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ACCOUNTING SYSTEMS

To provide a uniform method of accounting for the resources entrusted to the parish or school; the Archdiocese endorses and supports two accounting systems -- and the PDS Ledgers/Payable Software system and the manual bookkeeping method. The Archdiocese strongly encourages use of the PDS system. Parishes or schools using PDS should have the most current version of the software and a maintenance support agreement in effect. Either method will:

1. Enable the parish or school to classify financial transactions consistently. This will in turn provide the parish or school with comparative financial reports, which can be used to monitor and evaluate the present, review the past, and plan for the future.
2. Provide a uniform method of accounting and reporting throughout the Archdiocese.
3. Provide for continuity in the event of a change in the pastor or pastoral administrator.

Both systems assume that the person doing the bookkeeping for the parish or school understands basic accounting principles, including double-entry bookkeeping. That is, all entries consist of debits to some accounts and credits to other accounts, and the total of all the debits equals the total of all the credits.

In general, the Archdiocese prefers the use of an "accrual basis" accounting system as opposed to the cash method. That is, income is recorded when it is earned, and expenses are recorded when they occur, not necessarily when payment for those expenses is made. However, the cash method is acceptable.

It is strongly recommended that the accrual method be used in the case of recognizing school salary expense, tuition, and pre-registration. These income and expense items must be reflected in the proper school year.

Please refer to *Appendix I-Accounting Procedures* for the Chart of Accounts and a glossary of basic accounting terms.

ALCOHOLIC BEVERAGES

Legal Requirements of Parishes or Locations:

Based upon federal and state laws, all parishes or locations with any type of liquor license allowing them to serve or sell alcohol at picnics, festivals, or any parish or location event must observe the following:

- Alcohol must not be served to someone who appears to be intoxicated.
- Alcohol may only be purchased by and served to adults 21 years of age and over. Beer servers must check for identification when beer is requested from someone who appears to be even remotely underage. Further, no person under the age of 21 may attempt to receive, possess, or drink alcoholic beverages. The parish or location and its employees, agents, volunteers, workers, and the minor can all be held responsible for these violations.
- Parishes or locations must post warning signs of the danger of alcohol to pregnant women and their unborn children and no service to persons under 21.
- Open containers of alcohol may never be carried on to or off licensed premises.
- Alcoholic beverages may never be sold without the proper license from the city or county and the state. In addition, alcoholic beverages may never be given to the public or raffled off. A special temporary liquor and wine auction license may be obtained from both the city and state in order to offer liquor or wine as auction items.
- All ABC licensees must purchase their alcohol only from a Kentucky Beer Distributor or Kentucky Liquor Wholesaler.
- Parishes or locations with a permanent license (renewed annually) are restricted to selling the type of alcoholic beverage on the license. Renters or private parties are not allowed to bring alcoholic beverages onto the premises. Renters or private parties serving alcoholic beverages must purchase them from the licensed parish or location at no less than the cost of the beverages.
- Parishes or schools without a permanent license may not sell alcoholic beverages. However, they may obtain a temporary license for a single event. The temporary license may cover events during a specified length of time, i.e. fish fries during Lent. A parish or location without a permanent license is not restricted in allowing renters or private parties to bring alcoholic beverages onto parish or school property.
- Licensees must pay at least cost for any products received from the wholesalers, distributors, brewers, distillers, or suppliers. (Examples of these products include cups, napkins, liquor, umbrellas, hats, etc.) Licensees may not accept anything of value from an alcohol distributor or wholesaler.
- Every precaution should be made to see that alcohol of any type not be brought onto premises of any parish or location event at which alcohol is served.

Legal Requirements of the Alcohol Distributor:

- Beer must be paid for before or at the time of delivery.
- Unused or unwanted alcohol may not be returned to a wholesaler or distributor.
- Distributors and wholesalers may never give licensees free alcohol.
- Alcohol distributors and wholesalers may never give anything of value to a licensee (directly or indirectly) in exchange for selling their product.
- Draft beer equipment may be loaned free of charge to a holder of a temporary beer license. Holders of permanent retail beer licenses must pay the distributor a fee for using draft beer equipment.

Archdiocesan Policy

Archdiocesan policy is based upon our moral and legal responsibilities to those who attend the picnic, festival, or parish or location event where alcohol is served and to the community at large. This policy requires parishes or locations to strictly enforce all legal alcohol beverage control requirements. There should be no tolerance of underage drinking on the part of pastors or pastoral administrators, event chairpersons, and beer or liquor servers. In addition, the following actions are required for all parishes or locations with any type of liquor license allowing them to serve or sell alcohol at parish or location events:

- All Bartenders and Event Coordinators of any parish or location event at which alcoholic beverages are served must participate in an Alcohol Awareness Training Program. This training will cover how to recognize false IDs, current legislation about alcohol sales to minors or to those who are drunk or disorderly, and strategies for enforcing the law. Materials from the program, including a video of the presentation, will be made available so that those who attend can repeat the workshop at their own parish or location for all bartenders.
- Parishes or locations that intend to serve alcohol at parish or location events must seek permission from the Vice Chancellor annually. This request must include a statement that all bartenders and event coordinators involved in the sale or serving of alcohol have participated in alcohol awareness training.
- No alcoholic beverages can be served at elementary school, secondary school, or parish youth athletic events.
- Persons who serve or sell alcohol must be at least 21 years of age.
- If beer tickets are utilized, parishes or locations must sell only two tickets at a time. Further, parish or location event volunteers must check identification at two points: when tickets are sold and when the beer is served.
- If a parish or location event exceeds four hours in duration, parishes or locations must stop dispensing all beer and or alcoholic beverages one hour before the end of the event. Advertisements for parish or location events must include a posted closing time.
- The sales area must contain adequate lighting so that the beer sellers can properly check IDs.
- Parishes or locations must make telephones available and post signs advertising taxi

services for anyone who is too intoxicated to drive home. Parishes or locations also must post signs prohibiting alcohol and/or glass containers from being carried onto parish or location grounds.

- Security officers must be present where alcohol is dispensed. Parishes or locations also must provide adequate security for other areas of the festival based upon expected attendance.
- Bring your own bottle (BYOB) events, whether private party, parish, or location sponsored, are prohibited.
- Alcohol availability should never be the main emphasis of any advertisement for any parish or location function.
- Events where alcoholic beverages are sold or served may not feature “happy hours” or multiple drinks for the price of one specials.
- At each parish or location function, the pastor, administrator, or his designate must make certain that this policy is followed.
- Private party events must conform to the requirements of insurance set forth in the Insurance Coverage section.

Guidelines for parish or location picnics, festivals or carnival type events:

In addition to conforming to the above, any parish or location that sells alcohol at a picnic, festival or carnival type event should also adhere to the following:

- Gang presence and activity must not be tolerated on parish or location property.
- Parishes or locations sponsoring festivals or other events that could create major traffic problems must anticipate and take steps to alleviate these problems.
- Parishes or locations should limit access to parish or location event grounds and should use fencing and security officers to enforce these points of access. This action is recommended for the following reasons:
 - Limited points of entry allow parishes or locations to check for alcohol being carried onto the grounds.
 - The sobriety of attendees can be checked upon their arrival and departure.
 - Parishes or locations can check for persons entering with glass containers.
 - Parishes or locations can challenge gang members who enter wearing gang colors.
- Parishes or locations should consider eliminating the sale of beer tickets at parish or location sponsored events. This recommendation is made for several reasons:
 - Servers have the ability to check sobriety when they exchange money.
 - When servers are responsible for exchanging money, they are more directly reminded of their liability for selling to a minor or to someone who is intoxicated.
 - Use of tickets does not eliminate bartenders’ legal liabilities for serving to minors or to someone who is intoxicated.
 - Parishes or locations that elect to continue using beer tickets must check ID both when selling the ticket and when serving the beer. Parishes or locations must limit the sale of beer tickets to two per person per time.

- Based upon discussions with law enforcement officials, parishes or locations are strongly recommended to limit alcohol consumption to a “beer garden” area.
- The sale of food should start *before* the sale of alcohol.

If there is any incident on parish or location property involving or related to alcohol, notify the Vice Chancellor.

The above guidelines are in addition to liquor laws established by state and local ordinances.

A sample Permission for the Sale of Alcohol form is included in *Appendix IV-Sample Forms/Reports*.

AUDIT COMMITTEE

Each parish or school must establish an Audit Committee, which will conduct a formal internal review of parish or school financial records, and internal controls each year. The Committee should be appointed by the Parish Council or School Board, and the appointments ratified by the Pastor or Pastoral Administrator. It should consist of at least three persons. None of these persons should be employees of the parish, school, or individuals who have responsibilities or duties involving the handling of funds or authorizing expenditures at the parish or school. Of the three, two of those persons should be finance oriented and familiar with the activities of the parish or school. One person should be a member of the Parish or School Finance Council.

Small parishes or schools may want to join and form an Audit Committee with a representative from each parish or school. This joint Audit Committee could perform an annual internal review and prepare a report for each parish or school.

The purposes of the Audit Committee are to:

- . Ensure that the parish or school is operating in accordance with Archdiocesan Financial Policies and Procedures.
- . Ensure internal control procedures are being followed.
- . Ensure the accuracy of parish or school financial reports.
- . Examine underlying documentation to support the financial statements.
- . Recommend any changes the Committee believes appropriate to improve the financial structure and internal control of the parish or school.

The annual internal review by the Committee should be undertaken as soon as possible after the annual financial report has been completed. A written report should be prepared which briefly summarizes the procedures the Committee followed and its findings and recommendations. The report should be reviewed with the pastor or pastoral administrator who should communicate the recommendations to the Parish Council or School Board and Finance Council. Additionally, the report should be submitted to the Archdiocesan Finance Department.

The Archdiocese may also perform audits as deemed appropriate of any parish or school or any of its organizations.

To assist parish audit committees with their annual internal review, the Archdiocese of Louisville Parish Internal Control Questionnaire is provided in *Appendix II-Audit Procedures*.

AUTOMOBILE/VEHICLE OWNERSHIP OR RENTAL

GUIDELINES FOR USAGE OF 10-15 PASSENGER VANS

The National Transportation Safety board has determined that 10-15 passenger vans have a poor safety record. Therefore, the Archdiocese of Louisville implemented the following policy:

10-15 passenger vans WILL NOT be permitted to be leased, rented, or used for any parish school or archdiocesan function.

Adding or eliminating seats does not alter requirement.

OWNERSHIP

Archdiocesan organizations, parishes, or schools may not own automobiles or other vehicles without prior approval from the Archbishop. Vehicles cannot be purchased or leased in the name of individual priests or staff members.

Requests for purchases of vehicles must be submitted to the Archdiocesan Finance Office and should include the following information:

- . Type of vehicle
- . Reason for purchase
- . Price of vehicle
- . Expected use of vehicle
- . Insurance coverage information
- . Person responsible for the vehicle and records

INSURANCE

The Archdiocese requires minimum insurance coverage of \$500,000 for each of the following:

- . Liability
- . Uninsured motorist
- . Bodily injury
- . Underinsured

Archdiocesan organization, parish, or school owned vehicles cannot be borrowed for personal use by anyone -- including the pastor, pastoral administrator, associate pastor, parish or school employees, or volunteers. Vehicles shall remain on parish or school property when not in use.

RENTED AUTOMOBILES/VEHICLES

If any employee or volunteer is driving a rented automobile or vehicle on behalf of an archdiocesan organization, parish, or school, current insurance laws and regulations state the driver is the primary insurance carrier for any accident. **If the employee or volunteer driver carries no insurance coverage, the coverage offered by the rental agency must be accepted.**

SAFETY

Each employee should become familiar with this policy, especially those who drive vehicles or who are authorized to transport people. Inspection of safety records will become a standard part of the insurance program and subject to review by the Catholic Mutual Risk Manager.

DRIVER SELECTION AND TRAINING

Care should be exercised in selecting individuals who are required or asked to operate a vehicle on behalf of the parish or school. Accordingly, the following steps should be followed and documented:

All Operators

1. All operators of vehicles on behalf of the archdiocese, parish or school must possess a current, valid driver's license for the type of vehicle they will be operating and be at least 21 years of age.
2. A commercial drivers license will be required if the following types of vehicles are to be driven:
 - a. the vehicle's manufacturer's weight rating is over 26,000 pounds, or
 - b. vehicle is designed for 16 or more passengers, including the driver.
 - c. when required by federal or state law.
3. No one will be allowed to drive on behalf of the archdiocese, parish, or school who has any felony conviction, which involves a motor vehicle.
4. No one will be allowed to drive on behalf of the archdiocese, parish, or school who has any of the following citations or convictions in the past three years:
 - a. operating a vehicle during a period of license suspension, revocation or forfeiture
 - b. hit and run accident
 - c. failure to report an accident
 - d. using a motor vehicle without the owner's authority
 - e. permitting an unlicensed person to drive
 - f. reckless driving
 - g. speed contest, accidents and/or moving violations which total three
 - h. driving under the influence
5. All operators and passengers are expected to adhere to the current Kentucky State safety belt laws and regulations.
6. All multi-passengers, archdiocese, parish or school-owned vehicles must be equipped with a first-aid kit.
7. Because of new U.S. Department of Transportation regulations, no archdiocese, parish, or school-owned multi-passenger vehicle is to be driven across Kentucky State lines without parish or school approval.

Employee Operators

1. All employees who are required by their job responsibilities to operate a vehicle must complete an employment application form.
2. A copy of the Motor Vehicle Record (MVR) must be obtained from each state where the applicant has held a valid license.
3. Any employed driver who causes an accident in an archdiocese, parish, or school vehicle or is cited for two moving violations within a 12 month period will be required to attend a defensive driving course.

Volunteer Operators

1. A statement of driving history must be obtained from all volunteers who are going to drive an archdiocese, parish, or school owned, or their own vehicle to transport people to an archdiocese, parish, or school-sponsored function on behalf of the parish or school.
2. Current insurance laws and regulations state that the owner or driver's insurance for a vehicle, no matter its purpose, is the primary insurance carrier for any accident. There is a policy within the archdiocese that could offer additional liability coverage should a claim exceed the limits of the private policy.

Accident Reporting

1. Obtain medical assistance at the scene as soon as possible, if needed.
2. Contact local police, sheriff or highway patrol authorities as required.
3. Driver should make no comment regarding the fault of either party.
4. Exchange driver, vehicle and insurance information.
5. Report accident/moving violation to the parish or school and to the archdiocese.
6. Report accident to insurance company.
7. Take pictures of the accident scene. It is recommended that all archdiocese, parish, or school owned vehicles have a disposable camera in the vehicle.

BANK ACCOUNTS/RECONCILIATIONS

All parish or school funds must flow through the parish or school general checking account. This includes funds for mass stipends, schools, committees, and organizations such as men's, women's and athletic clubs. The only two exceptions to this policy are charitable gaming and cafeteria funds, which must remain in separate checking accounts because of governmental reporting policies. Parish or school organizations may maintain imprest checking accounts at a specified level; not to exceed one month's operating expenses.

Parish or school checking/saving accounts and parish or school organization imprest accounts must be held in FDIC insured banks. The accounts should be registered in the name of the parish or school, such as "*Parish or School Name* General Checking Account," or "*Parish or School Name* Booster Club Checking Account." (Please refer to section entitled "Investments" for the proper registration of other investment accounts.)

Bank Reconciliations

Bank statements for the parish, school and/or all parish or school organizations (including imprest accounts) must be mailed to the parish or school office and should have a month end closing date. They should be opened and reviewed by someone other than the person doing the bank reconciliation. The review consists of verifying signatures and endorsements, and ensuring that no deposits are being made to imprest accounts other than the reimbursement check. The reviewer should sign or initial the bank statement once the review is complete. After this review, the statements should then be forwarded to the appropriate organization/person responsible for reconciling the statement.

All bank accounts must be reconciled each month. The PDS accounting system includes a program to do this. Bank reconciliations should be completed no later than one week after bank statements are received. The Finance Council should review all bank reconciliations and document such reviews in their meeting minutes.

If possible, the parish or school general account bank reconciliation should not be done by the bookkeeper. However, if limited staff makes it necessary for the bookkeeper to prepare the bank reconciliation, the Finance Council must review it and document the review in their meeting minutes.

BENEFITS FOR EMPLOYEES

Please refer to the following documents for information regarding parish or school employee benefits:

- . Personnel Policies and Procedures Manual (April, 2009)
- . Catholic Archdiocese Employee Retirement Plan (Summary Plan Description)
- . Archdiocese of Louisville Employee Benefits Program and Summary Plan Descriptions
- . Handbook for Catholic Schools
- . Pastoral Ministry in the Archdiocese of Louisville (Position Descriptions and Salary Ranges)

NOTE: For your convenience, a tab entitled "Personnel Policies" has been included so that the above publications can be filed with this manual.

BUDGET PLANNING

All parishes, schools, and parish or school organizations are required to prepare an annual budget. The Parish Council or School Board must approve the budget. This budget should forecast receipts and expenditures for the fiscal year beginning July 1. The PDS Ledger/Payable Program has an effective budget preparation schedule. These forms should be used to assist the budget preparation process.

Parish or school budgets for the following year must be submitted to the Chancery along with the fiscal year end report. In other words, the report for fiscal year ended 2010, would include the budget for the fiscal year ended 2011. These reports for fiscal year end and budget must be received at the Archdiocese of Louisville Finance Office no later than July 31 after the fiscal year end closing date.

Deficit budgets should be avoided. However, if the parish or school approves a deficit budget, a letter of explanation as to how the deficit will be funded must accompany it.

CHARITABLE GAMING

All parishes or schools operating a bingo or Charitable Gaming Event must comply with Kentucky Revised Statute Chapter 238 (KRS 238) and the following Archdiocesan policies:

- Every bingo and fund raising event with charitable gaming activities must be registered with the Department of Charitable Gaming Office, 132 Brighton Park Boulevard, Frankfort, Kentucky, 40601-3714 (website <http://www.ocg.ky.gov/>). Call Tel: (800) 729-5672 or (502) 573-6625, for information to obtain a license.
- A separate checking account must be maintained for charitable gaming. This account must be under the pastor, pastoral administrator, or school administrator's authority and he or she must be a signer on all checks. Only officers listed on the charitable gaming license application are allowed to be checking account signers. Only expenses directly related to the operation of charitable gaming may be paid from the charitable gaming account. All expenditures from the account, including transfers to the parish or school must have supporting documentation.
- Gaming supplies and equipment should be purchased from a licensed distributor and invoices must be paid within 30 days.
- All licensed charitable organizations that have annual gross receipts of two hundred thousand dollars (\$200,000) or less and do not have a weekly bingo session shall report to the Department of Charitable Gaming annually and on a form established in administrative regulations promulgated by the Department. All other licensed charitable organizations shall submit reports to the Department of Charitable Gaming at least quarterly at the time and on a form established in administrative regulations promulgated by the Department.
- Records of all bingo and other fund raising activities shall be maintained for a period of three years plus the current year.
- Pastors, pastoral administrators, school administrators, and charitable gaming event administrators should receive a copy of KRS 238 and be familiar with its content. (Copies of KRS 238 may be obtained from the Department of Charitable Gaming)
- Booster clubs, auxiliary groups, etc., who fall under the primary organization (e.g., use the parish or school tax number) **MUST** turn in funds to the parish or school; have the pastor, pastoral administrator, or school administrator and officers listed on the charitable gaming license application as signers on checks; and follow all the rules of KRS 238.

Raffle Limitations

The Archdiocese places the following limitations on raffle prize winnings:

- Maximum prize value of \$20,000 for parish or elementary school raffles or related activities
- Maximum prize value of \$40,000 for high school raffles or related activities

Requests for exceptions to this policy must be submitted in writing to the Archdiocesan Chief Financial Officer.

Bingo

- All bingos must be "on site," e.g., on parish or school grounds or within parish or school boundaries, subject to approval by the Archdiocese. Permission for an

"off site" bingo must be obtained from the Archbishop. Requests must be made in writing.

- Permission for any **NEW** bingo must be obtained from the Archbishop. Requests must be made in writing.
- Bingo is to be administered, conducted and promoted exclusively by volunteer personnel. **NO REMUNERATION** of any kind, direct or indirect, (even tuition) may be received for these services. Bookkeepers and security may be paid a salary from charitable gaming account.
- No person under the age of 18 shall be permitted to play bingo or purchase bingo supplies.
- Prizes may not exceed a total of \$5,000 per session.
- All bingos must fully comply with the IRS regulations pertaining to the reporting and recording of prizewinners.
- Those who operate bingos should have a sensitivity, as far as times and days, to the other parishes or schools in their immediate area who also operate bingos.

Reporting of Bingo Winnings

Bingo winnings are not subject to the withholding of Federal or Kentucky income taxes. However, bingo winnings of \$1,200 or more are subject to information filing requirements. In the event a parish or school has a winner of \$1,200 or more, the parish or school must provide the winner with a Form W-2G (Statement for Recipients of Certain Gambling Winnings). This form must be completed with the winner's name, address, social security number and signature. A copy of Form W-2G must be filed with the IRS by using Form 1096 (Annual Summary and Transmittal of U.S. Information Returns).

If the winner refuses to give the necessary information to complete Form W-2G, the parish or school must withhold 28% of the winnings as backup Federal income tax withholdings. The withholding would then be reported on Form 945 (Annual Return of Withheld Federal Income Tax).

Reporting to IRS and State for Capital Prize Winnings

Gambling Winnings Exclusive of Bingo - \$600-\$5,000

Parishes or schools must withhold 6% Kentucky State income tax from raffle and gambling winnings of \$600 to \$5,000, **if the winnings are at least 300 times the amount of the wager**. State winnings should be reported on Form K-1 *under the parish's tax identification number*. K-1 forms have to be requested from the state. Please check the Kentucky Department of Revenue website at <http://revenue.ky.gov/wht/> to order the forms. In addition, the parish or school must provide the winner with a Form W-2G (Statement for Recipients of Certain Gambling Winnings). This form must be completed with the winner's name, address, social security number and signature. A copy of Form W-2G must be filed with the IRS by using Form 1096 (Annual Transmittal of U.S. Information Returns). If the winner refuses to give the necessary information to complete Form W-2G, the parish or school must withhold 28% of the winnings as backup Federal income tax withholdings.

Gambling Winnings Exclusive of Bingo - Over \$5,000

The parish or school is required to withhold 25% Federal and 6% State income taxes from the payment of raffle and gambling winnings over \$5,000, **if the winnings are at least 300 times the amount of the wager**. State winnings should be reported on Form K-1 *under the parish's tax identification number*. K-1 forms have to be requested from the state. Please check the Kentucky Department of Revenue website at <http://revenue.ky.gov/wht/> to order the forms. For this purpose, the amount of the prize is determined by reducing the amount received by the winner by the amount of the wager. (For example if a raffle ticket cost \$1 and the winner received \$5,000, taxes would be calculated on \$4,999.) The parish or school must provide the winner with a Form W-2G (Statement for Recipients of Certain Gambling Winnings). This form must be completed with the winner's name, address, social security number and signature. A copy of Form W-2G must be filed with the IRS by using Form 1096 (Annual Transmittal of U.S. Information Returns).

Non-Cash Winnings

In the event the prize is property other than cash, e.g., a car, vacation, trip, etc., the amount of the prize is its fair market value (must be obtained from independent sources) less the amount of the wager. Although this type of prize does not involve cash, withholding of Federal and State income tax is still required. For prizes valued over \$5,000 the parish or school must obtain the required withholding (25% Federal and 6% State) from the recipient of the prize at the time the prize is awarded. The parish or school must provide the winner with a Form W-2G (Statement for Recipients of Certain Gambling Winnings). This form must be completed with the winner's name, address, social security number and signature. A copy of Form W-2G must be filed with the IRS by using Form 1096 (Annual Transmittal of U.S. Information Returns).

Reporting to IRS for Poker Tournament Winnings

The IRS requires all poker tournament sponsors to report winnings of more than \$5,000, on IRS Form W-2G. Tournament sponsors who comply with this reporting requirement do not need to withhold federal income tax at the end of a tournament. If a tournament sponsor does not report winnings, the IRS has announced it will "enforce the reporting requirement and also require the sponsor to pay any tax that should have been withheld from the winner if the withholding requirement had been asserted." To enable compliance, a winner must provide a taxpayer identification number, which is usually a Social Security number, to the tournament sponsor. If he or she fails to do so, the tournament sponsor must withhold federal income tax at the rate of 28 percent. Review Revenue procedure IR-2007-173 for complete details.

Accounting Procedures for Fundraisers

The income and expenses related to fund raising activities should be recorded in the Fundraising Activity section of the income statement. Income and expenses may be posted to separate accounts or to the same account so that only the "net" result is reported. Both the computer and manual bookkeeping systems provide "net" accounts for recording fund raising activities. Computer users should setup separate accounts for each fund raising activity.

Example:

Picnic income would be posted to a 1300 series account. Picnic expenses could be posted to a 1300 series account, either a separate account or the same account as picnic income. Net picnic income should appear in the Fundraising Activities, Net section of the income statement.

COLLECTIONS – SUNDAY AND HOLYDAYS

Receipts from Saturday and Sunday Masses, as well as Holy Day Masses, must be secured in a safe location, preferably a locked vault and always handled in the presence of at least two people. Collections should be deposited no later than the next business day. Parishes should have a “Counting Team” of two or three non-related individuals who count the collection. Only those persons designated as members of the counting team should be in the room when the counting takes place. The counting team should prepare a collection and deposit report, which should be signed by the counters and forwarded to the parish bookkeeper immediately. Members of the counting team should rotate on a regular basis.

Suggested Money Counting Procedure

1. Weekly envelopes are separated from special collection envelopes and are sorted by parish number into stacks labeled “under 100, 100’s, 200’s, 300’s, etc.

Each stack is rubber banded, counted and balanced individually before being added to the general deposit:

- Each envelope is opened, the money or checks counted, and the amount written on the front of the envelope.
- When the stacks have been opened and counted, a separate adding machine tape is prepared of the envelopes and the money. These two totals must balance before another stack of envelopes is begun.
- The two adding machine tapes are rubber banded to the stack with the balance total circled.

All balanced stacks are added together and the total is written under “Parish Support: Envelopes” on the Collection Count Report.

2. All loose cash is counted and checked by two people to verify amounts and the total is written under “Parish Support: Loose Cash” on the Collection Count Report.
3. All loose checks are matched against a parish list. If the person who wrote the check is a parishioner, their ID number is written on the check and the amount is listed on the “Leftover” sheet under “Loose Checks” (with ID number). These checks are totaled and written under “Parish Support: Loose Checks with ID” on the Collection Count Report.
4. Non-parishioner checks are written under “Loose Checks” (no ID number). These checks are totaled and written under “Parish Support: Checks with no ID” on the Collection Count Report.
5. Children’s envelopes are counted and balanced in the same way as weekly collections and listed under “Parish Support: Students” on the Collection Count Report.
6. All Special Collections are counted and balanced in the same way as Weekly collections and listed under “Other Monies Counted: Special Collections.”

When all envelopes have been opened, counted, marked and all totals written on Count Sheets, the amounts are added for a final total at the bottom of the sheet marked “Total of All Monies Counted.” This total should match the total of all the coins, cash, and checks received for the day written on the bank deposit ticket and the line marked “Total Deposit.” If these two

numbers do not match, double check figures written on the count sheet and/or recount coins, cash and checks until balanced. A member of the count team should verify the deposit total and initial the deposit ticket. The deposit must be taken to the bank in a tamper-proof or locked bag. **It is highly recommended that the collections be counted as soon as possible after the last mass on Sunday and deposited in the bank night deposit in a tamper-proof or locked bag. Loss of uncounted money is not covered under insurance. If the collection can not be deposited in a bank night deposit on Sunday, store in a safe on parish property. It is recommended that safes used by the parish or school have a minimum rating of TL 15, are through-bolted to walls or floors, and are placed in alarmed and/or heavily used buildings, such as the parish office.**

The empty envelopes are used to enter the amount given into the Parish Data System (or other system used to keep track of envelope contribution for each family). As each stack is keyed into the Quick entry screen, the circled amounts from the adding machine tapes are entered into an adding machine. At the end of each stack, the running total on the quick entry screen should match the adding machine total. If not, go back and find the keying error in the PDS system or on the tape.

A sample Collection Count Report is provided in *Appendix IV-Sample Forms/Reports*.

CONFLICT OF INTEREST

Purpose of the Conflict of Interest Policy of the Archdiocese of Louisville:

The Archdiocese of Louisville, including parishes, schools, agencies, and all other organizations included under the corporation sole, expects its priests, employees and the members of the Archdiocesan Finance Council and their various subcommittees, and members of any board, committee, or council with fiduciary responsibility for a parish, school, or agency (collectively referred to as "associates"), to act loyally toward the Archdiocese, to maintain the highest standards of ethics, and to maintain at all times an awareness of possible conflicts of interest, both in fact and in appearance. This policy is also meant to protect the Archdiocese's interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an associate of the Archdiocese.

Definitions and Examples

1. Conflict of Interest

Conflict of interest refers to a situation in which financial or other personal considerations may compromise or have the appearance of compromising an associate's professional judgment in administration, management or other professional activities.

A conflict of interest might arise when an associate is in a relationship that might lead to personal gain or provide an improper advantage for anyone. Ordinarily such problems may be resolved by full disclosure (see Procedures of Disclosure and Review section below) as well as by making appropriate arrangements that clearly exclude the associate from participating in related decisions. Examples of such relationships include but are not limited by the following:

- a. An associate has directly or indirectly through business, investment or family an ownership or investment interest in any entity with which the Archdiocese has a transaction or arrangement, or
- b. An associate has directly or indirectly through business, investment or family a compensation arrangement with the Archdiocese (excluding salary and wages earned through regular employment with the Archdiocese) or with any entity or individual with which the Archdiocese has a transaction or arrangement, or
- c. An associate has directly or indirectly through business, investment or family a potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the Archdiocese is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that are substantial in nature (see Gifts, Payments and Favors below).

2 Gifts, Payments, and Favors

Gifts, payments and favors include vacations, loans, expenses, consultant fees, stipends, direct gifts of objects or money, etc. The term "indirect" includes the offering or accepting of gifts, payments, or favors by a relative, a person acting on behalf of the associate, or a business entity in which the associate has an interest.

Procedures of Disclosure and Review

1. Duty to disclose

In connection with any actual or possible conflicts of interest, an associate must disclose the existence and nature of his or her potential conflict of interest. This disclosure must occur as soon as possible once an associate becomes aware of an actual or possible conflict of interest. Full disclosure of relevant information and the establishment of a written record are in the best interest of both the Archdiocese and the associate. It demonstrates good faith on the part of the associate and protects the individual's and the Archdiocese's reputation.

Disclosure shall include the type of potential conflict (conflict of interest or commitment), the nature of the activity, a description of all parties involved, the potential financial interest and rewards, and any other information deemed necessary to evaluate the disclosure.

These rules do not preclude those covered by this policy from offering or accepting of Christmas remembrances, thank you gifts, business meals, or occasional gifts of nominal value.

When a potential conflict of interest occurs, a completed Conflict of Interest Disclosure Statement (see disclosure statement in Appendix IV) must be submitted to the Archdiocesan Chancellor for review and evaluation.

2. Review of disclosures

The Chancellor shall review each conflict of interest disclosure. The Chancellor will carefully weigh the nature of each conflict and consult with the appropriate parties to determine if the situation:

- a. is permissible since the disclosed information does not represent a possible source of bias or an inappropriate activity;
- b. is permissible with modifications aimed at avoiding bias or inappropriate activities; or
- c. is inconsistent with Archdiocesan policy and thus not permissible. If a potential conflict or the appearance of such conflict, in fact, exists, the Chancellor will recommend a plan to manage, reduce or eliminate the conflict.

3. Maintain documents

The Office of the Chancellor shall maintain in a secured area for five years the records of conflict-of-interest disclosures and subsequent actions recommended and taken.

4. Distribution policy

For the Archdiocese of Louisville and all entities covered under the corporation sole, this policy shall be given to new employees upon hiring and to those associates having fiduciary responsibility for parishes, school, and agencies.

5. Failure to disclose

Failure to disclose actual or potential conflicts of interest in a timely manner or refusal to cooperate in the management, reduction, or elimination of conflicts of interest will be grounds for disciplinary action, including possible termination of

employment in the case of employees or removal from council positions as appropriate.

Disclosure Statements

Each associate shall complete a statement that discloses actual and potential conflicts of interest and further affirms that such person:

1. has received a copy of the conflict of interest policy
2. has read and understands the policy
3. has agreed to follow the directives and procedures with in the policy
4. understands that the Archdiocese is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities that accomplish one or more of its tax-exempt purposes.

As part of the employment process, all new employees will be required to sign a document attesting they have read and will comply with Archdiocese of Louisville Personnel Policies and Procedures, of which this Conflict of Interest policy will be included. The Conflict of Interest Disclosure Statement must be completed by new employees with a potential conflict of interest and all new appointees to a committee or council with fiduciary responsibility for a parish, school, and agency. It is the responsibility each associate to inform the Archdiocese of Louisville should a new conflict of interest arise subsequent to new employment or appointment.

CONTRIBUTIONS/TUITION

Contributions

Parishes or schools must maintain a record-keeping system that tracks contributions by parishioner (e.g., PDS Census/Contribution Program). The system should, at a minimum, provide the following information:

- . Parishioner name, address, family members
- . Weekly contribution amount
- . Total annual contribution amount

Records should also be maintained for periodic contributions from non-parishioners and/or corporations.

The records must explicitly detail any restrictions the donor has placed upon the contribution (e.g., for repairing the parish roof). It is the responsibility of the Parish Finance Council to ensure that the parish or school adheres to these restrictions.

Acknowledgement of Contributions

Parishes or schools are required to provide parishioners or donors with annual contribution statements which detail the amount contributed and indicate whether the amounts are tax deductible. The revised section 170(f)(8) of the Internal Revenue Code requires that an individual receive a receipt from an organization in order to take a charitable deduction on their tax return for individual gifts of \$250 or more. This includes Sunday contribution, contributions, capital campaign contributions and special gifts. These statements should be mailed by January 31 for the previous year's contributions. **A sample acknowledgment generated from the PDS Census/Contribution program is provided in *Appendix IV - Sample Forms/Reports*.**

Following is a list of contributions, which are tax deductible, and a list of payments, which are not tax deductible. Please keep in mind that, while it is the parish or school's responsibility to report contributions, the ultimate responsibility of tax deductibility rests with the taxpayer and IRS.

TAX DEDUCTIBLE CONTRIBUTIONS

- . **Parish Tithing:** Voluntary contributions received by a parish (e.g., Sunday mass contributions) are tax deductible and should be reported as such.
- . **Contributions for Intangible Religious Benefit:** Contributions for which the contributor receives an intangible religious benefit that generally is not sold in a commercial transaction outside the parish or school should be reported as tax deductible. This includes contributions for Mass stipends, CCD classes or sacramental fees.
- . **Non Cash Contributions:** Non cash contributions (e.g., property, stock) are normally deductible. However, it is the responsibility of the taxpayer to request an acknowledgement of any non-cash donation worth more than \$250. This acknowledgement should describe the gift and not set a value on the donation.
- . **Contributions for Fund Raising Events:** Normally contributions for fund raising events

include some sort of goods or service in return for the contribution. The value of the goods or service received is not tax deductible. For example, if a parish or school sells tickets for \$100 to attend a fund raising dinner and the contributor receives a dinner valued at \$25, only \$75 should be reported as tax deductible. For ease of reporting, announcements or tickets for fund raising events should contain a declaration informing the donor of the amount of the contribution that is deductible. In the above example, the parish or school could print the following information on the ticket -- "\$75 of Your Contribution is Tax Deductible."

NON-TAX DEDUCTIBLE PAYMENTS

- . **Tuition:** Tuition or parish-set amounts, which are expected from school families, and/or are monitored by the parish under a "minimum giving" program may not be reported as tax deductible. (Parishes with schools should review the section below which discusses tuition options.)
- . **Raffle Tickets:** Chance cards and raffle tickets are not tax deductible. Therefore, terms such as "donation" should be avoided because they infer tax deductibility.

School Tuition/Tithing

Parishes have two options regarding the payment of school tuition/tithing:

OPTION 1: The parish establishes tuition rates for students attending school. Parents are notified that the payment of tuition is not tax deductible. The parish or school may set the tuition rate at any amount it chooses, including setting separate rates for non-member families.

OPTION 2: The parish charges no tuition nor requires a "minimum tithing" from school families. General funds of the parish are used for the operation of the school. Parents of students are not singled out for monitoring of contributions beyond what is done for all members of the parish. All contributions must be voluntary and, therefore, deductible. (This option does not pertain to non-member families who can be charged tuition).

TUITION PAYMENT GUIDELINES

The Archdiocese of Louisville has taken the position regarding tuition payments that we are a pay-as-you-go system. This means tuition payment plans must be structured so that parish schools are not considered creditors. In order to do this, schools should require tuition to be paid upfront or pay-as-you-go, which may include the following:

- Annual plans (tuition is paid upfront in its entirety for the year)
- Semi-annual plans
- Quarterly plans
- Monthly plans (10-month plan or 12-month plan)

Parishes should **not** have tuition payment plans which allow students to attend class and be billed for their tuition later. This creates a creditor relationship between the school and the family which is subject to the Red Flags Rule enforced by the Federal Trade Commission (FTC) and is also subject to new disclosure regulations.

DISBURSEMENTS

Normally, all expenditures should be paid by check. Only in extreme circumstances should cash be used to pay bills and documentation for such expenditures is a **must**.

The parish or school checks/checkbooks should be stored on parish or school property in a locked safe or secure file cabinet.

Please refer to the policy entitled "Extraordinary Expenditures" for the approval process for extraordinary expenditures.

Signatures

The original hand signature of the pastor, pastoral administrator, associate pastor, or school administrator is required on every check drawn on parish or school accounts except as indicated below:

- . Checks over \$5,000 must have two signatures, one being the pastor, pastoral administrator, associate pastor, or school administrator. **The parish or school bookkeeper should not be authorized to sign or countersign checks.**
- . Checks written from imprest checking accounts do not require the pastor, pastoral administrator, or school administrator's signature. (However, the reimbursement check does require the pastor, pastoral administrator, or school administrator's signature.) Please refer to the policy entitled Imprest Accounts for further instructions.
- . The pastor, pastoral administrator, or school administrator may appoint two individuals to sign jointly in his or her absence. The parish or school bookkeeper should not be authorized to sign or countersign checks.
- . Signature stamps or other check signing devices may not be used without the approval of the Archdiocesan Chief Financial Officer. Requests must be made in writing.
- . Blank checks **should never** be signed in advance of preparation.
- . Checks should never be made payable to "CASH". Issue checks to be converted to coin or currency payable to the issuing bank or the individual cashing the check at the bank.

Exceptions to the above must be approved by the Chief Financial Officer. Requests for exceptions must be made in writing.

Purchase/Payment Procedures

Following are suggested procedures to be used for making purchases and paying invoices/vouchers.

1. The parish or school may want to consider the use of purchase orders for purchases other than normal monthly expenses such as utilities. For example, the parish or school may want to set certain restrictions on what purchases require an advance purchase order prior to payment. These may include items that were not in the budget, over a certain dollar limit, or for

a special project. The purchase of these goods or services should not be permitted without following these procedures:

- . Preparation of a purchase order, which would include the quantity and price for the materials or services ordered, purpose of expenditure, approximate date of delivery, and signature of the person requesting the purchase.
 - . The purchase order is forwarded to the bookkeeper for review and presented to the pastor or pastoral administrator (or designated person) for signature of approval. Consideration should be given to:
 - necessity for the purchase
 - quantity reasonableness
 - reasonableness of price quotes
 - possible need to obtain price quotes
 - budget status
 - bidding process
2. If the parish or school requires the submission of purchase orders, the person(s) responsible for receiving materials or services should verify the accuracy of the delivery and forward the packing slips to the parish or school bookkeeper.
3. Invoices should be date stamped when the mail is opened. An authorized **Check Request Form (See sample in Appendix IV - Sample Forms/Reports)** should be attached to the invoice and both should be given to the bookkeeper within three days of receiving the invoice. The Check Request Form must identify the:
- . amount to be paid
 - . payee and address
 - . date check needs to be paid (note any discount)
 - . ledger account name/number to be debited
 - . signature of person requesting payment
 - . signature of person authorizing payment

In the absence of a check request form, an ink stamp may be purchased and used, detailing the above information. The invoice should be stamped and information should be completed by the purchaser, approved and then forwarded to the bookkeeper.

4. The bookkeeper should match the check request/purchase order and the invoice to the packing slips, if applicable. Any discrepancy should be resolved with the person who signed the check request form.
5. In order to prevent duplicate payments the bookkeeper should note the following on each check request -- date of payment, check number, and initials of person preparing check and/or attach a copy of the check.

NOTE: Check request forms should also be used to request reimbursement of imprest accounts and petty cash accounts. It should include the same information as above, including all receipts or cancelled checks to verify expenditures.

Voided Checks

Voided checks should **NOT** be destroyed. All voided checks should be clearly marked "VOID" and filed in numerical order with the canceled checks or bank statements.

ENDOWMENTS

The Archdiocese has a separate fund to house parish or school endowment funds. Endowed funds are permanent investments. The parish or school should consider carefully before establishing an endowment. The terms are as follow:

- ◆ The principal is permanently endowed and, thus, will never be available for withdrawal.
- ◆ ***Interest rate is 150 basis points over the 6 month U.S. Treasury Bill rate. This rate will change every 6 months, January 1 and July 1, using the stated rates as of December 31 and June 30, respectively. Effective January 1, 2011, the minimum interest rate paid on endowments is 2.0%.*** The interest rate is subject to change by the Archdiocese of Louisville.
- ◆ Interest will exceed that being paid on regular parish or school deposits in the deposit and loan fund.
- ◆ Minimum deposit for the endowment fund is \$100,000.
- ◆ The parish or school must sign a document signifying their intention regarding the endowment.

A separate endowed fund is available to encourage parishes to protect cemetery funds and to provide for the perpetual care of parish cemeteries. Cemetery endowment funds are subject to the following terms:

- ◆ The principal is permanently endowed and, thus, will never be available for withdrawal.
- ◆ ***Tiered interest rates as of 7/1/2010.***
 - ***Accounts under \$100,000 – Equal to the 6 month U.S. Treasury Bill rate. This rate will change every 6 months, January 1 and July 1, using the stated rates as of December 31 and June 30, respectively. Effective January 1, 2011, the minimum interest rate paid on cemetery fund accounts under \$100,000 is .50%.***
 - ***Accounts over \$100,000 - 150 basis points over the 6 month U.S. Treasury Bill rate. This rate will change every 6 months, January 1 and July 1, using the stated rates as of December 31 and June 30, respectively. Effective January 1, 2011, the minimum interest rate paid on cemetery fund accounts over \$100,000 is 2.0%.***
- ◆ Minimum opening deposit for the endowment fund is \$10,000.
- ◆ The parish must sign a document signifying their intention regarding the cemetery endowment.

Sample Forms/Reports used to establish endowments are included in *Appendix IV-Sample Forms/Reports.*

EXTRAORDINARY EXPENDITURES

Extraordinary expenditures refers to expenditures made for goods or services outside normal operating expenses, such as the purchase of new equipment, renovations, or major repair work.

The following approval policies must be followed for extraordinary expenditures:

Parish or School Expenditures

- . Pastor, pastoral administrator, or school administrator must consult the Parish Council or School Board and/or Finance Council on any proposed extraordinary expenditure over \$1,000.
- . Any extraordinary expenditure amounting to the sum of a normal month's income or \$10,000, whichever is less requires written approval of the Archbishop.

Parish or School Organization Expenditures

- . Parish or school organizations must consult with the pastor, pastoral administrator, or school administrator on any proposed unbudgeted expenditure over \$1,000.

In addition to these policies, each parish or school may develop policies that are more stringent if desired.

FINANCE COUNCIL

Canon Law requires each parish to have a Finance Council. In addition, under Canon Law Section 1280, regional and secondary schools are required to have a Finance Council. The role of the Finance Council is to advise the pastor, pastoral administrator, or school administrator and Parish Council or School Board in matters of finance and in decisions involving the temporal goods of the parish or school. It is separate from the Parish Council. The Parish Council is a consultative body to the pastor or pastoral administrator in deciding how to meet the needs of the parish as a whole. Both councils are directly accountable to the pastor or pastoral administrator.

Membership of the Finance Council

In addition to the pastor, pastoral administrator, or school administrator, the Finance Council should consist of at least three members who are skilled in financial affairs or civil law. In the event a particular parish or school does not have qualified persons who are willing to serve on the Finance Council, the pastor, pastoral administrator, or school administrator should consult with the Archbishop and Chief Financial Officer of the Archdiocese for assistance in appointing persons from other parishes to serve as regular members of the council.

To minimize the possibility of conflicts of interest, it is recommended that Finance Council members not hold office in parish or school organizations or serve on the Parish Council or School Board, at the same time.

Meetings

Meetings of the Finance Council should be held monthly or as determined by the pastor, pastoral administrator, or school administrator but no less than quarterly. Each member is required to maintain confidentiality on those matters designated as confidential.

It is recommended that the pastor, pastoral administrator, or school administrator select a secretary of the Council who is responsible for recording minutes of the meetings. These minutes should be forwarded to the pastor or pastoral administrator for approval and for distribution to the other members. Copies should be maintained in a permanent file in the parish office.

Duties and Responsibilities

The basic functions that are to be performed by the Parish or School Finance Council in consultation with the pastor or pastoral administrator are the following:

- . Ensure adherence to Archdiocesan financial policies and procedures.
- . Review parish or school and parish or school organization monthly financial reports compared to budget.
- . Review six-month and year end reports that are submitted to the Chancery for the periods ending December 31 and June 30.
- . Review fundraising, charitable gaming, and cafeteria (D-2) reports and bank reconciliations.

- . Periodically, or on a regular basis, request presentation of reports from representatives of other committees such as building and maintenance, special projects, school board, cemetery board, etc.
- . One member of the Parish or School Finance Council should also serve on the Parish or School Audit Committee.
- . Ensure communication of financial information to all parish members at least on a regular basis, no less than quarterly. For schools, this information is to be distributed to school families no less than annually.
- . Prepare parish or annual budget in collaboration with the pastor, pastoral administrator, school administrator, Parish Pastoral Council, School Board, and other appropriate parties.
- . Be involved in long-range planning, including making recommendations based upon economic climate and financial trends with regard to parish investments, insurance, or other fiscal matters.
- . Assist in the ongoing maintenance of all physical plant facilities and all expansion and reconstruction or demolition.
- . Ensure inventory of parish goods is up-to-date and that insurance coverage is adequate.
- . Review all unbudgeted expenditures over \$1,000.
- . Ensure that bequests/gifts with restricted purposes that are received by the parish are administered in accordance with the donor's wishes. Ensure that a permanent file on such gifts is being maintained.
- . Ensure that parish or school tax-exempt status is maintained through compliance with federal, state and local laws, statutes, and regulations.
- . Ensure that employment and personnel policies conform to Church and civil law.
- . Ensure that collections mandated for the Archdiocese are announced in advance in the parish bulletin or advertised in other ways, taken-up and forwarded to the Archdiocese within 30 days.

The Finance Council must be kept informed by the pastor, pastoral administrator, or school administrator and bookkeeper of all parish financial matters and be provided with copies of the Archdiocesan Financial Policies and Procedures Manual. **The Manual is also available on the Archdiocese of Louisville website: www.archlou.org.**

FUNDRAISING & SCRIP PROGRAMS

Scrip/Gift Card Programs Defined: Scrip programs raise money through rebates from the retailer, represented as discounts from the face value of the gift card.

- Scrip Sales must be transacted through volunteers, not by paid individuals. Scrip sales should only be handled by paid individuals (i.e. parish/school secretary) a *de minimus* amount of time, 5% or less, to avoid Unrelated Business Income Tax (UBIT) consequences.
- It is preferable to use a scrip intermediary such as Great Lakes Scrip Center in the delivery and distribution of prepaid gift cards and certificates.
- Scrip money should be deposited so it is clearly identified should there be an audit. One way to accomplish this is to use a stamp and stamp it “Scrip” on the face of the check, so it is identifiable on bank statement images. If this is not done, the burden of proof is on the church to separate scrip funds from donated funds if requested to do so by the IRS.
- Additionally, purchasers of scrip are not entitled to any charitable deduction with respect to the purchase of scrip when the rebate is owned by the parish/school.
- Scrip proceeds should not benefit any one individual or family in the form of credits to tuition accounts, book bills, or other accounts based on the amount of their scrip purchases. Proceeds should *benefit the 501(c) (3) organization (i.e. parish or school) and all its members*. This applies to all fundraisers such as candy sales, Christmas wrapping sales, and poinsettia sales. It also applies to funds raised for teen dances, class trips, and other events.
- Also, when a parish/school has a fundraiser for a school trip or related activity, the parish/school cannot take the funds raised by one parent and reduce only that particular parent’s fee, nor one particular child’s fee for the trip or related activity. Even though, one parent may work harder and be more successful at raising funds for the trip than other parents, the funds raised for the trip must be put altogether and reduce the total cost of the trip or related activity for everyone. This applies to service hours as well.
- Volunteers cannot be paid directly or indirectly (i.e. given a credit or refund in the reduction of the cost of a class trip or related activity) for any fundraising event. This would also apply in the case of a deposit required to be paid and refunded when a parent provides a service, such as working in a concession stand.

GRANTS AND SUBSIDIES

Parishes or schools that are not current in their obligations to the Archdiocese may not be eligible for Archdiocesan grants. These obligations include, but are not limited to:

- Filing of Parish or School Financial Statements
- Payment of Parish or Regional School Assessments
- Payment of Special Collections
- Compliance with Personnel Policies
- Compliance with Financial Policies
- Principle and interest payments on loans
- Compliance with Audit Findings

IMPREST ACCOUNTS FOR PARISH OR SCHOOL ORGANIZATIONS

All parish or school organization funds (with the exception of Charitable Gaming and Cafeteria funds that must be maintained in separate checking accounts) must flow through the parish or school general checking account. This means that all deposits for parish or school organizations are made directly into the parish or school general checking account. The bookkeeper of the parish or school organization can make these deposits. The deposits are posted to a fund, which is restricted for that organization. The pastor, pastoral administrator, school administrator, parish, or school cannot use these funds without consulting the parish or school organization.

Parish or school organizations have two options for paying bills—1) The organization can prepare a Check Request Form and have the parish or school bookkeeper pay all bills, or 2) The organization can maintain an imprest checking account at a specified level; not to exceed one month's operating expenses.

With an imprest account, the parish or school organization pays bills directly from their imprest account. All checks require one signature by an officer of the organization. (If preferred, organizations may require two signatures.) Unusually large invoices, which may exceed the imprest account limit, are given to the bookkeeper for payment. The bookkeeper prepares the check and charges the restricted funds on reserve for that organization.

When the balance of the imprest account is low, the organization prepares a Check Request Form for reimbursement. **(Sample check request form is provided in *Appendix IV - Sample Forms/Reports*).** This request should include a statement of expenses (along with receipts) which is reviewed by the pastor, pastoral administrator, or school administrator to insure that the expenditures are made in accordance with the purpose of the parish or school organization. The pastor, pastoral administrator, or school administrator may appoint another person to review these expenditures. However, it should be noted that the responsibility for the appropriateness and completeness of the disbursement and supporting documentation submitted remains with the pastor, pastoral administrator, or school administrator.

The reimbursement check is issued from the funds restricted for that organization and charged to expense accounts set up specifically for that organization. The pastor, pastoral administrator, or school administrator must sign this check.

Checkbooks for imprest accounts must be kept in a safe and secure location. However, it is not necessary that they be kept at the parish or school office.

All bank statements for imprest accounts should have a month end closing date and are to be mailed to the parish or school office. The parish or school bookkeeper should open the statements in order to review signatures and to insure no deposits are being made other than the reimbursement checks. A member of the organization prepares the monthly reconciliation of the account and forwards a copy to the parish or school office for review by the parish or school bookkeeper.

The parish or school bookkeeper must prepare monthly financial reports (income statement, balance sheet, and general ledger) for each organization with a copy forwarded to the Parish Council or School Board and Finance Council. These reports should reflect the organization's income, expenses, and balance of cash restricted to that organization. It is the responsibility of the organization to verify the accuracy of these statements.

INSURANCE COVERAGE

All parishes or locations are insured for property and liability coverage and worker's compensation coverage. The parish or location Finance Council should review all insurance plans annually to ensure adequate coverage for liability; workers' compensation; casualty; crime/theft; and special occasions, such as construction periods, festivals, etc.

This review should include adherence to the following policies and limitations:

1. Each parish and location operated by the Archdiocese has liability coverage of \$500,000 for property damage and bodily injury. As part of the excess coverage that the Archdiocese carries with Catholic Mutual, all parishes or schools receive additional excess liability coverage.
2. If alcoholic beverages are served on parish or location property at a parish or location-sponsored event, the parish or location is required to have "liquor liability" coverage. If the event is not parish or location sponsored, the parish or location must be provided with a liability certificate including "Host Liquor Liability."
3. If a parish or location is used for a non-parish or school, formally organized event, the user is required to provide a certificate of coverage to the parish or location 15 days before the event. This certificate may not set forth limits of liability of less than \$500,000 or \$1,000,000 if alcohol is served. If alcohol is served, the coverage must name the Archdiocese of Louisville as an additional insured. Events of particular risk without alcohol may be required to do the same.

Special event coverage policies are available for non-parish or school events through Catholic Mutual. Contact Brad Harruff, Claims/Risk Manager, Catholic Mutual Group, at 502-634-3310 for additional information.

4. Any outside contractor who is providing a service to the parish or location must provide certificates of statutory Workers' Compensation and Liability Coverage before any work is authorized. **For Liability Coverage, the limit must be a minimum of \$1,000,000 and the parish or location must be listed as an additional insured on the certificate of insurance.**
5. Parishes or locations automatically receive \$100,000 crime coverage.
6. All accidents or claims must be reported immediately. Property and liability claims must be reported to the Catholic Mutual Risk Management. Worker's compensation claims must be reported to CORE Risk and submitted to the worker's compensation provider.
7. Each priest must furnish to the Director of Clergy Personnel an insurance certificate indicating proof of minimum personal automobile coverage of \$500,000 for each of the following: liability, bodily injury, uninsured motorist, and underinsured.
8. All parishes or locations with property and liability coverage and worker's compensation coverage are required to make applicable records available for audit by the insurance carrier. Please contact the Chancery if you have questions concerning an audit.

INTERNAL CONTROL

Internal control refers to the policies and procedures that the parish or school establishes to provide reasonable assurance that assets are safeguarded, that accountability is achieved, and that errors are held to a minimum. In order to obtain optimum internal control, the following issues must be addressed:

1. Healthy Financial Environment

The pastor, pastoral administrator, or school administrator and parish or school leadership, including the Parish Council, School Board, and Finance Council, must commit to establishing and monitoring effective financial policies and procedures. All persons, either volunteers or paid employees, who accept responsibility for the raising of funds, the spending of funds, or custody of the material goods of the parish or school also accept responsibility to abide by the internal financial controls established by the parish or school. However, it should be clearly understood that the pastor, pastoral administrator, or school administrator is ultimately responsible for the sound fiscal management of the parish or school. Delegation of fiscal procedures to others does not mean that the pastor, pastoral administrator, or school administrator's responsibility has been removed. It does make it easier for him/her to effectively and efficiently carry out his/her responsibilities.

2. Organizational Structure

The proper allocation of responsibilities and authorization of transactions is essential to good internal control. In general, no one person should be responsible for handling all phases of a transaction. For example, a person who authorizes a transaction should not record the transaction nor should that person have custody or control over the asset. Other examples of transactions that should be segregated include:

- . Handling cash receipts and recording cash receipts.
- . Authorizing payment of wages and preparing payrolls.
- . Authorizing expenditures, verifying invoices and preparing checks in payment of invoices.
- . Preparing checks and signing checks.
- . Counting the collection and recording the deposit in the records or posting to the individual donors' accounts.

Staff size may limit a parish or school's ability to separate duties in practice. In some smaller parishes or schools, the bookkeeper may perform most of the procedures on a monthly basis. In those instances, the ability of the bookkeeper to authorize and execute transactions should be limited to the greatest extent practicable. To the extent that otherwise appropriate separation of functions is not practical, the Finance Council and/or audit committee's procedures should be performed with the objective of offsetting the resulting deficiencies in the internal control structure.

3. Parish or School Accounting System

Most financial information needed by the parish or school comes from the accounting records. The information, to be of maximum value, must be reliable, complete, and available as quickly as possible. The policy entitled "Accounting System" should be

used for specific information regarding acceptable accounting practices for the Archdiocese of Louisville.

4. Policies & Procedures Manual

A good internal control system must include certain policies and procedures as related to the financial transactions of the parish or school, such as how to handle cash receipts, disbursements, bank reconciliations, etc. This manual contains the Archdiocesan policies to be implemented at each parish or school. If desired, parish or schools may establish more stringent policies than those described herein.

INVESTMENTS

Effective January 1, 2002, outside investments are not permitted. Archdiocesan organizations, parishes, or schools must invest excess funds in the Archdiocesan Deposit and Loan Fund, which is described below.

(Grandfather clause: If a parish or school received written approval from the Archbishop prior to January 1, 2002 to invest outside of the Archdiocesan Deposit and Loan Fund, those investments may be maintained. However, no new monies may be added to those investment accounts. A copy of the monthly statement from the company where the funds are held must be mailed to the Chancery Finance Department. The Archdiocesan Chief Financial Officer must approve any exception.)

Since parishes or schools are not separately incorporated under civil law, but are part of the Corporation Sole, all investments must be registered in the name of "Roman Catholic Bishop of Louisville, a corporation sole, for the use of "Name of Parish or School". All investments must be listed on the parish or school's balance sheet.

Archdiocesan Deposit & Loan Fund

The Archdiocesan Deposit & Loan Fund is essentially an internal bank or depository for excess or reserve funds of parishes and institutions within the Archdiocese. It was established so that parishes or schools with excess funds could assist parishes or schools that needed money for construction and development needs.

The Chancery Finance Office under the supervision of the Archdiocesan Finance Council administers the Fund. Funds placed on deposit are guaranteed by the Archbishop and earn a risk free rate of return. The money placed on deposit is made available to parishes or schools for low interest loans. All loan applications are reviewed by the Archdiocesan Finance Council and approved by the Archbishop.

Interest rates on both deposits and loans fluctuate according to economic conditions. ***The deposit rate is equal to the 6 month U.S. Treasury Bill rate. This rate will change every 6 months, January 1 and July 1, using the stated rates as of December 31 and June 30, respectively. Effective January 1, 2011, the minimum interest rate paid on deposits is .50%.*** Funds generated by the rate spread are used to cover the risk of loan defaults. When requesting a withdrawal of \$25,000 or more from the Archdiocesan Deposit and Loan Fund, please provide a thirty-day notice.

Payments to the Archdiocesan Deposit and Loan Fund should be accompanied with the Parish Payment Transmittal Form – See Appendix IV, Sample Forms/Reports.

A request form for electronic savings deposits or loan payments, Authorization Agreement for Pre-Authorized Payments Automatic Withdrawal Form, is available in Appendix IV, Sample Forms/Reports. The following form is also available, Withdrawal Form, for savings withdrawals by check or ACH.

Securities

All securities, especially those, which are not registered, must be kept in an adequate safe, a bank deposit box, the safekeeping department of a federally insured bank, or sent to the Chancery for safekeeping.

The pastor, pastoral administrator, or school administrator must retain custody of bank safety deposit box keys and be present whenever the box is entered. The pastor, pastoral administrator, or school administrator must also retain an inventory of the contents of a safety deposit box. Securities such as U.S. Treasury bills and bonds, corporate stocks and corporate bonds are recorded on the parish or school balance sheet at cost.

LOANS

All parish or school loan requests must be made through the Archdiocesan Finance Department. Parishes or schools are not allowed to secure financing from outside commercial lenders without the written permission of the Archbishop.

The Archdiocese makes building related loans to parishes or schools through the Archdiocesan Deposit and Loan Fund. This Fund is essentially an internal bank or depository for excess or reserve funds of parishes and institutions within the Archdiocese of Louisville. Funds placed on deposit are available to parishes or schools for low interest loans. The Fund is administered by the Chancery under the supervision of the Archdiocesan Finance Council. All loan applications are reviewed by the Archdiocesan Finance Council and approved by the Archbishop. ***Interest rates on new construction or building loans will be 250 basis points over the 6 month U.S. Treasury Bill rate. This rate will change every 6 months on new loans, on January 1 and July 1, using the stated rates as of December 31 and June 30, respectively. Effective January 1, 2011, the minimum interest rate on new construction or building loans will be 3.0%.***

In emergency situations, a parish experiencing cash flow shortages may request an operational loan from the Archdiocese. Any request must be made in writing to the Archdiocesan Chief Financial Officer.

If the loan is for a renovation or new construction project, the parish or school must first follow the guidelines set forth by the Archdiocesan Building Commission and Finance Council (See policy entitled Renovations/New Construction).

Loan applications must be made directly to the Archdiocesan Chief Financial Officer. They must include, but are not limited to:

- Total cost of project
- Statement of cash and pledges on hand - careful consideration will be given to the percentage of cash to the total cash and pledges.
- Cash forecast demonstrating ability to repay the loan.
- History of previous loans and explanation of any unpaid loans.

Loans for major renovations and new construction must be fully secured by parish or school savings and/or capital campaign pledges. All loans must fit within the financial ability of the parish or school to pay. In general, projected operating surpluses will not be considered as security for a loan and loan repayment periods cannot exceed seven years.

A loan may not be approved for a parish or school that is not current in its obligations to the Archdiocese. These obligations include, but are not limited to:

- Filing of Parish or School Financial Statements
- Payment of Parish or School Assessments
- Payment of Special Collections
- Compliance with Personnel Policies
- Compliance with Financial Policies
- Compliance with Audit Findings

The Archbishop and Archdiocesan Finance Council may, at their own discretion, direct parishes or schools to secure financing from outside commercial lenders.

MASS STIPENDS

Mass Stipends are to be treated as parish income. In lieu of stipend income, the priests' salary scale was increased, and this is reflected in the PRIESTS' COMPENSATION SCHEDULE. Following is a list of the various stipends and an explanation of the operating procedures associated with each:

1. **Stipends Restricted to an Individual Priest**

Priests may receive stipends that require that the individual priest fulfill the Mass obligation (c.f., c. 945). These stipends and Mass intentions are the responsibility of the priest. It is not necessary for the parish to be involved in the record keeping or payment of these types of stipends.

2. **Stipends given to a Parish for Mass Intentions**

Stipends that are given to the parish for the celebration of Mass are the responsibility of the pastor or pastoral administrator of the parish. The pastor or pastoral administrator must maintain a special book in which he lists the number of Masses to be celebrated, the intention, and the date the Mass was celebrated (c.f., c. 958, §1). Should the pastor or pastoral administrator leave the parish, the intentions remain with the parish and become the responsibility of the new pastor or pastoral administrator. Upon receipt, mass stipends for intention offerings are recorded as parish income (record using a number in the 1600 account number range), but are not subject to assessment by the Archdiocese.

The Archbishop, either personally or through others, is obliged to examine the Mass Intention book at least annually (c.f., cc. 957, 958, §2).

If an offering is made without an indication as to the number of Masses to be celebrated, the number is to be computed according to the amount set by the Archdiocese, which is \$10.00 (c.f., c. 952).

Individual Mass stipends cannot be combined into a single offering and celebrated with one Mass (c.f., c. 948). However, in cases in which the people making the offerings have been explicitly informed prior to their offering and have freely consented to combining their offerings into a single offering, their intentions can be satisfied with a single Mass celebrated according to a "collective" intention; the celebrant may keep no more for himself than the usual amount of a single Mass offering (c.f., c. 951; *Mos iugiter*, 1991). The place and time for the celebration of this Mass, which is not to be more than twice a week, must be made public.

3. **Mass intentions sent to the Chancery, missions, or other parishes/priests**

Mass intentions that cannot be satisfied within one year should be transferred to the Chancery to the attention of the Vice Chancellor for distribution to other priests (c.f., cc. 953, 956). In every case, the intention of the donor must be respected (c.f., c. 954).

This is accomplished by issuing a check with an accompanying list of the intentions to the Chancery, Attention Vice Chancellor. Compute the number of intentions by the amount set by the Archdiocese, which is \$10.00. This transaction will be recorded as a

Contra Income Account to the parish (use a number in the 1600 Account number range named Mass Stipends Transferred Out).

4. **Mass for the People**

Pastors are obligated to celebrate one Mass a week for the people of the parish or school (c.f., c. 534).

Mass stipends should not be confused with stole fees, which are fees charged for baptisms, weddings, funerals, etc. If stole fees are collected, they should be deposited into the general parish checking account and also recorded as income to the parish.

Please refer to Priests' Compensation Schedule for more information.

NEW PARISHES

The formation of a new Catholic Parish to service the Archdiocese of Louisville is extremely costly. To assist in the development, the Archdiocese, subject to the approval of the Finance Council and Archbishop, will provide a grant to reduce some of the cost of the purchase price of the land/real estate. The maximum amount of a grant given by the Archdiocese, with final approval by the Archbishop or unless amended by the Archbishop, is limited to 25% of the purchase price of the land/real estate not to exceed \$500,000.

This policy applies to the creation of all new parishes and all merged parishes that are relocated and established in a new geographical area to serve a 'regional' Catholic population.

Merged Parishes

Merged parishes can be defined as two or more parishes combining to form one religious community. According to Canon Law Section 121, all goods and property formerly belonging to the distinct parishes revert to the new parish. Likewise, all existing debts and liabilities pass from the formerly existing parishes to the one new parish. Therefore, ecclesiastical goods and obligations remain those of the new parish. Should the new parish wish to sell some of the property or goods belonging to the former parishes, it is free to do so, taking into consideration the canonical limits of alienation.

The above grant of assistance from the Archdiocese is only available to merged parishes that relocate to a new geographic area.

PARISH ASSESSMENTS

According to Canon Law, it is the moral obligation of parishes to support their Bishop in his work. It states that a diocesan bishop has the right to assess parishes for diocesan needs. As a result, the Priest Council agreed to set the following assessments for all parishes within the Archdiocese of Louisville:

1. Cathedraticum
The cathedraticum provides funds for the Archbishop to carry on the mission of the Church. The dollars generated from the cathedraticum are used for, but not limited to, operating expenses of the Archdiocese, donations to Church-related organizations, and extraordinary expenses. The Cathedraticum rate increased to 4% on January 1, 2004.
2. The Record
This Archdiocese believes it is important that The Record be delivered to every registered household. Therefore, each parish is assessed 1.16% of gross income in order to achieve this goal.
3. Clergy Pension
This assessment addresses the need for providing funds for the support of retired clergy. **Effective July 1, 2006, this assessment rate was decreased to 1.34% of gross income.** The money collected from this assessment goes into a restricted account, used only to help pay clergy retirement benefits.

All three parish assessments are determined by taking the appropriate percentage multiplied by gross parish income. Gross parish income is defined as all of the income taken in by the parish, including income taken in by parish organizations and school tuition. The only exceptions to the gross income rule are the following:

- . **Special Diocesan Collections**
Since these collections are collected at the parish level, but mailed directly to the Archdiocese, they are not included in the parish gross income. Both the manual and computer bookkeeping systems provide accounts that subtract these collections before computing gross income. (A list of Special Collections is provided under the policy entitled "Special Collections.")
- . **Parish Fund Raising Events**
Only the "net" income (i.e., income after expenses) from parish fund raising events is reported as assessable income. This includes events such as parish picnics, fall festivals, bingo sessions, and special fund raising events sponsored by parish organizations such as card parties, dances or candy drives. It does not include income generated from the rental of ball fields, concession stands, organization dues, etc. Net fund raising accounts are provided on both the manual and computer bookkeeping systems.
- . **Building a Future of Hope Campaign Contributions**
Contributions received by each parish or the Archdiocese of Louisville for the Building a Future of Hope campaign are not included in the parish assessment calculation.
- . **Mass Intention Offerings**
Mass offerings are not considered parish income subject to the assessment calculation.

Grants & Subsidies

Archdiocesan grants and subsidies are not included in the parish assessment calculation.

Insurance Expense Recoveries

Insurance expense recoveries are not included in the parish assessment calculation.

Interest from Funds on Deposit with the Archdiocese

Interest earned on funds on deposit in the Archdiocesan Deposit & Loan Fund is not included in the parish assessment calculation.

Sales of Land or Real Estate

Gross proceeds from the sale of parish owned land or real property is not included in the parish assessment calculation.

All other parish income is considered assessable income, including, but not limited to the following:

- . Collections and tuition, including tuition collected by a parish and paid to a consolidated or regional school or another parish on behalf of the parish or family. (However, payments received by a parish from another parish are not included and therefore are not assessed a second time.)
- . Building drives
- . Bequests and special gifts (bequests or gifts of land or other non-cash items are not assessable income; proceeds from the sale of these items is subject to assessment)
- . Book fees
- . Investment and interest income
- . Rental income
- . Endowment Campaigns

While the above does not include every form of income a parish may receive, the parish is expected not to look for loopholes, but to consider the intent of the policy and record income in the spirit of the policy.

The Archdiocesan Finance Department will compute assessments for the next fiscal year based on parish financial statements for the preceding fiscal year. For example, assessments to be paid during fiscal year ending June 30, 2011 will be based on fiscal year ending June 30, 2009 financial reports. Assessments are billed quarterly at the beginning of each fiscal quarter. Parishes are required to pay their assessments within 90 days of billing.

Exceptions to this policy must be requested in writing to the Chief Financial Officer.

Payments to the Archdiocese for assessments should be accompanied with the Parish Payment Transmittal Form-See *Appendix IV, Sample Forms/Reports*.

PARISH OR SCHOOL PROPERTY

All parishes or schools must maintain the following information in order to safeguard parish or school property from theft and to provide for insurance recovery in the event of fire or other destruction or disappearance.

- . List of furniture, furnishings and equipment owned by the parish or school -- indicate dates acquired, cost (or value if donated) and location. Property controlled by various parish or school organizations should be included. If the parish or school has no list, an inventory should be taken and acquisition dates and costs should be estimated.
- . List of items owned by the pastor, pastoral administrator, and/or associate pastor. (A copy of this list must be submitted to the Chancery Finance Office along with the parish's year-end financial reports.)
- . Copies of paid invoices for major purchases should be kept in a permanent file that is carried forward from year to year.
- . Valuables, such as paintings and sculpture in the church, should be photographed and appraised periodically.
- . List of all persons who have keys or card access to the premises should be maintained.

The above information should be kept in a safe or fire resistant cabinet. A full, updated copy should also be stored off-site. It is also suggested that a copy of the list of furniture, furnishings and equipment be sent to the Chancery Finance Office for additional safekeeping.

The Parish or School Finance Council is responsible for ensuring that property information is up-to-date and that adequate insurance coverage is being maintained.

Parish or school property should be recorded on the balance sheet as follows:

Land: Land should be recorded at cost. If the cost is not available or if the land was donated, it should be initially recorded at fair market value per the most recent insurance appraisal.

Land Improvements: If parish or school is following generally accepted accounting principles (GAAP), long-term land improvements such as sidewalks, roadways or major landscaping projects should be recorded as a fixed asset. The item(s) should be added to a depreciation schedule.

Buildings: Buildings currently owned by the parish or school should be recorded at cost. If the cost is not available, use the most recent insured value. The cost of new buildings, construction of buildings or substantial improvements to buildings should be recorded as a fixed asset. The item(s) should be added to a depreciation schedule.

Equipment & Furniture: Equipment and furniture currently owned by the parish or school should be recorded at cost. If the cost is not available, use the insured value. The purchase of any new equipment or furniture over \$1,000 should be recorded as a fixed asset. The item(s) should be added to a depreciation schedule.

Computing and Recording Depreciation

If a parish or school has office staff with accounting expertise, they should be computing and recording depreciation monthly using the straight-line method. Category useful lives to be used are:

■ Land	No depreciation
■ Land improvements	15 years
■ Buildings and building improvements	40 years
■ Furniture, furnishings and equipment	7 years
■ Computers, printers, servers, etc.	3 years
■ Computer software	3 years
■ Autos	5 years

The monthly entry is as follows:

- Debit the appropriate department/cost center depreciation expense.
- Credit the accumulated depreciation category on the balance sheet, i.e., Accumulated Depreciation - Furniture and Equipment.

Detail records of asset values and accumulated depreciation are to be maintained that agree to the general ledger accounts.

Call the Finance Office at the Chancery should you have questions.

It is strongly suggested that the Parish Council or School Board and Pastor or Pastoral Administrator establish a uniform policy to state the position of the parish or school concerning facility usage (including rentals) by outside entities. Whenever the use of parish or school property is requested, that policy should be applied. The policy should address insurance, security, building access, hours of operation, responsibility of requesting party and the parish or school responsibility. Refer to hall contracts for examples. An example of a Facility Usage Agreement can be found in Appendix IV, Sample Forms/Reports. It would be in the best interest of the parish or school to have a written contract in place before allowing usage of facilities by outside parish or school entities. This contract should address the length of time along with the above mentioned items, and should be renewed annually to permit addressing any additional needs or items as may arise during the course of the year. Any rental contracts for the use of parish or school facilities by third parties must name the Archdiocese of Louisville as an additional insured. Hall or facility contracts must be reviewed and approved by the Chief Financial Officer before their use.

PAYROLL ISSUES

The Internal Revenue Service specifies certain reporting and income tax withholding requirements on compensation paid to any individual. **Appendix III - Payroll Issues outlines these requirements** and provides the following information:

1. How to determine the status of your employees (including IRS questions)
2. Reporting requirements for employees
3. Reporting requirements for non-employees
4. Clergy Payroll Tax Table

Timesheets

All parish or school employees must submit timesheets prior to each pay period. These timesheets should include:

- . Employee's name
- . Hours worked during pay period, including time off for vacation, sick days, holidays, personal time, etc.
- . Employee's signature
- . Supervisor's signature

Employees Eligible for Overtime

The determination of who is exempt or non-exempt from overtime wages according to wage and hour regulations decided by state and federal law. Salary rate, job description, and education are the determining factors. Determination of employee eligibility for overtime pay can be confusing in some situations. For more detailed guidance, refer to the U.S. Department of Labor's web site at www.dol.gov/esa/whd/, or call the Chancery Office of Personnel & Planning for assistance.

Hourly workers must indicate actual hours worked during the pay period. Salaried employees should indicate the normal number of hours worked for a full day, e.g., 8 hours per day. A code should be used to indicate time off for all employees, such as:

- V = Vacation Day
- S = Sick Day
- P = Personal Day
- L = Unpaid Leave
- O = Other, explain on timesheet

The Archdiocese of Louisville has contracted with Paycor to provide payroll processing services. Paycor is responsible for all payroll tax filings, including annual Forms W-2.

PERSONNEL FILES

A personnel file must be maintained for each employee. This file should include the following information:

- Completed and signed W-4 form
- Completed and signed K-4 form
- Completed Benefit Enrollment Form
- Current salary and salary history
- Position Description
- Record of time used for time off, such as vacation, sick days, personal days, etc.
- Criminal Records Check report
- Certificate of attendance at Safe Environment Training Program (Appendix E-Church Personnel Acknowledgement Card)
- Phone number of contact in case of emergency

I-9 forms for each employee are to be kept together in a separate folder.

These personnel files must be safeguarded from unauthorized review. However, any employee may review the contents of his/her file upon request.

Please refer to the manual provided from the OLFE office for any additional information required for the maintenance of teachers' personnel files.

NOTE: Superseded forms (W-4, K-4, Benefit Enrollment Forms, etc.) should be removed from the active personnel file and maintained in an archive file that is carried forward each year.

A Checklist for Employee Personnel Files is included in *Appendix IV-Sample Forms/Reports*.

PERSONNEL POLICIES

Separate publications have been issued regarding the following policies:

- Personnel Policies and Procedures Manual (*)
- RESTORING TRUST: The Sexual Abuse Policies of the Archdiocese of Louisville(*)
- Handbook for Catholic Schools (*)
- Position Descriptions and Salary Ranges
- Priests' Compensation Manual
- Archdiocesan Safety Guidelines (*)

(*) These documents are available on the Archdiocese of Louisville website, www.archlou.org.

Each parish or school should have copies of these documents on file. Additionally, employees should review and receive copies of the Personnel Policies and Procedures Manual and the **RESTORING TRUST** booklet.

All personnel hires, terminations, or work force reductions has to be performed in conjunction with the Chancery Human Resources/Personnel office staff. There will be no exceptions.

NOTE: For your convenience, a tab entitled "Personnel Policies" has been included so that the above publications can be filed with this manual.

PETTY CASH

The parish or school and/or its organizations may have petty cash accounts up to a maximum of \$200. A designated individual must be appointed custodian of the funds. This individual must ensure that the funds are kept secure, preferably locked in a safe. No money should be taken from the fund without a voucher/receipt. The voucher/receipt should indicate the purpose of the expenditure and must be signed by the recipient. When the fund gets low, a check request with receipts attached should be completed and submitted for a check to be issued to replace the funds that have been spent. At that time, the appropriate expense accounts should be charged. Checks should be issued to St. XX Petty Cash Fund/ Custodian.

All Petty Cash Funds should be listed on the parish or school balance sheet.

To maintain a petty cash account greater than \$200, approval from the Archdiocesan Chief Financial Officer must be given. Requests must be made in writing.

POLITICAL CAMPAIGN ACTIVITIES AT ARCHDIOCESAN FACILITIES

The Archdiocese of Louisville maintains status as a Non-For-Profit organization under section 501 (c) (3) of the Internal Revenue Code. The archdiocese, parishes, schools, agencies, and organizations included under this tax ruling may not participate or intervene in political campaigns on behalf or in opposition to any candidate for political office and the following restrictions must be strictly observed:

- 1) No direct or indirect statements, verbal or written, may be made supporting or opposing any candidate for public office.
- 2) Financial support may not be given to any candidate, political action committee, or political party. This includes: monetary donations, use or rental of facilities, volunteers, mailing lists, and solicitations on behalf of candidates, political action committees, or political parties.
- 3) Distribution of literature supporting or opposing a candidate is prohibited on archdiocesan, parish and school property, or as any part of your work activities.
- 4) Invitations and visits from incumbent officeholders or candidates to church or archdiocesan property may not be accepted during a political campaign.

This policy is not intended to limit your right to free speech, which may be exercised during nonworking hours with the understanding that any partisan conduct on your part is in no way on behalf of the Archdiocese of Louisville.

Additional guidelines are found in Appendix IV-Political Activity Letter-Catholic Conference of Kentucky.

POSTAGE

Postage stamps must be locked in a safe and secure location. For facilities using postage meters, access to the meter must be controlled.

Each archdiocesan organization, parish, or school should consider the purchase and use of a third class or non-profit bulk mailing permit. Bulk mailing permits require a minimum pre-deposit at the post office. However, the savings could be substantial. Contact the U.S. Post Office for information regarding the details of purchasing these permits.

The use of a bulk mailing permits and/or regular postage stamps should be allocated to organizations according to use.

REAL ESTATE TRANSACTIONS

The Archbishop must approve and sign all real estate transactions. This includes all contracts and deeds for the purchase, sale, or lease of parish or school property. Before approval by the Archbishop, all contracts and deeds must be submitted to the Chief Financial Officer and Director of Facilities for review.

The Finance Office at the Chancery will assist in developing lease agreements as needed. The Archbishop's advisors will assist with legal counsel in this regard. Copies of each rental agreement should be filed at the Chancery.

RECEIPTS

All receipts must be deposited into the parish or school bank account that must be held in a federally insured bank. Deposits must be made on a timely basis. No funds, checks, cash or other forms of collateral should be allowed to stay unprotected in the rectory, school, or other site.

All receipts must be accompanied by a deposit slip which identifies the following:

- amount of deposit
- ledger name/account to be credited as income
(and the cash account to be debited in the case of imprest accounts)
- date of deposit
- source of deposit
- signature of person verifying deposit

Mass Collections

It is highly recommended that receipts from Saturday and Sunday Masses, as well as Holy Day Masses, be deposited after the last Mass in the bank night deposit or no later than the close of banking hours the next business day. After mass collections have been counted, place them in a locked or tamper proof bag. Funds must be secured in a locked safe until they are deposited in the bank. Please note that losses of uncounted monies are **not** covered under insurance.

Parish or School Organizations

All receipts for parish or school organizations must be deposited directly into the parish or school general checking account. The deposits are posted to the funds restricted for that organization. The parish or school bookkeeper or the organization may make deposits. (Please refer to the section entitled IMPREST ACCOUNTS for further information regarding parish or school organization bank accounts.)

General Parish/School Receipts

All other general parish or school receipts received during the week, including tuition, should be deposited in the parish or school bank account daily. If a minimal number of receipts are received, the parish or school may delay the deposit to the following day, as long as the receipts are held in a locked and secure location. All mail should be opened promptly and checks must immediately be endorsed "For Deposit Only" along with the parish or school's bank account number.

Cafeteria Receipts

All receipts for the cafeteria must be deposited directly into the cafeteria checking account. The deposits are posted to the funds restricted for the cafeteria. Deposits are to be made daily.

Fund Raising Receipts

All fund raising receipts (except Charitable Gaming) should be deposited immediately into the parish or school bank account or locked in a parish or school safe until the following day. The use of tamper-proof "night deposit bags" by the organization or committee responsible for the

event is highly recommended. No receipts should be held overnight at a member's residence.

Charitable Gaming Receipts

Government regulations require that a separate account be maintained for Charitable Gaming funds. All Charitable Gaming receipts should be deposited directly into this account immediately following the Charitable Gaming Event. The use of tamper-proof “night deposit bags” by the organization or committee responsible for the event is highly recommended. No receipts should be held overnight at a member’s residence.

A sample Deposit Form is provided in *Appendix IV-Sample Forms/Reports*.

RECORD RETENTION

The following record retention schedule should be used as a guideline for determining the length of time records/files should be maintained:

TYPES OF RECORDS

RETENTION PERIOD

Accounting

Audit reports	Permanently
Bank statements and deposit slips	6 years
Bank reconciliations	6 years
Cancelled checks (checks for important payments, e.g., taxes, purchase of property, etc., should be filed with the papers pertaining to the transactions and kept permanently)	3 years
Ledgers/Journals	Permanently
Financial statements (year-end) (other optional)	Permanently
Vouchers/Invoices (for payments to vendors, employees, and others).....	3 years
Vouchers/Invoices (for fixed asset purchases/donations).....	Permanently

Correspondence

General	2 years
Legal and tax	Permanently
Support for endowment contributions	Permanently
Acknowledgement of contributions	4 years

Payroll

Disability and sick benefits	Permanently
Earnings Records	3 years
Personnel files (terminated)	Permanently
Retirement and pension records	Permanently
Time sheets/cards for employees	3 years
Withholding tax statements	8 years

Property/Insurance

Accident Reports (Settled).....	7 years
Claims (after settlement)	10 years
Deeds and easements	Permanently
Insurance policies (expired)	4 years
Inventory lists	Permanently
Mortgages, notes, leases	Permanently
Property appraisals	Permanently

Other

Charitable Gaming records	3 years & current yr.
Minutes from parish or school organization meetings	Permanently
Contribution records (census)	Permanently
Contribution envelopes/remittance forms	April 15th of next calendar year

REGIONAL SCHOOL ASSESSMENT

According to Canon Law, it is the moral obligation of regional schools to support their Bishop in his work. It states that a diocesan bishop has the right to assess regional schools for diocesan needs. As a result, the Priest Council agreed to set the following assessment for all regional schools within the Archdiocese of Louisville:

Cathedraticum

The cathedraticum provides funds for the Archbishop to carry on the mission of the Church. The dollars generated from the cathedraticum are used for, but not limited to, operating expenses of the Archdiocese, donations to Church-related organizations, and extraordinary expenses. Therefore, each regional school is assessed 4% of gross income in order to achieve that goal.

The cathedraticum assessment is determined by taking the appropriate percentage times gross regional school income. Gross regional school income is defined as all of the income taken in by the school, including income taken in by school organizations. The only exceptions to the gross income rule are the following:

- **Regional School Fund Raising Events**
Only the net income (i.e., income after expenses) from regional fund raising events is reported as assessable income. This includes events such as school festivals, bingos, and special fund raising events such as card parties, dances or candy drives sponsored by school organizations. It does not include income generated from concession stands, organization dues, etc. These incomes should be recorded as activity or auxiliary program income.
- **Grants and Subsidies**
Archdiocesan and Catholic Education Foundation grants and tuition assistance awards are not included in the regional school assessment calculation. Subsidies received from supporting parishes are not included in the regional school assessment as they are recorded as income by the supporting parish.
- **Insurance Expense Recoveries**
Insurance expense recoveries are not included in the regional school assessment calculation.
- **Interest from Funds on Deposit with Archdiocese**
Interest earned on funds on deposit in the Archdiocese Deposit and Loan Fund is not included in the regional school assessment calculation.

All other regional school income is considered assessable income, including, but not limited to the following;

- Tuition (However, payments received by a regional school from a parish and reported as income by that parish are not included and, therefore, are not assessed a second time.)
- Special Fund Drives
- Bequests and Special gifts
- Book Fees
- Rental Income
- Endowment Campaigns

While the above does not include every form of income a regional school may receive, the regional school is expected not to look for loopholes, but to consider the intent of the policy and record income in the spirit of the policy and following correct accounting principles.

The Archdiocesan Finance Department will compute assessments based on the regional school financial statements for the preceding year. For example, assessments to be paid during fiscal year ending June 30, 2011 will be based on fiscal year ending June 30, 2009 financial reports. Assessments are billed quarterly at the beginning of each fiscal quarter. Regional schools are required to pay their assessments within 90 days of the billing. **Payment must be accompanied by a Parish/School Transmittal Form (provided in *Appendix IV-Sample Forms/Reports*).**

Regional schools should have a covenant addendum referring to the Archdiocesan assessment. If a regional school closes, the covenant parishes will be responsible for all financial obligations from the operations of the regional school. The covenant parishes will also be responsible for meeting the two years of Cathedraticum assessment owed to the Archdiocese from the final two years of operation.

Exceptions to this policy must be requested in writing to the Chief Financial Officer.

RENOVATIONS/NEW CONSTRUCTION

Archdiocesan parishes, schools, cemeteries and organizations must obtain approval from the Archbishop before beginning:

Any project amounting to the sum of a one (1) month's normal income or \$10,000 whichever is less, involving:

- Constructing a new building;
- Renovating an existing building;
- Demolishing an existing structure;
- Changing the interior or exterior of a church building (including painting);

Any project involving:

- Repairing a building which alters the space or ambiance of the structure
- Purchase of property and/or furnishings

A project may not be approved if a parish or school is not current in its obligations to the Archdiocese. These obligations include, but are not limited to:

- Filing of Parish or School Financial Statements
- Payment of Parish or School Assessments
- Payment of Special Collections
- Compliance with Personnel Policies
- Compliance with Financial Policies
- Compliance with Audit Findings

PROJECTS UP TO \$100,000

Requests for projects up to \$100,000 must be submitted in writing by the pastor, pastoral administrator, or school administrator to the Archbishop (with a copy to the Chief Financial Officer) for review and approval. Project requests must include a description of the project, estimated cost (including copies of a minimum of three (3) bids or an explanation of how the estimate was determined), source of funding, and a copy of the Parish Council, Finance Council and/or School Board minutes indicating their review.

PROJECTS OVER \$100,000

Procedures follow for major projects over \$100,000:

- **WITH A CAPITAL CAMPAIGN**, see page 57
 - **WITHOUT A CAPITAL CAMPAIGN**, see page 59

NOTE: Policies regarding Archdiocesan loans and repayments are located under the policy entitled "**LOANS**", page 36.

**ARCHDIOCESE OF LOUISVILLE
RENOVATIONS/NEW CONSTRUCTION
MAJOR PROJECT WITH A CAPITAL CAMPAIGN**

	TASK CHECKLIST	Avg. Time Required to Process	Parish or School Time Line	Date Completed
1	FEASIBILITY STUDY: Pastor, Pastoral Administrator, or School Administrator in consultation with Parish Council or School Board writes Archbishop explaining the need and requests permission to proceed with a Preliminary Planning and Feasibility Study for the project. Letter should include estimated costs for work associated with the preliminary planning such as contracts for schematic drawings or design work and the cost of Feasibility Study.	1-2 weeks		
2	Upon approval by Archbishop, the Pastor, Pastoral Administrator, or School Administrator appoints a Project Planning Committee to develop a preliminary project plan to include designs, cost estimates, and project funding. In addition, Pastor, Pastoral Administrator, or School Administrator contacts Archdiocesan Stewardship & Development Office for guidance to initiate a Feasibility Study for a Capital Campaign. Note: Parishes using a professional fundraising firm for the study and campaign must obtain the Archbishop's approval before retaining the firm.			
3	Feasibility study is designed, conducted, and results compiled	4-6 weeks		
4	Parish Council, Finance Council, and/or School Board recommends to the Pastor or Pastoral Administrator whether to proceed (or not) with project based on results of Feasibility Study.			
5	Pastor, Pastoral Administrator, or School Administrator reports findings of Feasibility Study to Archbishop and requests permission to conduct a Capital Campaign.			
6	Archbishop reviews Feasibility Study and approves request to conduct a Capital Campaign.	1-2 weeks		
7	CAPITAL CAMPAIGN: Parish or School conducts Capital Campaign and Project Planning Committee should consult with Archdiocesan Director of Facilities for assistance with selecting contractors for bids and reviewing bids/proposals.			
8	Parish or School Capital Campaign Committee develops a preliminary plan including pro forma financial information following completion of Capital Campaign.	8-12 weeks		
9	Pastor, Pastoral Administrator, or School Administrator/Capital Campaign Committee reviews results of Capital Campaign and revises project as required.			
10	After review of the preliminary plan by the Parish Council or School Board, the Pastor, Pastoral Administrator, or School Administrator submits a completed questionnaire, schematic designs, and cost estimates to the Archdiocesan Building Commission for review and approval.	4 weeks		
11	Upon approval by the Archdiocesan Building Commission, the Project Planning Committee prepares a final project plan including architectural drawings and specifications, and project bids (minimum of 3). Pastor, Pastoral Administrator, or School Administrator then presents the final project plan to Parish Council, Finance Council, and/or School Board for review.	2 weeks		

12	<p>Following review, the Pastor, Pastoral Administrator, or School Administrator submits final project plan and results of Capital Campaign to the Archbishop for his approval. This submission should include:</p> <ul style="list-style-type: none"> • Description of the final project plan • Project cost (including copies of bids, minimum of 3) • Details of funding for the project • Loan application, if required • Gift and pledge information for verification 			
13	Archdiocesan Finance Office analyzes loan application and verifies pledge sample for Archdiocesan Finance Council.	4 weeks		
14	Archdiocesan Finance Council reviews project and loan application and makes recommendation to the Archbishop.			
15	Archbishop approves loan and he (or his designate) signs all project related contracts.	2 weeks		
16	<p>PROJECT COMMUNICATION STATUS:</p> <p>During construction, pastor, pastoral administrator, or school administrator notifies the Chief Financial Officer of any increased costs and submits change orders affecting design to the Director of Facilities for the Archdiocese.</p>			
17	Pastor, Pastoral Administrator, or School Administrator notifies Chief Financial Officer when project is completed.			
18	Pastor, Pastoral Administrator, or School Administrator/Capital Campaign Committee prepares two copies of “as built” drawing. One copy is given to the Director of Facilities for the Archdiocese and the other is kept at the parish or school.			

**ARCHDIOCESE OF LOUISVILLE
RENOVATIONS/NEW CONSTRUCTION
MAJOR PROJECT WITHOUT A CAPITAL CAMPAIGN**

	TASK CHECKLIST	Avg. Time Required	Parish or School Time Line	Date completed
	PRELIMINARY PLANNING AND APPROVAL:			
1	Pastor, Pastoral Administrator, or School Administrator in consultation with the Parish Council or School Board writes Archbishop explaining the need and requesting permission to proceed with preliminary planning for the project. Letter should include estimated costs for work associated with the preliminary planning such as contracts for schematic drawings or design work..	1-2 weeks		
2	Upon approval by Archbishop, the Pastor, Pastoral Administrator, or School Administrator, appoints a Project Planning Committee to develop a preliminary project plan to include designs, cost estimates, and project funding. The Project Planning Committee should consult with the Archdiocesan Director of Facilities for assistance with selecting contractors for bids and reviewing bids/proposal.	2-4 weeks		
3	After review of the preliminary plan by the Parish Council or School Board, the Pastor, Pastoral Administrator, or School Administrator submits a completed questionnaire, preliminary schematic designs and cost estimates to the Archdiocesan Building Commission for review and approval.	1-2 weeks		
4	Upon approval by the Archdiocesan Building Commission, the Project Planning Committee prepares a final project plan including architectural drawings and specifications, and project bids minimum of 3). Pastor, Pastoral Administrator, or School Administrator then presents the final project to Parish Council, Finance Council, and/or School Board for review.	2 weeks		
5	Following review, the Pastor, Pastoral Administrator, or School Administrator submits the final project plan to the Archbishop for his approval. This submission should include: <ul style="list-style-type: none"> • Description of final project plan • Project cost (including copies of bids, minimum of 3) • Details of funding for the project Archbishop reviews the final project and consults with Chief Financial Officer, Archdiocesan Finance Council, and the Archdiocesan Director of Facilities. Archbishop approves final project plan and he (or his designate) signs all project related contracts.	1-3 weeks		
	PROJECT COMMUNICATION STATUS			
6	During construction, pastor, pastoral administrator, or school administrator notifies the Chief Financial Officer of any increased costs and submits change orders affecting design to the Director of Facilities for the Archdiocese.			
7	Pastor, Pastoral Administrator, or School Administrator notifies Chief Financial Officer when project is completed.			
8	Pastor, Pastoral Administrator, or School Administrator/Capital Campaign Committee prepares two copies of "as built drawing. One copy is given to the Director of Facilities for the Archdiocese and the other is kept at the parish or school.			

REPORTING REQUIREMENTS

Chancery Report

The Chancery requires each parish and school to submit certain financial information during the fiscal year -- a six-month report for the period ending December 31 (due no later than January 31) and a year-end report for the period ending June 30 (due no later than July 31), which includes the PDS upload of financial data, via the DioView transmission. These are standardized reports that are easily generated from the PDS ledgers/payables system. Manual forms are provided with the report request to those parishes or schools using the manual bookkeeping system.

The year-end information requested consists of a balance sheet, income statement, and the next year's budget for the parish, parish organizations and school as well as the Charitable Gaming Summary Report. The Chancery reserves the right to request additional information as required.

The pastor, pastoral administrator, or school administrator of each parish and school is the responsible party for these reports and, therefore, he/she must sign the reports along with the individual responsible for preparing the report.

Parish/School Financial Reports

The bookkeeper should submit monthly parish/school financial reports to the pastor, pastoral administrator, school administrator, Parish Council, School Board, and Finance Council. These reports should include, but are not limited to, income statements and balance sheets.

Parish/School Organization Financial Reports

The bookkeeper should prepare monthly financial reports for each parish and school organization and committee with copies to the pastor, pastoral administrator, school administrator, Parish Council, School Board, and Finance Council. These reports should include an income statement, balance sheet, and general ledger. The parish and school organization or committee must review these reports.

Annual Pledges

Pledges for annual stewardship commitments should be entered into a system (PDS Census/Contribution Program or a manual system) so that comparison reports can be generated which show the difference between amounts pledged and actual contributions posted. The stewardship committee and the parish Finance Council should review these reports. There should also be follow-up via whatever parishioner contact is adopted.

Cafeteria Financial Reports

A monthly report (form D-2) is due to the Chancery Food Service Office by the 5th of the following month. This form should be prepared by the cafeteria manager and approved by the school principal for review by the pastor, pastoral administrator, or school administrator and parish and school Finance Council. These reports should also be subject to the annual parish

and school audit.

Regional Schools

The financial viability of a regional school is the responsibility of the coveting parishes and is subject to the coveting agreement. The canonical pastor or pastoral administrator is accountable for the school including financial matters and reporting to a) the coveting parishes and b) the Archdiocese (school office and/or finance office). Schools organizations which previously had been parish based, e.g., PTO, are accountable through the school to the canonical pastor or pastoral administrator.

Reporting Misappropriation of Funds

Any theft or misappropriation of funds (or suspicions of such) must be reported immediately to the Chief Financial Officer, Controller, or Chancellor/Chief Administrative Officer at the Chancery (see Report of Suspected Fraud policy enclosed). Additionally, any flagrant and deliberate violations or noncompliance by parish and school organizations of the Archdiocesan Financial Policies should also be reported.

IRS Reporting Requirements

For fund raising reporting requirements, please refer to the policy entitled "Charitable Gaming."

Parish Accountability Report

All parishes are required to provide their parishioners with a Parish Accountability Report. A complete report, including income statements, budgets, and ministry/sacramental information for the reporting period, should be provided no less than annually. Parish financial information is required to be provided to parishioners no less than quarterly. Parishes and schools are also required to submit a copy of this report with the year-end Chancery Report.

REPORT OF SUSPECTED FRAUD

The Roman Catholic Archdiocese of Louisville promotes a culture of honest and accountable stewardship of God's gifts. Fraud of any type will not be tolerated. The prevention of fraud is the responsibility of all clergy, religious, lay employees, volunteers, and parishioners. The Archdiocese expects those parties to report any suspected case of fraud and provides assurance against recrimination. Persons found to have participated in fraudulent acts will be subject to disciplinary action, up to and including termination and civil and criminal prosecution.

Suspected fraud may be reported by mail, fax, telephone, or email. The Report of Suspected Fraud form details instructions for reporting and submitting claims.

How to Report Suspicions of Misuse of Funds and Property

The Archdiocese of Louisville is committed to being a good steward of our resources. We are all responsible for ensuring that funds we receive are used for the benefit of people we serve and for protecting our financial and physical assets from theft or misuse. We ask for your help in reporting any situations where Church funds or property are lost or put at risk, as described in the following policy.

Application

This policy applies to all clergy, employees, and volunteers of our parishes, schools, and agencies. In addition, we encourage parishioners, parents of school students, clients of our programs, and others to report any suspicions of misuse of funds or property. By working together, we can promote greater stewardship and accountability.

Definition

We define the following behavior as inappropriate:

- Situations involving the loss of Church funds or property, such as falsifying expense reports, giving a cell phone belonging to the Church to a family member to use, using work time to run a personal business, or taking money from a Sunday collection or petty cash fund, even with the intent to re-pay it
- Situations that create potential future losses of funds due to poor accounting procedures, such as not keeping cash in a secure place or having a lack of "checks and balances" in managing money

Examples

Additional examples of inappropriate conduct are listed below:

- Working together with an employee, volunteer, vendor or client of a program to get around internal controls, take funds and conceal actions from detection
- Taking goods that have been donated to the Church or purchased with Church funds
- Signing another person's name on a check or other document to take funds
- Issuing paychecks to people who are not employees
- Making payments to false vendors or overpaying invoices to receive a "kickback"

- Using the Church tax exemption for personal purposes
- Receiving payment for hours that were not worked

Reporting

We highly encourage and would be very grateful for any information regarding the misuse or the potential for future loss of funds or property. You can make a confidential report on your own by using the website described below. Or, if you wish, you can talk with your pastor, pastoral administrator, principal, or agency director and the two of you can make a report together. Another option is to contact the Chief Financial Officer, Controller, or Chancellor/Chief Administrative Officer, who can also assist you with making a report. The contact information for these individuals is at the end of this policy.

If you suspect misuse of funds or property, but do not have complete proof, we would still appreciate any information you could share. If you are unsure of whether a situation is a violation of the policy, you can use the reporting system to ask a question.

Reporting of suspect activity may be done confidentially by submitting a **Report of Suspected Fraud form is available (provided in *Appendix IV-Sample Forms/Reports*)**.

- The name of the reporting party will only be shared with people who have a "need to know" during an investigation.
- Every report is taken seriously.
- The Chief Financial Officer will be informed of every report, as appropriate.
- There will be a thorough investigation of every report.
- A response will be given to every individual who makes a report and provides contact information.

Non-Retaliation

The Archdiocese sincerely appreciates reports that are made and will not retaliate or take action against any person who makes a report in good faith. For employees, they will not suffer a loss of employment, a decrease in wages, or other adverse consequences due to making a report in good faith. For other individuals (volunteers, parishioners, parents, clients of programs, etc.) who make reports, the Archdiocese will make every effort to protect their identities and their interests.

Further Information

The Archdiocese has another policy that relates to this topic:

- **Internal Control Policy** - Provides guidelines on practical steps to reduce the risk of funds being lost or misused. This policy can be located in the Financial Policy and Procedures Manual found at www.archlou.org.

An Appeal

For the Church to practice good stewardship and demonstrate accountability, every person needs to be committed to these goals and willing to report suspicions of wrongdoing or situations where poor procedures make wrongdoing possible. We appeal to you to be vigilant in these areas and report any and all information that would help *us* live up to these standards. We are very grateful for your assistance, and thank you for working with us to ensure the highest ethical and professional standards in all of our ministries.

If you have any questions about this policy or would like assistance in making a report, please contact any of the following people:

Robert L. Ash, Chief Financial Officer, (502) 585-3291, ext 1153, bash@archlou.org
Kathy Downs, Controller, (502) 585-3291, ext. 1135, kdowns@archlou.org
Brian B. Reynolds, Ed.D, Chancellor/Chief Administrative Officer, (502) 585-3291, ext. 1109, breynolds@archlou.org

SCHOOL TUTORING AT ARCHDIOCESAN FACILITIES

The Archdiocese of Louisville will allow teachers presently under contract, and other active employees to work as independent contractors to operate in the schools to provide academic tutoring, and other services such as art and music lessons after hours without the liability insurance requirement with the restriction that only Archdiocesan students may be tutored at Archdiocesan locations.

These services are only those considered outside of required duties and may only be offered with the permission of the local administrator (i.e. principal or pastor).

All safe environment practices must be followed under this independent contractor policy – no exceptions. The required Code of Conduct is found in the Archdiocese of Louisville document: “Restoring Trust: The Sexual Abuse Policies of the Archdiocese of Louisville”.

Teachers should understand that they will have no coverage under the Archdiocesan Certificate should a claim be made against them personally. However, teachers may purchase insurance for personal coverage through a carrier of their choice at their own expense.

Payment for tutoring services should be handled directly between the teacher and parent. The parish/school will not be involved in fee collections or payments.

SPECIAL COLLECTIONS

The following special collections are taken up each year throughout the Archdiocese to meet particular pastoral needs.

Collection	Date of Collection
Opportunities for Life (Information provided by the OFL office at Catholic Conference of Kentucky) Second collection or door collection.	January
Society for Propagation of Faith Membership Envelopes provided by the National Office. Offerings and membership list should be mailed directly to the Archdiocesan Director of the Society for Propagation of Faith.	January
Black and Indian Missions Second collection or door collection.	First Sunday in Lent
Catholic Relief Services Minimum collection must equal one-half an average collection.	Fourth Sunday in Lent
Rice Bowl Promotional materials provided by National Office.	Holy Thursday
Holy Land Customarily the only collection.	Good Friday
Catholic Education Minimum collection must equal an average collection. No envelopes for other causes may be used.	Easter Sunday
Catholic Home Missions Minimum collection must equal one-half an average Sunday collection.	Pentecost Sunday
Crusade for Children Second collection or door collection. Free will offering.	First Weekend in June
Peter's Pence Third Sunday Minimum collection must equal one-half an average collection.	August

<u>Date of Collection</u>	<u>Collection</u>
Catholic Higher Education Minimum collection must equal one-half an average collection.	Third Sunday in September
Catholic Campaign for Human Development Second collection or door collection.	Sunday before Thanksgiving
Retired Religious Collection Second collection or door collection.	Second Sunday in December
Archdiocesan Charities Minimum collection equal to an average collection. No envelopes for other causes may be used.	Christmas Day

In addition to the above collections, the Archbishop may authorize periodic appeals from other missions. Prior to each special collection or local appeal, a letter from the Archbishop explaining the purpose of the collection will appear in The Record. In addition, advance notice will be given to the pastors or pastoral administrators by the Chancery.

If special envelopes are used for special collections, all money in those envelopes, as well as loose change, should be counted as part of that special collection. Money in regular parish envelopes is to be considered as part of regular parish income.

For those collections that require a "minimum" contribution, if the parish does not collect the minimum, it is expected that the difference will be made up from parish funds. The minimum contribution is based upon an average collection that is determined by totaling income from all offertory collections for the previous calendar year and dividing that by 52. The only funds excluded from the estimation are funds designated for the support of the school and collections for diocesan and other non-parish purposes. Any pastor or pastoral administrator who, in conscience, is troubled about making up the difference from parish funds should contact the chancellor to resolve the issue.

Any parish may choose to make a donation in place of having a second collection as long as parishioners are informed of the purpose of the collection and the above "minimum" restrictions are met.

The proceeds and/or parish donations for each special collection are to be forwarded to the Chancery via the Post Office box within 30 days.

Special collections are not subject to the Archdiocesan parish assessment. Therefore, the disbursement of these special collections should be recorded under the account entitled "Remittance of Collection for Non-Parish Purposes" or to a payable account so that they are not included in the gross support of the parish.

Special collection payments to the Archdiocese should be accompanied with the Parish Payment Transmittal Form-See *Appendix IV-Sample Forms/Reports*.

STOCK

The sample **Stock Transfer Form** or **Authorization of Stock Transfer Form** (found in *Appendix IV - Sample Forms/Reports*) must be used for any gift of stock, whether to your parish or school general fund or capital campaign, or the Catholic Services annual appeal.

Stock Procedures for Donors

Stock Transfers

When a donor wishes to contribute stock to a parish and/or school, the transfer should be handled in one of two ways:

1. If the donor holds the stock certificate, the donor should:

- Endorse the certificate over to the Roman Catholic Bishop, FBO (parish and/or school name).
- Sign the certificate.
- Deliver signed certificate to the pastor, pastoral administrator, or school administrator

Upon receipt of the signed certificate, the pastor, pastoral administrator, or school administrator should:

- Complete a **Stock Transfer Form**
- Deliver the signed certificate and the **Stock Transfer Form** to the Archdiocese of Louisville, Attention: Chief Financial Officer

The CFO should:

- Sign the **Stock Transfer Form** indicating receipt of the stock
- Provide a copy of the **Stock Transfer Form** to the parish and/or school and keep a copy for Archdiocese files
- Arrange for stock to be sold and direct proceeds to the parish and/or school

2. If a stockbroker is holding the certificate for the donor, the donor should:

- Complete an **Authorization of Stock Transfer Form**
- Send the original form and additional copy to the stockbroker. Send additional copies of the form to:
 - a.) parish and/or school receiving the stock donation, and
 - b.) Archdiocese of Louisville: Attention: Chief Financial Officer

Once the broker transfers the stock to the Archdiocesan account, the stock will be sold and the proceeds directed to the parish and/or school.

Acknowledgement

Stock is a non-cash contribution and should be recorded as such in the donor's contribution record as of the date of transfer into the Archdiocese account. An example of how a stock donation should be recorded is:

100 Shares of ABC Stock (Non-Cash Contribution) received on mm-dd-yyyy (date).

The acknowledgement of the stock donation should describe the gift, specify the date received by the Archdiocese and not set a value on the donation. The date is provided by the Finance Office at the Chancery.

TRAVEL AND OUT-OF-POCKET EXPENSE REIMBURSEMENTS

An approved expense report is to be submitted to the parish or school office for reimbursement of travel and out-of-pocket expenses.

The following information pertaining to in-town and day travel expenses is to be provided on the Mileage and Meal Expense Report:

- Date of the expenditure,
- Mileage and/or Meals*Amount,
- Purpose of the expenditure,
- Travel destination.

The following information pertaining to out-of-town and overnight travel expense item is to be provided on the Conference/Meeting Travel Expense Report):

- Dates of the conference/meeting,
- Conference/meeting title and purpose,
- Conference/meeting location,
- Expense items (lodging, meals, transportation items, entertainment*, mileage on personal vehicle, miscellaneous**)

*Details of guests, purpose and location must be provided

**Details must be provided

Detailed receipts to substantiate expenses must be submitted; credit card receipts are not acceptable. Mileage reimbursement for the use of employees' personal vehicles is to be made at the archdiocesan rate. All expense reports are to be approved in writing by the individual's supervisor or the pastor; no one may approve their own expense report.

Please refer to the Priests' Compensation Manual for reimbursement of official (work related) mileage for priests of the Archdiocese or those having assignments in the Archdiocese.

Two forms, the Conference/Meeting Travel Expense Report and the Mileage and Meal Expense Report, are provided in *Appendix IV-Sample Forms/Reports.*