite period of time to afford financial security for the future.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Major Expenditures

FAP 3202

ADMINISTRATIVE APPROVAL PROCESS

All major expenditures, anticipated to be incurred by diocesan parishes/schools must obtain approval for these Acts of Extraordinary Administration. The process is overseen by the diocesan chancellor.

The pastor/parochial administrator/pastoral minister must submit a written request to the bishop with the following:

- ▶ detailed description of the project and its purpose;
- ▶ estimated cost for the project;
- ▶ source of funds to be used for the project, including whether a capital campaign and/or a loan will be requested;
- ▶ verification that the parish finance council has been consulted as required by the parish finance council policy (if the parish finance council opposes the project or expenditure, the pastor/parochial administrator/pastoral minister must provide a written explanation as to why he disagrees with their conclusions); and
- ▶ copies of any bids from vendors, along with indication of vendor selected and reason for the selection.

The request should be signed by the pastor/parochial administrator/pastoral minister or the appropriate authority (if the entity requesting permission is not a parish).

The application will be reviewed by the diocesan chancellor, director of buildings and properties, and the chief financial officer. Once all three have given their positive recommendation the bishop may grant his preliminary approval for the project. Then:

- ▶ If the project or expenditure does not involve the sale, transfer, or donation of property; new construction or renovation of a building; or any modifications to a building dedicated to divine worship (i.e., church or chapel) the chancellor, as a representative of the Diocesan Real Estate Corporation will sign any relevant contracts. There is no further approval required. These are referred to as simple acts of extraordinary administration;
- ▶ If the project involves the sale, transfer or donation of property, consent of the Diocesan Finance Council and the College of Consultors must also be obtained before the sale can proceed (these bodies only meet on a quarterly basis);
- ▶ If the project involves new construction or renovation of a building, the positive recommendation of the Diocesan Building Commission must be obtained before the bishop will grant final approval;
- ▶ If the project involves any changes to a place for divine worship, the positive recommendation of the diocesan Liturgical Commission must be obtained before the bishop will grant final approval;
- ▶ If the project will require a capital campaign, the pastor/parochial administrator/pastoral minister will be instructed when he may begin the campaign, usually after his first meeting with the Diocesan Building Commission. (See [FAP 2601](#))
- ▶ If the project will require a loan from the Diocese of Jefferson City Fund, the pastor/parochial administrator/pastoral minister may apply for the loan after receiving permission from the bishop. (See [FAP 3204](#) for the procedure for borrowing funds.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Major Expenditures

FAP 3203

BIDS AND CONTRACTS

A minimum of three written bids are recommended for all Acts of Extraordinary Administration, as defined in [FAP 3201](#). The bids are to be evaluated by the parish finance council with a recommendation made to the pastor/parochial administrator/pastoral minister as to the vendor to select. In evaluating bids, while cost is important, it is not the only consideration. Other factors to consider might include materials used, time restraints, consistency with existing installed furnishings and equipment and/or business relationship (is the company a contributor or owned by a parishioner).

The pastor/parochial administrator/pastoral minister and parish finance council shall predetermine how bids will be evaluated based on cost and other factors prior to soliciting bids. A common method is to assign a percentage or “weight” to each evaluation point and then use that scale for all bids received.

The diocesan director of buildings and properties will evaluate the bid process used by each parish and will offer the bishop his recommendation as to the best bid.

For Acts of Extraordinary Administration related to the purchase of furniture and equipment, things not physically attached to a structure, the pastor/parochial administrator/pastoral minister may sign any contracts once approval has been received from the bishop.

For Acts of Extraordinary Administration related to new construction, renovation and major expenditures for items physically attached to the structure (real property), the contracts must be submitted to the diocesan chancellor to be signed. Since all real property is titled and held in trust by the Diocese of Jefferson City Realty Corporation, the pastor/parochial administrator/pastoral minister has no authority to sign any contracts related to real property transactions, including purchase/sale and construction/renovations. (See [FAP 3202](#))

If there is any uncertainty as to whether or not one has the authority to sign a contract, contact the diocesan chancellor.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Major Expenditures

FAP 3204

INDEBTEDNESS

Any and all borrowing by a diocesan parish/school/entity must be approved in writing by the bishop. Equipment leases, which are a form of indebtedness, do not require the bishop's approval if they are not a major expenditure as defined in [FAP 3201](#). For equipment leases that are a major expenditure, as defined in [FAP 3201](#), the bishop's approval is required.

The Diocese of Jefferson City Fund is a separate legal entity from the diocese and operates the diocesan Deposit & Loan. The diocesan Deposit & Loan is the normal method of borrowing for parishes/schools/entities. If there are special considerations or for some reason the Diocese of Jefferson City Fund is not able to extend a loan from the diocesan Deposit & Loan, the bishop may authorize borrowing from other sources (e.g., local institutions, issuance of bonds, etc.). If the bishop authorizes borrowing from other sources, specific written instructions will be issued at that time.

Since the Diocese of Jefferson City Fund is a separate legal entity from the diocese, any borrowing through the Diocese of Jefferson City Fund requires two approvals. First, the bishop must grant the parish/school/entity permission to borrow funds, and the Board of Trustees of the Diocese of Jefferson City Fund must approve the actual loan.

Requests to borrow from the Diocese of Jefferson City Fund require a financial plan demonstrating how the loan will be repaid. Common methods of repayment are either outstanding pledge balances from a capital campaign or existing revenues.

The submitted financial plan must show how the parish/school/entity will be able to meet its existing obligations and loan payments. If the borrowing is for a project that significantly increases occupancy space, then explanation must also be included as to how the increased utilities and other related occupancy costs will be covered.

The information submitted to the Diocese of Jefferson City Fund for consideration of a loan may be combined with the financial plan needed for obtaining approval for major expenditures.

To obtain a loan from the diocesan Deposit & Loan, a parish/school/entity must participate in the deposit side of the diocesan Deposit & Loan. In addition, a minimum of one-half of the projected cost of the total project must be on hand and available for use for the project. Contractor pledges of in-kind donations do not count as funds on hand.

If a loan is approved by the Diocese of Jefferson City Fund, it will be amortized over 15 years (180 payments) with a variable interest rate. The loan amount is limited to one-half the projected cost of the total project. Initially, the loan is created as a construction loan, where the borrower makes periodic draws against the loan balance as construction progresses. During the construction phase of the project, payments are deferred, but interest does accrue on the amounts drawn.

Once the project is completed, or the amount of funds received plus accrued interest equals the amount of the approved loan amount, the borrower will receive a payment schedule. The accrued interest from the construction loan will be included in the loan balance. Loan payments are normally due on the first day of the month. While the loan is amortized over 15 years, there is no penalty for prepayment of the principal. Since interest accrues daily on the outstanding balance, borrowers can realize significant savings by prepaying on their loan.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Insurance and Taxes

FAP 3301

PROPERTY AND LIABILITY INSURANCE

The Diocese of Jefferson City maintains a self-insurance property and liability program which provides uniform property and blanket liability coverage under one plan for all diocesan parishes/schools/entities, including parish organizations and most parish-sponsored events.

Detailed information related to coverages, changes and other insurance-related matters is disseminated annually to covered entities as part of the annual billing.

Any claims regarding property and liability, workers' compensation, student accidents or volunteer accidents should be reported to Winter-Dent at 573-634-2122 or 1-800-769-3472, as well as notifying the diocesan chief financial officer at cfo@diojeffcity.org or finance manager at finmng@diojeffcity.org (573-635-9127).

It is important to inspect property and buildings after severe weather to determine if any damage has occurred. Delayed reporting can jeopardize claim processing.

All employee accidents must be reported to Missouri Employees Mutual within 24 hours, by calling 1-800-442-0593 during normal business hours, or by using the online reporting form at mem-ins.com/report-an-injury/. Timely reporting reduces the deductible on worker compensation claims the parish must pay. Accidents that do not require medical attention must still be reported, but do not have an impact on premiums.

Those responsible for making worker compensation reports should have access to Paylocity to complete much of the required information and sign up for a Missouri Employees Mutual account to expedite reporting. Online reporting can be done anytime from anywhere, and assists in meeting the 24-hour deadline for reporting.

Because the self-insurance program is responsible for the first \$250,000 of liability claims, certain activities require the purchase of a special events policy to reduce the liability to parishes/schools/entities. These activities include, but are not limited to:

- ▶ any event open to the public that includes alcohol;
- ▶ any event that includes the rental of bounce houses and other such activities;
- ▶ any event that includes activities where a reasonable adult could foresee that serious injury could occur; and/or
- ▶ wedding receptions, parties, dinners, etc. held by parties renting parish property as the venue for the event.

Special events policies are issued by a third party carrier at a reasonable cost, which are available by contacting Winter-Dent. Failure to obtain a special event policy when one is required could result in the parish/school/entity being held responsible for the first \$250,000 of claims.

The self-insurance program does not normally provide primary insurance coverage for vehicles. Parishes/schools/entities should obtain their own coverage for vehicles.

Priests must carry liability insurance on their personal vehicles in line with the Diocesan Automobile Insurance Coverage Policy.

The diocesan self-insurance program only covers diocesan entities. Outside entities, such as the Knights of Columbus, private foundations, private cemetery boards, etc. cannot be included in the program and must obtain their own insurance.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Insurance and Taxes

FAP 3302

PROPERTY TAXES

Property tax must be paid on all real estate not being used directly for diocesan parish, school or ministerial purposes.

Personal property, such as vehicles, is subject to property tax whether or not the vehicle is owned by the parish/school/entity or is used for ministerial purposes.

If the parish/school/entity receives a property tax bill for real estate that is believed to be in error, they should contact their local county assessor's office. Since each county is unique in what they determine to be parish, school or ministerial purposes, a similar piece of property may have different tax implications in different counties.

For specific questions related to property taxes, contact the diocesan Finance Office.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Insurance and Taxes

FAP 3303

SALES TAXES

The State of Missouri exempts diocesan parishes/schools/entities from sales tax on purchases because of the 501(c)3 not-for-profit status.

While each parish is a separate 501(c)3 corporation, the not-for-profit status is through an annual letter ruling issued by the Internal Revenue Service. Because of this, Missouri's tax-exempt number is on the diocesan level, but may be used by diocesan entities listed in the Official Catholic Directory under the diocese.

The diocesan Finance Office issues an annual tax packet to parishes with the appropriate tax-exempt documentation including the letter ruling, copies of pages from the Official Catholic Directory, exemption certificate and other information. If the packet is misplaced, additional copies are available upon request.

Under Missouri Department of Revenue regulations, to be able to use the exemption certificate, purchases must be made using a check or credit card in the name of the qualifying organization. While a vendor may accept the certificate with someone using a personal check or credit card, if that vendor is subsequently audited by the State of Missouri, the parish may be responsible for taxes and penalties for allowing the misuse of their tax exempt status.

While parishes/schools/entities are exempt from paying sales tax on purchases, they are not necessarily exempt from charging and remitting sales tax on sales. Missouri Statute 144.030.2(19) exempts sales made by religious organizations if they are within the charitable, religious or educational functions and activities of the organization.

On the other hand, if the parish/school/entity engages in a competitive commercial business that serves the general public, even if the profits are used for charitable, religious or educational functions and activities, the organization is required to obtain a Missouri Retail Sales Tax License and collect and remit sales tax, like any other commercial business.

If a parish/school/entity engages in any activities that could be construed as a commercial business that serves the general public, contact the diocesan Finance Office.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Use of Credit Cards

FAP 3401

USE OF CREDIT CARDS FOR PURCHASING

The use of credit or debit cards by employees of a diocesan parish/school/entity is discouraged. If used, they should be extremely limited.

The pastor/parochial administrator/pastoral minister or other legal authority for a parish/school/entity is responsible for all commitments made on behalf of the parish/school/entity, including purchases made using a credit card in the name of the parish/school/entity.

If the parish/school/entity provides credit cards for employees, they are to be limited in the number distributed and have credit limits established. Also, the credit card should be configured with the issuing institution, so that the employee who is in possession of the credit card is responsible for paying the monthly credit card bill instead of the parish/school/entity.

Once a purchase is made with the credit card and delivered to the parish, the employee should submit the receipt for reimbursement as if they had used their own funds. This treats the purchase like any other reimbursable expense the parish/school/entity may experience and protects the parish/school/entity from the misuse of the credit card. However, unlike an employee using their personal credit card, the use of the parish/school/entity's credit card allows for the purchase to be exempt from Missouri sales tax. (See [FAP 3303](#))

The parish, school or diocesan entity should maintain a listing of all employees who have been issued a credit card along with emergency contact information for the bank and employee.

An alternative to issuing individual credit cards is to have a single credit card in the name of the parish/school/entity that is kept in a locked receptacle when not in use for check out as needed. Multiple cards may be made available for this purpose (e.g., one for the parish and one for the parish school).

Regardless of the number of cards available in this manner, the parish/school/entity must maintain a log showing when each credit card was checked out and returned. The log should include the credit card number (the last four digits only), date the card was checked out and back in, and the signature of the person receiving and returning the card.

When the card is checked in, all receipts from purchases must be returned with the card. The receipts are then reconciled with the monthly credit card bill. Any charges on the credit card statement that do not have a corresponding receipt must be investigated to determine the nature of the purchase, the reason for lack of a receipt and further action to be taken.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Auxiliary Associations

FAP 3501

OVERVIEW

Diocesan parish auxiliary organizations are those organizations sponsored by the parish that qualify as tax-exempt by virtue of the parish's tax-exempt status and/or use the parish taxpayer identification number for the purposes of establishing a bank account.

Examples of these organizations include, but are not limited to, mens association, ladies association, Altar Society, Holy Name Society, Ladies Sodality and Home and School Association.

Parish auxiliary organizations do not exist separately from the parish. As such, they are not separate entities, but instead are under the leadership of the pastor/parochial administrator/pastoral minister. While the pastor/parochial administrator/pastoral minister may not attend meetings of parish auxiliary organizations, he has the final say over decisions made by the parish auxiliary association in his canonical role for the pastoral care of the spiritual and temporal goods of the parish and legal role as president of the parish corporation.

Each parish auxiliary association should have a clearly defined purpose that is consistent with the mission of the parish. All fundraising activities are subject to the [Instruction of Transparency in Fundraising](#) and should be consistent with the principal purpose of the association and coordinated with other parish efforts.

Other groups, such as the Knights of Columbus, Scouting, etc., are affiliated with outside organizations and their tax status is determined by virtue of that relationship. These organizations use their affiliated organization's taxpayer identification number when establishing bank accounts. The organizations are not covered under diocesan insurance programs and cannot participate in the Diocese of Jefferson City Fund's Deposit & Loan program. They are also not subject to provisions in this policy.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Auxiliary Associations

FAP 3502

INTERNAL CONTROL RULES

The internal control rules specific to diocesan parish auxiliary organizations are in addition to all financial policies and civil regulations put forth in this manual.

Each auxiliary organization may have one checking account at a local bank approved by the pastor/parochial administrator/pastoral minister. Such bank accounts are to be opened in the name of the parish with a second line containing the name of the auxiliary organization. The address listed on the account is to be the parish address.

Cash should never to be issued to an individual or auxiliary organization (other than petty cash). Monetary gifts should be issued in the form of a check or gift card.

The use of debit cards is discouraged. If used, they must be limited to one per auxiliary organization and strictly controlled by the auxiliary organization officers.

Authorized signatures on checks should to be limited to two officers and the pastor/parochial administrator/pastoral minister. Checks under \$250 should only require a single signature. Checks above \$250 require two signatures, with the check stock providing for these two signatures with the text “Two signatures required for amounts \$250 and above” printed above the signature lines. If the check is in excess of \$750 or more, the pastor/parochial administrator/pastoral minister must be one of the signatories.

Authorized signers may never sign a check payable to themselves or to a family member or relative. Checks are not to be made payable to cash, all checks are to be physically signed and blank checks are never to be signed.

Checks should be pre-numbered, used consecutively and check stock is to be stored in a locked receptacle and is to be inventoried on a regular basis.

Checks are only to be issued upon receipt of a properly-approved original vendor invoice or a properly-approved expense reimbursement or check request. The approving party for vendor invoices, expense reports and check requests must be an authorized individual other than the check signer.

Replacement checks are not to be issued unless someone independent of the check processing function has verified that a stop payment order has been issued to the bank and that it has been marked “void” in the accounts payable system.

The pastor/parochial administrator/pastoral minister (or his designee who is not involved in the cash activities of the auxiliary organization) is to open and review the bank statements before they are forwarded to an officer of the auxiliary organization. For online bank statements, the pastor/parochial administrator/pastoral minister or designee should receive the statement and print or forward it to the officer of the auxiliary organization.

Bank statements are to contain copies of checks and should be reconciled by someone other than one of the authorized signatories. Reconciliations should be prepared monthly, as soon as the statement is received. The reconciliation should be signed and dated by the person who performed the reconciliation. If bank reconciliation is not performed by the parish bookkeeper, then the statement along with the reconciliation and a listing of receipts and expenses should be submitted to the bookkeeper for proper recording into the parish's general ledger.

Funds received by the parish on behalf of the auxiliary organization should be counted by the parish or school, following the same internal control procedures used for other funds received. Any funds received directly by the auxiliary organization should be turned over to the parish or school and processed as above.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Auxiliary Associations

FAP 3503

REPORTING REQUIREMENTS

All diocesan parish auxiliary organization's bank account balances and transactions must be reported to the diocesan Finance Office through the annual Parish Financial Report submitted by the parish. Account balances are to be recorded along with other parish bank accounts. Revenues and expenditures are to appear on the appropriate classification line.

It is strongly encouraged that the auxiliary organization submit financial information on a monthly basis to the parish bookkeeper to record, instead of waiting until the end of the fiscal year and trying to reconcile accounts for the entire year.

In addition to the above reporting requirements, the auxiliary organization is required to prepare and disseminate financial statements to/for its constituents, at least quarterly. The statements are to include all revenues and expenses and reconcile the activity to the beginning and ending cash balances. The financial statements are to be sent to the pastor/parochial administrator/pastoral minister for his review within 30 days of each quarter-end. In addition, the financial statement should be presented at the auxiliary organization's meetings and made available to all constituents.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Auxiliary Associations

FAP 3504

GIFTS AND DONATIONS

The funds of the diocesan parish auxiliary organization are for the purpose of furthering the mission of the parish and therefore are not available for gifts or donations to other organizations without the approval of the pastor/parochial administrator/pastoral minister.

Auxiliary organizations are to prepare a list of proposed gifts and contributions indicating the organization receiving the funds, the amount of the funds proposed and the expected date of the gift. The pastor/parochial administrator/pastoral minister reviews the list and gives or withholds his approval for the gifts or contributions listed. The pastor/parochial administrator/pastoral minister, after consultation with the parish finance council, may determine alternative approval procedures.

Auxiliary organizations exist to support the mission of the parish and their own particular mission. They must not solicit funds for outside entities without permission of the pastor/parochial administrator/pastoral minister.

Receipt of funds by the auxiliary organization are to be processed through the parish donor software. Contributions received on behalf of solicitations are only tax deductible by the donor if the purpose of the solicitation is for the parish or another not-for-profit entity in the United States.

Under no circumstances may any gifts be made directly to persons or entities in foreign countries. If an auxiliary organization wants to support a person or entity in a foreign country, the funds must be sent through the diocesan Missions Office.

It is the practice of many auxiliary organizations to offer gifts to the pastor/parochial administrator/pastoral minister and/or employees. These gifts are permitted, up to \$250 per individual recipient per year, but must be made through the payroll system as they are reportable income to the recipient.

To facilitate proper reporting for tax purposes, auxiliary organizations should not give gifts directly to the pastor/parochial administrator/pastoral minister or employees. Instead, a check is to be issued to the parish for deposit into the payroll account. The parish should then issue a check to the employee on behalf of the auxiliary organization through the payroll system. In this manner, the gift will be included in the employee's Internal Revenue Service (IRS) Form W-2 and the parish's IRS Form 941.

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Auxiliary Associations

FAP 3505

ACKNOWLEDGING CONTRIBUTIONS

The diocesan parish auxiliary organization should follow the procedures outlined in [FAP 2406](#) for acknowledging charitable donations.

In addition, the auxiliary organization should be mindful and advise donors that contributions received for purposes other than that which are consistent with the mission of the organization are not tax deductible (e.g., a donation to purchase gifts for specific teachers or coaches).

September 1, 2024

EXPENDITURES AND RELATED ACTIVITIES: Auxiliary Associations

FAP 3506

PAYMENTS FOR SERVICES RENDERED

Diocesan parish auxiliary organizations fall under Internal Revenue Service (IRS) regulations concerning payments to individuals for services rendered. Such payments are subject to IRS reporting requirements. Please refer to [FAP 4101](#) and [4103](#) for additional information. Examples of such payments include payments to referees, babysitters, caterers, etc.

To facilitate complete and accurate reporting for tax purposes, auxiliary organizations are not to issue checks directly to individuals in payment for services rendered. The check should be issued to the parish for deposit into the general operating account and the parish should issue a check to the individual on behalf of the auxiliary organization. In this manner, the parish will maintain records on collective payments to individuals from all groups that operate under the umbrella of the parish as required by law.

September 1, 2024

EMPLOYEES AND INDEPENDENT CONTRACTOR: Employee/Independent Contractor Activities

FAP 4101

DETERMINATION OF CLASSIFICATION

All lay persons in the Diocese of Jefferson City who perform services for compensation are to be classified as either an employee or independent contractor.

To determine whether an individual is an employee or an independent contractor, the relationship between the worker and the business must be examined. For any employee or independent contractor determination, all information that provides evidence of the degree of control and the degree of independence must be considered. The Internal Revenue Service (IRS) has identified three categories of tests that provide evidence of the degree of control and independence: behavioral test, financial test, and the type of relationship of the parties.

BEHAVIORAL TEST

This test indicates whether the business has a right to direct and control how the worker does the task for which the worker is hired include the type and degree of:

- ▶ Instructions that the business gives to the worker. An employee is generally subject to the business's instructions about where, when and how to do the work.
- ▶ All of the following are examples of types of instructions about how to do work.
 - When and where to do the work
 - What tools or equipment to use
 - What workers to hire or to assist with the work
 - Where to purchase supplies and services
 - What work must be performed by a specified individual
 - What order or sequence to follow
- ▶ The amount of instruction needed varies among different jobs. Even if no instructions are given, sufficient behavioral control may exist if the employer has the right to control how the work results are achieved. A business may lack the knowledge to instruct some highly specialized professionals; in other cases, the task may require little or no instruction. The key consideration is whether the business has retained the right to control the details of a worker's performance or instead has given up that right.
- ▶ Training that the business gives to the worker. An employee may be trained to perform services in a particular manner. Independent contractors ordinarily use their own methods.

FINANCIAL TEST

This test shows whether the business has a right to control the business aspects of the worker's job including:

- ▶ The extent to which the worker has unreimbursed expenses. Independent contractors are more likely to have unreimbursed expenses than are employees. Fixed ongoing costs that are incurred regardless of whether work is currently being performed are especially important. However, employees may also incur unreimbursed expenses in connection with the services that they perform for their business.
- ▶ The extent of the worker's investment. An independent contractor often has a significant investment in the facilities he or she uses in performing services for someone else. However, a significant investment is not necessary for independent contractor status.

- ▶ The extent to which the worker makes his or her services available to the relevant market. An independent contractor is generally free to seek out business opportunities. Independent contractors often advertise, maintain a visible business location, and are available to work in the relevant market.
- ▶ How the business pays the worker. An employee is generally guaranteed a regular wage amount for services performed in an hourly, weekly, or other period of time. This usually indicates that a worker is an employee, even when the wage or salary is supplemented by a commission. An independent contractor is usually paid by a flat fee for the job. However, it is common in some professions, such as law, to pay independent contractors hourly.
- ▶ To the extent to which the worker can realize a profit. An independent contractor can make a profit or a loss, employees do not.

RELATIONSHIP TEST

This test indicates the parties' type of relationship and includes:

- ▶ Is there a written contract describing the relationship the parties intend to create? Most independent contractors have a contract describing the work engagement. But a contract does not automatically mean the worker is an independent contractor. For instance, some positions, such as educators, may have contracts, but are still considered employees.
- ▶ Does the business provide the worker with employee-type benefits, such as insurance, a pension plan, vacation leave or sick leave? If the worker is treated like an employee, then the relationship is likely an employer-employee relationship.
- ▶ How permanent is the relationship? If you engage a worker with the expectation that the relationship will continue indefinitely, rather than for a specific period, this is generally considered evidence that your intent was to create an employer-employee relationship.
- ▶ What is the extent to which services performed by the worker are a key aspect of the regular business of the company? If a worker provides services that are a key aspect of your regular business activity, it is more likely that you will have the right to direct and control his or her activities.

The assumption is that all workers are employees, unless the three tests show otherwise. If unsure of whether a worker is an employee or independent contractor, contact the diocesan Human Resources Office for assistance.

HIRING AN EMPLOYEE/CONTRACTING WITH AN INDEPENDENT CONTRACTOR

All employees are to be hired through the diocesan on-boarding system (Paylocity). The system will complete the required paperwork electronically. The system maintains a copy of all required hiring documents. However, if the parish/school/entity chooses to also maintain a physical file, the hiring documents should be kept in the employee's personnel file with the exception of their U.S. Department of Homeland Security Form I-9 (Employment Eligibility Verification), which should be kept separate from their regular employee file. The employee's personnel file should also include a current copy of the employee's job description.

For a complete list of documentation that should be maintained in a personnel file, contact the diocesan Human Resources Office.

The IRS requires businesses to collect the IRS Form W-9 from all independent contractors. If a contractor does not return the form prior to payment, the hiring parish/school/entity is required to withhold 24% of the amount and submit to the IRS from each payment. The information on the IRS Form W-9 is needed to complete and issue an IRS Form 1099 to the contractor for tax purposes at year end.

To facilitate accurate and complete records for Form 1099 reporting, independent contractors are to be paid directly by check. Payment should never be made from petty cash or by credit card.

September 1, 2024

EMPLOYEES AND INDEPENDENT CONTRACTOR: Employee/Independent Contractor Activities

FAP 4102

FAIR LABOR STANDARDS ACT – EXEMPT AND NON-EXEMPT EMPLOYEES

The Fair Labor Standards Act (FLSA) applies to all employees, unless they meet certain specific requirements that cause them to be reclassified as exempt.

The FLSA requires that most employees in the United States be paid at least the federal minimum wage for all hours worked and overtime pay at not less than time and one-half the regular rate of pay for all hours worked over 40 hours in a workweek. As the State of Missouri has a higher minimum wage than the federal minimum wage, the dollar amount is not an issue, but the overtime pay must be followed for all employees who are not exempt from the FLSA.

Clergy, religious and professional educators are automatically exempt from the FLSA. Clergy includes priests and transitional deacons and those permanent deacons performing true ministerial functions for their employer. For religious to be exempt, their stipend and expenses are to be paid directly to their religious order. For diocesan schools, professional educators include all K-12 teachers, principals and coaches. If a parish has a preschool that feeds into a grade school, the preschool teachers are also exempt.

If a parish has a stand-alone preschool, the preschool teachers are not exempt from the FLSA. Also, any daycare workers or before/after-school-care workers are not exempt from the FLSA. However, day care and stand-alone preschool workers might still be exempt if they meet one of the exemption categories below. All other diocesan employees are covered by the FLSA, unless they meet one of the following exemptions:

EXECUTIVE EXEMPTION

To meet the requirements of this exemption, an employee's primary duty must be managing the enterprise or a department or subdivision of the enterprise. They must have at least two (or more) employees that report to them and they must have the authority to hire and fire employees or if unauthorized to make the final hire/fire decision, their recommendation must carry significant weight. Finally, they must make more than \$684/week. It is unlikely that any parish/school/entity employees, other than the pastor/parochial administrator/pastoral minister meet this test. It is possible that non-parish diocesan entities have personnel that could meet this test.

ADMINISTRATIVE EXEMPTION

To meet the requirements of this exemption, an employee's primary duty must be performing office or non-manual work directly related to the management or general business operations of the parish/school/entity or customers. The employee must exercise discretion and independent judgment with respect to matters of significance (do they evaluate and compare possible courses of action and then make a decision or recommendation after considering the various possibilities). Finally, they must make more than \$684/week.

It is possible that the parishes/schools/entities have employees that fall under this category but fail the salary test. If that is the case, those employees are not exempt from the FLSA. The role of bookkeepers, administrative assis-

tants and most other office staff, as understood in the diocesan context, do not meet the requirements of this test regardless of the amount paid and are not exempt from the FLSA.

LEARNED PROFESSION EXEMPTION

To meet the requirements of this exemption, an employee's primary duty must be to perform work requiring knowledge of an advanced type in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction, such as by completing an academic course of study resulting in a four-year college degree or leading to certification. Finally, they must make more than \$684/week.

The FLSA specifically exempts teachers, as defined above, from having to be certified or meeting the minimum salary requirements to qualify. In consultation with diocesan attorneys, it is unlikely that other parish staff meet this requirement, including directors of religious education and youth ministers. Contact the diocesan Human Resources Office with questions regarding this exemption.

Parish nurses, if they meet the salary requirement, would be exempt from the FLSA.

CREATIVE PROFESSIONAL AND COMPUTER PROFESSIONAL EXEMPTION

It is unlikely that parishes/schools/entities would have employees that fall under the creative professional or computer professional exemption.

To meet the requirements of the creative professional exemption, the employee's primary duty must be to perform work requiring invention, originality or talent in a recognized field of artistic endeavor such as music, writing, acting and graphic arts. The work must require more than intelligence, diligence and accuracy (it must require "talent"). Finally, the employee must make more than \$684/week.

To meet the requirements of the computer professional exemption, the employee's primary duty must be in the development of computer software application and systems. The specific requirements are quite lengthy. If you have an employee that might meet this classification and they are paid more than \$684/week, you should contact the diocesan finance office or human resources office for further determining factors.

NOTE: At time of printing, there is a change pending that will affect the salary requirement for exempt employees. This change is under court challenge and could take effect at any point, or be prohibited by the court. The diocesan Human Resources Office will keep parishes/schools/entities and pastors/parochial administrators/pastoral ministers updated on the status of this case/rule change.

ALL OTHER EMPLOYEES

For employees who are not affected by one of the above exemptions, or meet the definition of clergy, religious, or professional educator, the FLSA requires that if they, the non-exempt employees, work more than 40 hours in a given work week, they must be paid over-time at a rate at least 1.5 times their normal rate (time and a half).

It is important to note that the law specifies actual work hours, not hours paid. So, if Monday is a holiday and the employee works an extra two hours on Tuesday to get caught up, there is no overtime. Even though the employee is being paid for 42 hours (34 worked, 8 holiday), they did not physically work more than 40. They would simply be paid straight time for all 42 hours.

While the law for most employees is simple, translating it into a working model for parishes/schools/entities is not. There are many employees that attend meetings outside of work hours and participate in a number of evening and weekend activities. Under the FLSA, this is considered work for their employees and if in excess of 40 hours, the employee must be paid overtime.

Some solutions are straight forward. First, all non-exempt employees must use Paylocity's timekeeping module to track all time worked and time off balances. Wages for these employees should be based on the hours submitted. This means their pay may fluctuate from one pay period to the next.

If a bookkeeper is required to attend a finance meeting or parish pastoral council meeting in the evening, they could be given time off in the same work week to keep hours under 40. However, this method is more difficult for Friday evening and weekend activities in that an estimate must be made of how much time will be involved and the employee will need to take off earlier in the week to keep from going over the 40 hours. If the estimate is short, the parish/school/entity will still be in a position to pay overtime. If the estimate is long, the employee will not receive full pay for that week (although the parish/school/entity has the option of paying the full pay, since it was at the parish/school/entity's direction they took off earlier in the week).

To remedy this situation, it is recommended that parishes/schools/entities change their work week from Sunday through Saturday to Saturday through Friday. In this way, any work performed on the weekend allows time off to be given up through the following Friday in lieu of paying overtime. Activities on Friday evening will still need to be given time off earlier in the day or week, as would be the case for any work done on the last day of the work week.

FLSA rules can be complicated and mistakes can be costly. If there is any doubt as to whether an employee is exempt or non-exempt, it is important to contact the diocesan Human Resources Office.

September 1, 2024

EMPLOYEES AND INDEPENDENT CONTRACTOR: Employee/Independent Contractor Activities

FAP 4103

GIFTS TO EMPLOYEES AND VOLUNTEERS

Most, but not all gifts to employees are considered to be taxable income. Gifts under special circumstances, such as sympathy or administrative assistant day, which have a low market value, are not required to be included in taxable income. Examples of these gifts include books or flowers. Occasional holiday parties or group meals can also be excluded.

Gifts of cash or cash equivalents, including gift cards, regardless of the amount, are considered to be taxable compensation. They must always be reported as taxable income to the employee.

As with employees, *de minimus* gifts (gifts with low market value that are given infrequently) may be given to volunteers. Examples of such gifts include books, flowers, coffee mugs or prayer cards.

Gifts of cash or cash equivalents (gift cards of any amount) change the relationship of the volunteer. When a volunteer is given a gift of cash or cash equivalent, no matter how nominal, the volunteer becomes an independent contractor. The individual must then complete Form W-9, and if the total of all gifts amount to \$600 or more in a calendar year, Internal Revenue Service (IRS) Form 1099 must be completed, furnished to the individual, and filed with the taxing authorities.

September 1, 2024

EMPLOYEES AND INDEPENDENT CONTRACTOR: Employee/Independent Contractor Activities

FAP 4104

STIPENDS

In the Diocese of Jefferson City, stipends are considered remuneration for services provided. Stipends for Mass intentions (Mass offerings) and for other services rendered such as baptisms, weddings and funerals are taxable income to the recipient.

If payments intended for the celebrant are directed to the parish, they should be recorded in the parish book-keeping system as a liability (e.g., stipends payable), deposited in the parish bank account and paid to the priest or deacon upon completion of the services.

- ▶ All stipends paid to employees are to be processed through the payroll system and reported on Internal Revenue Service (IRS) Form W-2.
- ▶ All stipends paid to non-employees are to be processed through the accounts payables accounting system and coded for IRS Form 1099 reporting.

Stipends are never to be paid in cash.

Payments issued by third parties, such as a funeral home, to a priest or deacon are not processed through the parish accounting system. The recipient of the payment is responsible for performing the service and for record keeping and reporting the income on their annual tax return.

September 1, 2024

EMPLOYEES AND INDEPENDENT CONTRACTOR: Employee/Independent Contractor Activities

FAP 4105

REPORTING PAYMENTS FOR SERVICES RENDERED – NON-PAYROLL

All payments for services rendered by non-employees are to be issued through the accounts payable system and coded for Internal Revenue Service (IRS) Form 1099 reporting according to the information supplied by the vendor on their IRS Form W-9.

IRS Form 1099 must be completed and mailed to all persons and other unincorporated entities to which diocesan parishes/schools/entities have paid \$600 or more in rent or for services rendered during the calendar year by January 31 of the following year.

IRS Forms 1099 and the accompanying IRS Form 1096 must be transmitted to the Internal Revenue Services by January 31 of the following year.

September 1, 2024

EMPLOYEES AND INDEPENDENT CONTRACTOR: Employee/Independent Contractor Activities

FAP 4106

INCOME FOR PRIESTS

TAXABLE INCOME

Priests have several sources of taxable income from diocesan parishes, including salary, room and board, stipends, offerings and other gifts. According to Internal Revenue Service (IRS) regulations, priests are considered “self-employed” for social security and therefore pay self employment taxes, but they are considered “employed” for income tax purposes. In this regard, priests are paid a salary which is set by the bishop in an annual letter to priests.

Room and Board provided at the rectory

The value of housing must be included in the priest’s self-employment wages on Internal Revenue Service (IRS) Form 1040, Schedule SE, and self-employment taxes must be paid on the amount. Determining the value of the housing can vary depending on the location of the housing, whether or not it is in a parish rectory, the level of privacy, etc. The IRS suggests that the priest use a reasonable method to value both the housing based on comparable data. A suggested amount is included in the annual salary letter to priests. The value of housing is only subject to self-employment tax, not income tax.

Board (or *pro mensa* expenses) is defined as meals taken at the rectory or practical restaurant dining. The *pro mensa* amount reimbursed by the parish must be included in the priest’s self-employment wages (on IRS Form 1040, Schedule SE) and is subject to self-employment taxes in the same manner as housing, above. *Pro mensa* is only subject to self-employment tax, not income tax.

Stipends, Offerings and gifts

Any Mass offerings and/or other fees received are taxable income regardless of whether received from the parish or from an individual. Amounts paid directly from individuals are not included on the priest’s IRS Form W-2. To simplify annual tax filing, it is recommended that priests turn any stipends and offerings, received directly, over to the parish and the parish include the offering in the next payroll run. In this manner the stipends and offerings are included in the priests IRS Form W-2 and no further action is required by the priest for reporting purposes.

Stipends and offerings include any amount received as the result of services performed (Masses, weddings, baptisms, etc.). With regard to funerals, the offering is often made through the funeral home director, but are still the result of services performed and includable for tax purposes.

Employer paid life insurance premiums are taxable for the premium for any coverage in excess of a \$50,000 benefit. The taxable amount should be automatically included on IRS Form W-2, but may impact tax estimates paid by the priest.

Gifts from parish/school/entity organizations that are comingled with the parish/school/entity’s funds are considered taxable income for both income tax and self-employment tax. Such gifts should be made through the parish payroll system to simplify tax reporting for the priest.

NON-TAXABLE INCOME

As part of the priest's compensation package, the diocesan parish makes a contribution to the priest's 403(b) plan. This amount is excluded for both income tax and self-employment tax.

If a priest elects to defer part of his salary to the priest 403(b) plan through a payroll deduction, the amount of the elective deferral is excluded for both income tax and self-employment tax. (Note: This is different than lay employees making elective deferrals. For lay employees, the elective deferral is included for Social Security Tax.)

Gifts not related to services rendered (e.g., gifts for birthday, anniversary, going-away and get-well-soon presents) are not normally taxable. However, if the gift is given through the parish accounts, it may be taxable if the funds are comingled with parish funds. To avoid this, if the parish is collecting or raising funds for a priest, they must be held in a separate account from the parish operating funds and no contribution receipt is to be issued to the gift giver.

While the IRS and Social Security Administration expects priests to make quarterly tax payments for their self-employment taxes, it is recommended that priests have the total estimated amount for both income tax and self-employment taxes withheld through the payroll system. This will create a refund for income tax which would then be applied against the self-employment taxes owed. This simplifies the record keeping for the priest and removes the burden of having to remember to file quarterly tax payments.

September 1, 2024

CASH MANAGEMENT: Bank Reconciliation

FAP 5101

BANK RECONCILIATION

Diocesan parishes/schools/entities should follow the procedures outlined below for reconciling parish/school/entity bank statements.

Upon receipt, monthly bank statements are to be opened by the pastor/parochial administrator/pastoral minister, school principal or entity director who should review the statement activity. The activity per the statement is to be reconciled to activity per the check register or general ledger report. Differences between the book balance and the bank statement balance should be investigated, reconciled, and recorded in the general ledger if necessary. Checks outstanding for more than 60 days should be investigated and resolved. The bank reconciliation is to be signed and dated by the person reconciling the account.

For practical reasons, the pastor/parochial administrator/pastoral minister, school principal or entity director may delegate the responsibility of reconciling bank statements to another individual who may not have access to the general ledger, accounts payable and accounts receivable systems.

If the bank reconciliation is performed by a delegate, that individual should sign and date the reconciliation as above. The pastor/parochial administrator/pastoral minister, school principal or agency director should then review the reconciliation and if acceptable, sign and date the reconciliation. Delegation of the bank reconciliation to another person does not relieve the fiduciary responsibility of the pastor/parochial administrator/pastoral minister, school principal or agency director.

At least four times per year and, in conjunction with the annual closing of financial records, a parish finance council member should review the bank reconciliations along with the financial report from the closed financial period.

At a minimum, the parish finance council member should:

- ▶ compare the book balance on the financial report is to be compared to the bank reconciliation;
- ▶ compare the bank balance on the bank reconciliation is to be compared to the bank statement;
- ▶ review all reconciling items for reasonableness;
- ▶ investigate and resolve all unusual or unidentified differences; and
- ▶ sign the bank reconciliation indicating a satisfactory review of the information.

Additional procedures for parishes/schools/entities that do not use Positive Pay:

- ▶ Bank statements are to include copies of the checks.
- ▶ The payees on all checks or check copies are to be reviewed to ensure that they agree with the payees as shown in the general ledger or accounts payable system.
- ▶ The reviewer should also ensure that all checks and deposits listed on the bank statement have been accounted for in the general ledger or accounts payable/receivable systems.

September 1, 2024

CASH MANAGEMENT: Savings and Investments

FAP 5201

OVERVIEW

The Diocese of Jefferson City maintains a Deposit & Loan Program and an Investment Program through the Diocese of Jefferson City Fund. These programs have been established for the benefit of diocesan parishes/schools/entities.

Funds in excess of three months operating expenses are to be deposited in the Deposit & Loan. At the end of each month, the amount of cash in an individual parish/school/entity account should be reviewed to determine whether excess cash should be transferred to the Deposit & Loan.

All funds received by the Diocese of Jefferson City Fund are invested in securities that have been screened to comply with the United States Conference of Catholic Bishops (USCCB) Socially Responsible Investing Guidelines.

The Diocese of Jefferson City Fund also extends loans to participating parishes/schools/entities for specific project needs.

September 1, 2024

CASH MANAGEMENT: Savings and Investments

FAP 5202

DEPOSIT & LOAN

The Diocese of Jefferson City Fund's Deposit & Loan program offers three types of savings accounts:

- ▶ On-demand account: Funds in the on-demand account may be added to and are available for withdrawal at any time without penalty.
- ▶ Intermediate, two-year account: Funds in the intermediate account function like a two-year certificate of deposit. There is a three-month interest penalty for any funds withdrawn from an intermediate account before the account reaches maturity. The penalty is only applied towards the actual funds withdrawn, not the total funds in the account.
- ▶ Long-term, four-year account: Funds in the long-term account function like a four-year certificate of deposit. There is a six-month interest penalty for any funds withdrawn from a long-term account before the account reaches maturity. The penalty is only applied towards the actual funds withdrawn, not the total funds in the account.

As of September 1, 2023, the deposit accounts pay interest at the following rates:

- ▶ On-demand account — 3.0%
- ▶ Intermediate, two-year account — 2.5%
- ▶ Long-term, four-year account — 3.25%

Interest rates on these accounts may be adjusted at any time by the Board of Trustees of the Diocese of Jefferson City Fund based on the performance of underlying investments. Participants in the Diocese of Jefferson City Fund will be given notice of any rate changes approved by the Board of Trustees.

Interest earned on the Deposit & Loan accounts is credited daily and reported regularly by a statement. This statement also enables the parish/school/entity to reconcile their own savings balances on a regular basis.

Deposits to the Deposit & Loan should be sent to the diocesan Finance Office along with instructions indicating how the funds are to be deposited (the term), the name of the account and whether or not there are restrictions on the use of the funds and whether the interest is to be paid to the parish/school/entity bi-annually or if it is to be rolled into the principal of the account. This deposit advice must be signed by the pastor/parochial administrator/pastoral minister (or his equivalent, if a diocesan high school or entity).

Requests for withdrawal must be made in writing and signed by the pastor/parochial administrator/pastoral minister or his equivalent if a diocesan high school or entity. The withdrawal advice should include the name and number of the account (which can be found on the monthly statements), the amount of the withdrawal, and a short description of the need.

All the underlying investments in the Deposit & Loan funds are consistent with the United States Conference of Catholic Bishops (USCCB) Socially Responsible Investments Guidelines. In addition, there are no fees charged by the Diocese of Jefferson City Fund to the participants of the Deposit & Loan.

CASH MANAGEMENT: Savings and Investments

FAP 5203

INVESTMENTS

The Diocese of Jefferson City Fund also offers the option of investing in equity and fixed income funds through either the Central Trust or Mission Diocese Fund. These investments are intended for long-term growth and participants are encouraged to limit their withdrawals.

- ▶ Participants in the Central Trust investment pools need to have an investment policy indicating the purpose of the funds, the investment ratio between equity and fixed income and the spending policy. A sample investment policy is available from the diocesan Finance Office.
- ▶ Investments offered by the Mission Diocese Fund (overseen by the Catholic Extension Society) are a blended pool of both equity and fixed income securities and simplifies many of the decisions that participants need to make regarding the allocation of invested funds. (Note: The Mission Diocese Fund allows quarterly withdrawals.)
- ▶ Unlike the Deposit & Loan where the participant's deposit receives a fixed rate of return, funds in the investments increase and may decrease based on market fluctuations. Investments also receive the full amount of dividends, interest and realized gains received, net of brokerage fees.

All the underlying investments in the funds, either held directly by the Diocese of Jefferson City Fund at Central Trust or through the Mission Diocese Fund, are consistent with the United States Conference of Catholic Bishops (USCCB) Socially Responsible Investments Guidelines. In addition, there are no fees charged by the Diocese of Jefferson City Fund to the participants.

September 1, 2024

CASH MANAGEMENT: Savings and Investments

FAP 5204

INVESTMENT OF BEQUESTS

It is strongly encouraged that diocesan parishes/schools/entities receiving unrestricted bequests of \$20,000 or more invest at least 50% of those funds in an investment account with the Diocese of Jefferson City Fund. This account may comprise both the Deposit & Loan program, the Central Investments Fund or the Mission Diocese Fund.

Diocesan high schools receiving bequests for scholarships are strongly encouraged to invest 100% of the funds in an endowed scholarship account with the Diocese of Jefferson City Fund. This account may comprise both the Deposit & Loan Fund, the Central Trust or the Mission Diocese Fund and is to be earmarked for this specific purpose.

For bequests that have donor restrictions, the funds are to be held in the Diocese of Jefferson City Fund, unless the restriction states otherwise. Consult with the diocesan Finance Office as to how the parish/school/entity can ensure compliance with any restrictions the bequest may contain.

September 1, 2024

CASH MANAGEMENT: Savings and Investments

FAP 5205

ALLOWABLE CASH INVESTMENTS

Diocesan parishes/schools/entities may also use local banking institutions to keep on hand a **three-month reserve** for operating expenses and temporary accounts to hold incoming capital campaign receipts and similar funds. These funds may be held in checking, money market and or certificates of deposit and similar bank accounts. Interest earned from institutions other than the Diocese of Jefferson City Fund are subject to the [Instruction on Transparency in Fundraising](#).

Parishes/schools/entities have a fiduciary responsibility to their parishioners, school families and donors and are to use the investment options in the Diocese of Jefferson City Fund whenever possible because of stable interest rates and investment security. Participation in the Deposit & Loan also allows a parish/school/entity to be eligible for borrowing for capital projects. The entities can also ensure that their funds are being used in a manner consistent with Catholic social teaching.

September 1, 2024

FINANCIAL MANAGEMENT: General Financial Management

FAP 6101

ACCOUNTING PRINCIPLES

Most diocesan parishes/schools/entities operate on a modified cash basis of accounting. In this accounting model most, but not all, revenues and expenses are recorded when received or paid, respectively:

RECEIPTS/REVENUE

Revenue is to be recorded when received, not on the basis of a pledge or other commitment. Advance payments are to be recorded as a liability (unearned income) and reclassified to income when the revenue is earned, for example:

- ▶ receipts representing deposits for the purchase of columbarium niches and cemetery plots
- ▶ tuition/school fee/registration fee payments received prior to the period in which the educational activities will take place

EXPENSES/LIABILITIES

Expenses are normally recorded when paid. For expenses paid in advance, expenditures representing deposits for merchandise or services under a contract are to be recorded as a prepaid asset. Upon receipt of the merchandise or completion of services, the appropriate expense account is to be debited and the prepaid asset account credited. Expenses paid in advance, where the delivery or completion of services will occur within the current fiscal year, may be recorded when paid.

DEBT

If a parish/school/entity borrows funds, the amount borrowed is to be recorded as a liability on the balance sheet. When payments are made, the principal portion of the loan is debited to the loans payable account and the interest portion is recorded as interest expense.

Loans are usually received for capital expenditures. However, to simplify the parish/school/entity bookkeeping, these expenditures are expensed when payment is made. As such, there is not a capital asset balance to offset the loan, possibly resulting in a negative net assets. As long as the negative net asset balance does not exceed the amount of the outstanding principal, this is to be expected and not a concern.

September 1, 2024

FINANCIAL MANAGEMENT: General Financial Management

FAP 6102

BUDGETING

A budget is the plan of revenues and expenditures for the upcoming fiscal year. Diocesan parishes/schools/entities should prepare a budget in accordance with the Chart of Accounts. A line-item amount is to be budgeted for each revenue and expenditure account.

Budgeting should begin with anticipated actual revenues and then budgeting expenses accordingly. The practice of budgeting for expenses and then backfilling revenues to “balance” the budget is dishonest and not permitted.

Prior to the beginning of the fiscal year, a financial budget for the upcoming fiscal year is to be prepared. The parish finance council should develop the annual budget with input from parish commissions, department heads, parish school advisory council and school principal. The parish school advisory council, along with the principal, are responsible for developing the portion of the parish budget attributable to the school and its activities.

The parish finance council should recommend the final budget for approval by the pastor/parochial administrator/pastoral minister who after consultation with the parish pastoral council, accepts the budget or returns it for further consideration.

The parish finance council should also participate in the communication of the annual budget to the parish community.

During the fiscal year, the pastor/parochial administrator/pastoral minister along with the parish finance council should review actual revenues and expenditures against the budgeted amounts on a regular basis.

Variances in excess of 10% should be investigated and resolved/understood as soon as possible. Unfavorable actual-to-budget variances (decreased revenues or increased expenses) should be addressed by implementing offsetting measures and an updated budget should be prepared. If variances cannot be resolved or if it is not possible to implement offsetting measures for variances, consult the diocesan Finance Office.

September 1, 2024

FINANCIAL MANAGEMENT: General Financial Management

FAP 6103

CHART OF ACCOUNTS

Special Note: In late FY24, the Chancery began beta testing a new parish/school/entity Chart of Accounts. That testing has been successful and at the beginning of FY25, parishes have begun the (Chancery-guided) transition.

The new Chart of Accounts, along with the required implementation of QuickBooks Online, offers a number of advantages including a cleaner/simpler interface, enhanced custom reporting, discontinuing the tithe calculator and a significant reduction in time and effort related to annual reporting.

If a parish is interested in taking advantage of this upgrade earlier, contact the diocesan Finance Office.

The Chart of Accounts is a systematic approach to accounting for assets, liabilities, net assets, receipts and expenses. Each parish uses the same Chart of Accounts, but not all accounts in the Chart of Accounts is needed by each parish. In addition, parishes can add a suffix to the general account structure to create various sub accounts as needed (ie. 110.1, 110.2, 110.3, etc.). This allows flexibility based of parish needs and accounting software capabilities. The Chart of Accounts mirrors the diocesan annual report, which aids in matching the parish's accounting reports to the annual report. (See [Appendix #6103](#))

September 1, 2024

FINANCIAL MANAGEMENT: General Financial Management

FAP 6104

FINANCIAL RECORDS RETENTION

The United States Conference of Catholic Bishops (USCCB) has issued records retention guidelines for use by Catholic dioceses in the United States. All diocesan parishes/schools/entities are to follow these guidelines for all financial records.

| Type of Records | Retention Period | Final Disposition |
|-------------------------------------|----------------------------------|---------------------------------------|
| Banking | | |
| Bank deposits | 7 years | Destroy |
| Bank statements | 7 years | Destroy |
| Cancelled checks | 7 years | Destroy |
| Check registers/stubs | 7 years | Destroy |
| General | | |
| Audit reports | Permanent | Transfer to Archives |
| Balance sheets, annual | Permanent | Transfer to Archives |
| Balance sheets, monthly/quarterly | 1 year | Destroy |
| Budgets, approved, revised | 7 years | Destroy |
| Financial reports, annual | Permanent | Transfer to Archives |
| Financial reports, monthly | 1 year | Destroy |
| Financial statements | Permanent | Transfer to Archives |
| Investment/Insurance | | |
| Bonds, canceled | 7 years from date of cancelation | Destroy |
| Certificates of deposit, canceled | 3 years after redemption | Destroy |
| Insurance policies/active | Permanent | Transfer to Archives |
| Insurance policies/canceled | Permanent | Transfer to Archives |
| Letters of credit | 7 years | Destroy |
| Mortgage records | Permanent | Transfer inactive records to Archives |
| Securities sales | 7 years | Destroy |
| Stock investment | 7 years after sale | Destroy |
| Accounting | | |
| Accounts payable invoices | 7 years | Destroy |
| Accounts payable ledgers | 7 years | Destroy |
| Accounts receivable ledgers | 7 years | Destroy |
| Credit card statements/charge slips | 7 years | Destroy |

| | | |
|---|------------------------------------|---|
| Invoices and paid bills, major building construction | Permanent | Transfer to Archives |
| Invoices and paid bills, general accounts | 7 years | Destroy |
| Cash books | 7 years | Destroy |
| Cash journals | 7 years | Destroy |
| Cash journal, receipts on offerings and pledges | 7 years | Destroy |
| Receipts | 7 years | Destroy |
| Mortgage payments | 7 years | Destroy |
| Other Records | | |
| Articles of Incorporation and bylaws | Permanent | When corporation is dissolved, transfer to Archives |
| General ledger/annual | Permanent | Transfer to Archives |
| Journals, general and specific funds | Permanent | Transfer to Archives |
| Journal entry sheets | 7 years | Destroy |
| Ledgers, subsidiary | 7 years | Destroy |
| Payroll journals | 7 years | Destroy |
| Payroll registers, summary schedule of earnings, deductions and accrued leave | 7 years | Destroy |
| Pension records | Permanent | Transfer to Archives |
| Pledge registers/ledgers | 7 years | Destroy |
| Permanently restricted gift documents | Permanent | Transfer to Archives |
| Temporarily restricted gift documents | 7 years after meeting restrictions | Destroy |
| Tax Records | | |
| Employment taxes, contributions, and payments, including taxes withheld, FICA | 7 years from date of filing | Destroy |
| W-2 forms | 7 years from date of filing | Destroy |
| W-4 forms | 7 years from date of filing | Destroy |
| IRS exemption determination letters, for organizations other than those listed in The Official Catholic Directory | Permanent | Transfer to Archives |
| Form 990 | Permanent | Transfer to Archives |
| State tax exemption certificates (income, excise, property, sales/use, etc.) | Permanent | Transfer to Archives |

The complete record retention guidelines issued by the USCCB are available on the USCCB website ([usccb.org](https://www.usccb.org)) or through the diocesan Finance Office.

September 1, 2024

FINANCIAL MANAGEMENT: General Financial Management

FAP 6105

COMPUTER SECURITY

To ensure the security of all diocesan parish/school/entity and donor records, the use of usernames and passwords to safeguard access to data files is to be implemented.

- ▶ Only those employees and volunteers authorized to access data programs shall have usernames and passwords.
- ▶ Each person's username and password shall be unique to that person.
- ▶ Usernames and passwords must not be shared among employees and/or volunteers.
- ▶ Once an employee or volunteer ceases to need access to data files, their username and password is to be inactivated or deleted.

All diocesan parishes/schools/entities are to implement a data backup system to ensure that parish/school/entity data files and programs can be recovered should a need arise. Backups are to be stored off-site from the parish/school/entity office to protect against loss due to fire and/or natural disaster.

For programs and data that are cloud based, parishes/schools/entities are to use two-factor authentication and encryption to ensure that unauthorized access does not occur.

All parishes/schools/entities shall ensure that adequate anti-virus and firewall software is installed and operational on all computers. Anti-virus software must be configured to automatically update its detection rules on a regular basis.

Use of an employee's personal computer on a parish/school/entity's network is discouraged and should not occur without permission of the pastor/parochial administrator/pastoral minister. Such permission is not to be granted unless the employee's personal computer has updated anti-virus and firewall software installed.

For employees that need to access a parish/school/entity's network on a regular basis, they should be provided a computer for such purpose. Occasional access may be allowed through a third party provider such as RemotePC or LogMeIn. Once the access is no longer needed, the employee's remote credentials are to be inactivated.

Employees of parishes/schools/entities should not use personal email accounts for work purposes. In addition, parishes/schools/entities should not use free email providers such as Gmail, Mail.com, etc. Many communications of parishes/schools/entities contain personally-identifiable information of parishioners, donors and school families and these free services cannot guarantee that the messages are not being harvested for marketing purposes. Many free services offer a paid version or a not-for-profit version that does provide the necessary protections and may be used.

Detailed computer security procedures are beyond the scope of this policy as each parish/school/entity has unique circumstances to address. Questions regarding computer security procedures should be directed to the diocesan Finance Office.

September 1, 2024

FINANCIAL MANAGEMENT: Reporting and Reviews

FAP 6201

OVERVIEW

The primary objectives of diocesan parish/school/entity financial reporting are as follows:

- ▶ to accurately and completely report the financial activity of the parish/school/entity on a timely basis;
- ▶ to summarize financial transactions in a simple, concise and consistent manner;
- ▶ to provide a “benchmark” for comparing and assessing financial activity; and
- ▶ to provide transparency of the financial operations of the parish/school/entity.

September 1, 2024

FINANCIAL MANAGEMENT: Reporting and Reviews

FAP 6202

FINANCIAL STATEMENTS

The diocesan parish/school/entity's accounting system should be able to produce the following financial reports automatically. If the accounting system is not capable of generating these reports, the parish must inform the diocesan Finance Office. Until then, the reports should be prepared manually until the electronic system can be configured or replaced with a system that can generate them.

STATEMENT OF ACTIVITIES BY COST CENTER/PROFIT AND LOSS BUDGET PERFORMANCE

This report summarizes the financial operations (income and expenses) of the parish/school/entity by cost center (department). Common cost centers are parish, rectory, school, etc. The report may be in the format of all cost centers included in a single report or individual reports per cost center. The financial data presented should include:

- ▶ current month—actual
- ▶ year-to-date—actual (July of the current fiscal year through the current accounting month)
- ▶ annual budget
- ▶ annual budget balance (year-to-date less annual budget) (positive numbers are favorable variances, while negative numbers are unfavorable)
- ▶ year-to-date as a percentage of annual budget (year-to-date divided by annual budget)

Cost centers with low activity may be combined to simplify reporting.

STATEMENT OF FINANCIAL POSITION / BALANCE SHEET COMPARISON

This report lists all the assets, liabilities and net assets of the organization. The financial data presented should include:

- ▶ year-to-date balance (this is the balance as of the last day of the current accounting month)
- ▶ year-to-date prior year (this is the balance from the previous year, but as of the same month as the current accounting month)

FUND ACTIVITY REPORT

This report shows the balances at the beginning and end of the year along with a summary of activity. All funds, including donor restricted, endowment or designated funds, such as building funds and similar funds should be included on this report. The financial data presented should include:

- ▶ beginning balance (balance at the beginning of the fiscal year)
- ▶ monthly additions (additions made to the fund in the current month)
- ▶ monthly reductions (reductions made to the fund in the current month)
- ▶ year-to-date additions (total additions made from the beginning of the fiscal year through the end of the current month)
- ▶ year-to-date reductions (total reductions made from the beginning of the fiscal year through the end of the current month).
- ▶ ending balance (balance as of the last day of the current accounting month)

BULLETIN REPORTING

Financial information should also be reported regularly to parishioners in the Sunday bulletin. This reporting might take the form of monthly and year-to-date collections compared to budgeted collections along with total expenditures compared to budget for the same periods. At least every six months, a condensed Statement of Activities as described previously (but does not need to be broken out by cost center), should be presented to parishioners.

PARISHIONER REQUESTS

Parishioners are entitled to know the financial status of their parish with the exception of data that contains personally-identifiable information such as payroll and donor data. While the formatting of the information presented is at the discretion of the pastor/parochial administrator/pastoral minister, an emphasis on financial transparency is paramount. Financial Statements and other fundamental financial metrics should not be withheld without cause.

When information is provided to individual parishioners, they are to be advised that the information is not to be shared with non-parishioners, including on their personal social media channels or to media outlets.

If there is a concern that the parishioners may have the intention of forwarding parish information to non-parishioners, please consult with the diocesan Communications Office.

MEDIA REQUESTS

Unlike parishioners, the general public is not entitled to know about the financial status of the parish. **Any requests from the media or public for financial information should be referred to the diocesan Communications Office.**

September 1, 2024

FINANCIAL MANAGEMENT: Reporting and Reviews

FAP 6203

REPORTING TO THE CHANCERY

ANNUAL

Each diocesan parish/school/entity is required to close its books no later than July 30, annually. The parish is then required to complete and submit their Annual Financial Report no later than the second week of August annually.

As part of the annual financial report, the following are to be included:

- ▶ The budget for the new fiscal year
- ▶ Copies of all parish finance council meeting minutes (final and fully executed) for the fiscal year
- ▶ Email addresses for all members of the parish finance council

Note: The pastor/parochial administrator/pastoral minister, along with the parish finance council members must sign the report before submission to diocesan Finance Office. If a required signer cannot sign, the diocesan chief financial officer is to be consulted.

If a parish finance council member(s) refuses to sign the report, the diocesan chief financial officer is to be consulted immediately.

QUARTERLY

Parishes are required to prepare and send to the diocesan Finance Office, no later than the 15th business day of the following month, a report containing:

- ▶ end of quarter statement of financial position/balance sheet
- ▶ end of quarter statement of activities/profit and Loss
- ▶ end of quarter balances for all bank accounts — all entities (may be included in balance sheet)
- ▶ end of quarter balances for all investment accounts — all entities (may be included in balance sheet)
- ▶ end of quarter list of all outstanding trade accounts payable (excluding utilities, etc.) — all entities

MONTHLY

Effective July 1, 2023, ALL parishes have moved to the Stewardship model and are required to submit online monthly reports (tithe calculator) on income and send a tithe based on ordinary income no later than the 15th of the month following.

September 1, 2024

FINANCIAL MANAGEMENT: Reporting and Reviews

FAP 6204

REPORTING TO THE PARISH

All diocesan parishes/schools/entities are to provide a financial report to the parish pastoral council at least four times annually. These reports are described in [FAP 6202](#).

At mid-year and year-end, financial reports are to be presented to the entire parish community. These reports are to include, at a minimum, summary statements of financial position and activity similar to the summary pages of the parish annual report. The statement of activities is also to include budget and variance figures. These reports are to be presented no later than the second month after the end of the period (February 28 and August 31).

An annual budget is to be presented to the entire parish community within 60 days after the beginning of the fiscal year.

September 1, 2024

FINANCIAL MANAGEMENT: Reporting and Reviews

FAP 6205

PARISH FINANCIAL REVIEWS

The diocesan Finance Office periodically performs financial reviews of diocesan parishes/schools/entities. Reviews tend to be on a three-year rotation or when there is a change in administration of the parish/school/entity and may involve the use of outside accounting firms. Reviews may also be requested by the pastor/parochial administrator/pastoral minister or directed by the bishop to address specific concerns.

The objectives of these reviews are to determine whether parish accounting procedures provide reasonable assurance that parish assets have been properly safeguarded; determine whether parish accounting procedures provide reasonable assurance that the financial activities have been properly recorded and summarized, and reported to the parishioners and the diocese; and determine whether parish accounting procedures provide reasonable assurance that the parish is complying with all civil and diocesan regulations.

The financial review process consists of evaluating and testing the parish/school/entity accounting procedures and internal controls to determine whether the controls are adequate to meet the above objectives and whether they are operating effectively. This manual contains the financial policies of the diocese and the financial procedures to which all diocesan parishes/schools/entities must adhere.

As a result of the financial review process, weaknesses in accounting procedures and internal controls will be identified, and a report containing recommendations to improve these procedures and controls issued to the pastor/parochial administrator/pastoral minister along with the chairperson of the parish finance council.

September 1, 2024



DIOCESE OF
Jefferson City

BETTER
TOGETHER

APPENDIX

Financial Management and Accounting Manual for Parishes/Schools/entities

SEPTEMBER 1, 2024

CANONS 1281 – 1288

#1100

CANON 1281.

- §1. Without prejudice to the prescripts of the statutes, administrators invalidly place acts which exceed the limits and manner of ordinary administration unless they have first obtained a written faculty from the ordinary.
- §2. The statutes are to define the acts which exceed the limit and manner of ordinary administration; if the statutes are silent in this regard, however, the diocesan bishop is competent to determine such acts for the persons subject to him, after having heard the finance council.
- §3. Unless and to the extent that it is to its own advantage, a juridic person is not bound to answer for acts invalidly placed by its administrators. A juridic person itself, however, will answer for acts illegitimately but validly placed by its administrators, without prejudice to its right of action or recourse against the administrators who have damaged it.

CANON 1282.

All clerics or lay persons who take part in the administration of ecclesiastical goods by a legitimate title are bound to fulfill their functions in the name of the Church according to the norm of law.

CANON 1283.

Before administrators begin their function:

1. they must take an oath before the ordinary or his delegate that they will administer well and faithfully;
2. they are to prepare and sign an accurate and clear inventory of immovable property, movable objects, whether precious or of some cultural value, or other goods, with their description and appraisal; any inventory already done is to be reviewed;
3. one copy of this inventory is to be preserved in the archive of the administration and another in the archive of the curia; any change which the patrimony happens to undergo is to be noted in each copy.

CANON 1284.

- §1. All administrators are bound to fulfill their function with the diligence of a good householder.
- §2. Consequently they must:
1. exercise vigilance so that the goods entrusted to their care are in no way lost or damaged, taking out insurance policies for this purpose insofar as necessary;
 2. take care that the ownership of ecclesiastical goods is protected by civilly valid methods;

3. observe the prescripts of both canon and civil law or those imposed by a founder, a donor, or legitimate authority, and especially be on guard so that no damage comes to the Church from the non-observance of civil laws;
 4. collect the return of goods and the income accurately and on time, protect what is collected, and use them according to the intention of the founder or legitimate norms;
 5. pay at the stated time the interest due on a loan or mortgage and take care that the capital debt itself is repaid in a timely manner;
 6. with the consent of the ordinary, invest the money which is left over after expenses and can be usefully set aside for the purposes of the juridic person;
 7. keep well organized books of receipts and expenditures;
 8. draw up a report of the administration at the end of each year;
 9. organize correctly and protect in a suitable and proper archive the documents and records on which the property rights of the Church or the institute are based, and deposit authentic copies of them in the archive of the curia when it can be done conveniently.
- §3. It is strongly recommended that administrators prepare budgets of incomes and expenditures each year; it is left to particular law, however, to require them and to determine more precisely the ways in which they are to be presented.

CANON 1285.

Within the limits of ordinary administration only, administrators are permitted to make donations for purposes of piety or Christian charity from movable goods which do not belong to the stable patrimony.

CANON 1286.

Administrators of goods:

1. in the employment of workers are to observe meticulously also the civil laws concerning labor and social policy, according to the principles handed on by the Church;
2. are to pay a just and decent wage to employees so that they are able to provide fittingly for their own needs and those of their dependents.

CANON 1287.

- §1. Both clerical and lay administrators of any ecclesiastical goods whatever which have not been legitimately exempted from the power of governance of the diocesan bishop are bound by their office to present an annual report to the local ordinary who is to present it for examination by the finance council; any contrary custom is reprobated.
- §2. According to norms to be determined by particular law, administrators are to render an account to the faithful concerning the goods offered by the faithful to the Church.

CANON 1288.

Administrators are neither to initiate nor to contest litigation in a civil forum in the name of a public juridic person unless they have obtained the written permission of their own ordinary.

Definition: A juridic person is an artificial person constituted by competent ecclesiastical authority for an apostolic purpose, with a capacity for continuous existence and with canonical rights and duties like those of a natural person. Like a civil-law corporation, it is a legal construct which can and must be conceived of apart from the natural persons who constitute it, administer it, or for whose benefit exists. Of its nature, a juridic person is perpetual and, once established it can outlast all natural persons or material goods which formed it.

SAMPLE CODE OF CONDUCT AND CONFIDENTIALITY STATEMENT

#1102

Code of Conduct and Confidentiality
For the *(Name of Parish)* Finance Council

It shall be the obligation of the parish finance council and its committees to subscribe to the following:

While serving and thereafter, members shall keep confidential all matters of record or reference, whether or not communicated or discussed in meetings or among those serving, until such time as such matters are officially publicized. Trust, sensitivity, and candor shall be observed.

Members shall always speak and act, inside and outside of the parish finance council or its committee meetings, in a manner supportive of the parish and the pastor. While honest and healthy reflection is respected, comments of derision or embarrassment to the parish shall be avoided.

If any conflict of interest, whether real or perceived, should arise the member must immediately inform the pastor, and if the pastor determines, offer his or her resignation from the parish finance council.

IN WITNESS THEREOF, on the _____ day of _____, 20_____
the Reverend _____, Pastor of *(Name of Parish)*,
has adopted the foregoing Code of Conduct and Confidentiality which shall be signed by the members of the *(Name of Parish)* parish finance council and its committees.

Reverend _____, Pastor
(Name of Parish)



SAMPLE COLLECTION SUMMARY FORM

#2202

Parish Name: _____

Date of Collection: _____

| COLLECTION TYPE | COIN | CURRENCY | CHECKS | TOTAL |
|------------------------------|------|----------|--------|-------|
| Weekly Envelope - Adult | | | | |
| Weekly Envelope - Child | | | | |
| Loose Offerings | | | | |
| Building Improvement Fund | | | | |
| Christmas Collection | | | | |
| Easter Collection | | | | |
| Diocesan Missions Collection | | | | |
| Other Receipts: | | | | |
| Specify: | | | | |
| Specify: | | | | |
| Specify: | | | | |
| Specify: | | | | |
| TOTALS | | | | |

ALL MONEY COUNTERS MUST SIGN AND DATE:

Signature: _____

Date: _____

Signature: _____

Date: _____

Signature: _____

Date: _____

Attach deposit slip to this form.



CHART OF ACCOUNTS

#6103

Special Note: In late FY24, the Chancery began beta testing a new parish/school/entity Chart of Accounts. That testing has been successful and at the beginning of FY25, parishes have begun the (Chancery-guided) transition.

The new Chart of Accounts, along with the required implementation of QuickBooks Online, offers a number of advantages including a cleaner/simpler interface, enhanced custom reporting, discontinuing the tithe calculator and a significant reduction in time and effort related to annual reporting.

If a parish is interested in taking advantage of this upgrade earlier, contact the diocesan Finance Office.

INTRODUCTION

The Chart of Accounts is a systematic approach to accounting for assets, liabilities, net assets, receipts and expenses. Each parish uses the same Chart of Accounts, but not all accounts in the Chart of Accounts is needed by each parish. In addition, parishes can add a suffix to the general account structure to create various sub accounts as needed (ie. 110.1, 110.2, 110.3, etc.). This allows flexibility based of parish needs and accounting software capabilities. The Chart of Accounts mirrors the diocesan annual report, which aids in matching the parish's accounting reports to the annual report.

Chart of Accounts

Assets

- 001 Cash
- 002 Funds on deposit with Diocese
- 003 Funds invested other than Diocese
- 004 Other (specify)
- 005 Other (specify)

Liabilities

- 007 Accounts payable
- 008 Federal income Taxes Payable
- 009 FICA/Medicare Taxes Payable
- 010 Missouri income Taxes Payable
- 011 Loans due to Diocese
- 012 Loans due to other than Diocese
- 013 Other liabilities (specify)

Net Assets

- 015 Net Assets

Receipts



General Church Receipts

- 100 Offertory collections
- 101 Collections and other devotions
- 102 Other collections (specify)
- 103 Other collections (specify)
- 104 Parish socials, picnics, etc. (net of expenses)
- 105 Endowments
- 106 Donations from parish societies/organizations
- 107 Bequests (from wills and estates)
- 107.1 Memorials (made on behalf of or in the name of others)
- 108 Rental of parish property and facilities
- 109 Investment income
- 110 Other receipts (specify)
- 111 Other receipts (specify)
- 112 Other receipts (specify)
- 115 Expenses paid directly by others

Special Church Receipts

- 121 Sale of parish property and furnishings
- 122 Refunds, reimbursements, insurance claims, tax refunds, etc.
- 123 Cemetery
- 126 PSR program
- 127 Adult education programs
- 128 Miscellaneous
- 129 Stole Fees/Mass offerings
- 130 Approved capital campaign receipts
- 131 Votive offerings, sale of literature and religious articles
- 132 Reimbursement of pastor and other parish employees by another parish
- 133 Charities in/out
- 134 HOLD
- 136 HOLD
- 136.1 FSA/Paylocity - HOLD
- 137 Other receipts (specify)
- 138 Other receipts (specify)
- 139 Other receipts (specify)

Diocesan Collections

- 140 Christmas (Seminarian)
- 141 Diocesan Mission Collection
- 142 HOLD
- 143 Easter (Infirm Priest)



FINANCE & ACCOUNTING POLICY
FOR PARISHES, SCHOOLS AND ENTITIES

Official Policy of the
Diocese of Jefferson City

144 Other (specify)

145 Other (specify)

Parish School Receipts

170 Tuition from non-Catholic students

171 School subsidy from another parish

172 Other tuition (specify)

173 Sustaining fees, book, fees, etc.

174 Bus fares

175 School direct donations

176 Refunds, insurance claims, etc.

177 Parish subsidy to lunch program

178 Assistance from DEEF or other diocesan donor

179 Other receipts (specify)

179.5 Expenses paid directly by others

Pre-school/Day Care

180 Pre-School receipts

181 Day Care receipts

182 Extended Care receipts

183 Other (specify)

Expenses

Church and Rectory Expenses (General)

300 Salary, Pastor

301 Salary, Associate Pastor

302 Salary, Pastoral Minister(s)

303 Salary, Transitional Deacons

304 Salary, Housekeeper

305 Salary, Secretary and bookkeeper

306 Salary, Organist

307 Salary, Custodian

308 Salary, Extra Priests

309 Salary, Other

310 Telephone

311 Utilities

312 Insurance

313 Custodial supplies

314 Repairs and improvements

315 New furnishings and equipment

316 New construction



FINANCE & ACCOUNTING POLICY
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317 FICA, parish portion
318 Printing
320 Sanctuary expense
321 Liturgy, choir and music supplies
322 Sunday missals
323 Votive, literature and religious supplies
324 Office supplies
325 Pro Mensa

326 Charities
327 Church envelopes
328 Health insurance
329 Clergy 403(b) retirement
330 Payroll servicing and accounting fees
341 Parish software
342 Business meals
350 Lay retirement
390 Other expenses (specify)
391 Other expenses (specify)

Church and Rectory Expenses (Special)

400 CSR
401 HOLD
402 Subsidy to another parish school
403 Subsidy to a Catholic high school
404 Cemetery
405 Religious retirement program
408 Interest paid on loans
409 Parish Pastoral Council expenses
410 Adult education programs
411 PSR expenses
412 Property taxes
413 Auto expenses/mileage
416 Continuing education
417 Permanent deacon expenses
418 Other expenses (specify)
419 Other expenses (specify)
421 Stipend paid to other parish for shared pastor



Diocesan Collections

- 440 Christmas (Seminararian)
- 441 Diocesan Mission Collection
- 442 HOLD
- 443 Easter (Infirm Priest)
- 444 Other (specify)
- 445 Other (specify)

School Expenses

- 500 Salary, Religious Faculty
- 501 Salary, Lay Faculty
- 502 Salary, Bus Drivers
- 503 Salary, Secretarial or Clerical
- 504 Salary, Custodial
- 505 Religious Retirement

- 506 Salary, Substitute Teachers
- 507 Salary, Aids, Afterschool Care
- 508 Salary, Other (specify)
- 510 Telephone
- 511 Utilities
- 512 Property insurance
- 513 Custodial supplies
- 514 Repairs and improvements
- 515 New construction
- 516 New equipment and furnishings
- 517 FICA, school portion
- 519 Supplies, Office
- 520 Supplies, Teachers
- 521 Supplies, Audio Visual
- 522 Supplies, Library
- 523 Supplies, Textbooks, secular
- 524 Supplies, Textbooks, religious
- 525 Diocesan School Office fees
- 526 Subsidy paid to other schools
- 527 Insurance on students and personnel
- 528 Health insurance, school personnel
- 529 Transportation, Bus fees paid
- 530 Transportation, Gas, oil, etc.
- 531 Transportation, Repairs
- 532 Transportation, Insurance, license

**FINANCE & ACCOUNTING POLICY
FOR PARISHES, SCHOOLS AND ENTITIES**

*Official Policy of the
Diocese of Jefferson City*

- 533 Transportation, New bus purchase
- 534 Transportation, other (specify)
- 535 Faculty activities
- 536 Student activities
- 537 Educational services
- 538 Teacher lunches
- 539 Other school expenses
- 540 Religious living expenses (school)
- 541 Software fees – Ren Web
- 543 COVID related expenses
- 550 Lay retirement for school employees
- 590 Miscellaneous
- 591 Other expenses (specify)

Pre-School/Day Care/Extended Care Expenses

- 500.1 Salary, Religious Faculty
- 501.1 Salary, Lay Faculty
- 502.1 Salary, Bus Drivers
- 503.1 Salary, Secretarial or Clerical
- 504.1 Salary, Custodial

- 505.1 Religious Retirement
- 506.1 Salary, Substitute Teachers
- 507.1 Salary, Aids, Afterschool Care
- 508.1 Salary, Other (specify)
- 510.1 Telephone
- 511.1 Utilities
- 513.1 Custodial supplies
- 517.1 FICA, school portion
- 519.1 Supplies, Office
- 520.1 Supplies, Program
- 527.1 Insurance
- 528.1 Health insurance
- 529.1 Transportation fees
- 536.1 Activities expense
- 538.1 Lunch/snack expense
- 539.1 Other school expenses
- 541.1 Software fees – Ren Web
- 550.1 Lay retirement (Pre-school/Day Care)
- 590.1 Miscellaneous



Religious Education

- 600 Salary, Religious Faculty
- 601 Salary, Lay Faculty
- 602 Salary, Bus Drivers
- 603 Salary, Secretarial or Clerical
- 604 Salary, Custodial
- 605 Religious Retirement
- 606 Salary, Substitute Teachers
- 607 Salary, Aids, Afterschool Care
- 608 Salary, Other (specify)
- 610 Telephone
- 611 Utilities
- 612 Property insurance
- 613 Custodial supplies
- 614 Repairs and improvements
- 615 New construction
- 616 New equipment and furnishings
- 617 FICA, school portion
- 620 Supplies, Teachers
- 621 Supplies, Audio Visual
- 622 Supplies, Library
- 623 Supplies, Textbooks, secular
- 624 Supplies, Textbooks, religious
- 625 Diocesan School Office fees
- 626 Subsidy paid to other schools

- 627 Insurance on students and personnel
- 628 Health insurance, school personnel
- 629 Transportation, Bus fees paid
- 630 Transportation, Gas, oil, etc.
- 631 Transportation, Repairs
- 632 Transportation, Insurance, license
- 634 Transportation, other (specify)
- 635 Faculty activities
- 636 Student activities
- 637 Educational services
- 638 Other school expenses
- 639 Other school expenses
- 640 Religious living expenses (Rel. Ed, RCIA, etc.)
- 650 Lay retirement

- 690 Miscellaneous
- 691 Other expenses (specify)

Convent Expenses

- 700 Salary, Housekeeper
- 701 Salary, Other
- 705 Religious retirement
- 710 Telephone
- 711 Utilities
- 712 Property insurance
- 713 Custodial supplies
- 714 Repairs and improvements
- 715 New construction
- 716 Equipment
- 717 FICA, convent portion
- 720 Chapel expense
- 727 Auto expense
- 728 Health insurance
- 738 Other (specify)
- 740 Expenses allocated to school line (540) contra-account
- 741 Expenses allocated to religious education (640) contra-account
- 742 Expenses allocated to church (340) contra-account
- 750 Lay retirement

Other Parish Buildings

- 800 Salaries
- 810 Telephone
- 811 Utilities
- 812 Property insurance
- 813 Custodial supplies
- 814 Repairs and improvements

- 815 New construction
- 816 New equipment and furnishings
- 817 FICA
- 827 Insurance on personnel
- 828 Health insurance
- 829 Other expenses
- 850 Lay retirement
- 890 Miscellaneous