



DIOCESE OF ORANGE

**ADMINISTRATIVE AND
FINANCIAL
MANAGEMENT MANUAL**

**Finance Office
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OBJECTIVE

This finance and administrative manual exists for the benefit of Pastors, Administrators, Principals, Finance Councils, Advisory Boards, Business Managers, and others, including the faithful. It is intended to help those in parish and school administration support the Pastors who have been assigned by the Bishop and therefore have canonical responsibility to be good stewards and representatives of their parishes and schools. We hope all who support this important responsibility will become thoroughly familiar with this manual and may refer to it often to guide their decisions. Please contact the Diocesan Finance Office with any questions or concerns regarding this manual. To contact the Pastoral Center please refer to the RCBO website, <https://www.rcbo.org/directories/diocesan-departments/>.

ACCOUNTING PRINCIPLES AND PROCEDURES

ACCOUNTING/REPORTING STANDARDS

To achieve the goal of consistent financial accountability, it is necessary to establish standards for accounting and reporting practices. Several efforts have produced and refined the guidance regarding appropriate accounting standards for religious organizations. Some of the more relevant standards that apply to the Diocese of Orange are included in this section.

BOOKKEEPING

Proper bookkeeping requires that the parish, center, or school (the “location”) maintain a journal and a general ledger following proper accounting procedures. All entries in these books must be based on verifiable and objective evidence using accounting principles generally accepted in the United States of America (U.S. GAAP). As a result, all accounting records must use the accrual basis of accounting. Cash basis accounting is not allowed.

CAPITALIZATION POLICY – CAPITAL PURCHASES

Refer to Construction Project Approval System (“CPAS”) and Capital Expenditure Policy. Capital assets are assets that are long-term in nature, can be expected to benefit the organization for more than a year and are included on, or capitalized to, the location’s Statement of Financial Position (SFP), or Balance Sheet. A purchase or improvement shall be considered a capital asset if the acquisition costs exceed \$2,500. If a purchase does not meet these criteria, the cost of the purchase shall be recorded as an expense for the current year.

Ordinary repairs should be recorded as an expense in the period in which they occurred (matching principle). Our goal is to accurately reflect the financial events of each year.

The location must retain a record of all capital purchases including, but not limited to, the name and manufacturer serial number of the item(s) purchased, a brief description of the item(s), the date of purchase, the cost of the purchase and any related depreciation.

Certain capital assets, by their nature, are more subject to loss of value or theft. These assets, namely furniture, fixtures, video equipment, camera equipment, computer equipment, etc., should be subject to greater control than parish land, buildings, and renovations. All furniture, fixtures, and equipment must be inventoried on an annual basis. An integral part of a robust inventory is to confirm the item against the records indicated in the preceding paragraph as well as its physical whereabouts at the location.

DEPRECIATION GUIDELINES

Depreciation is a system of accounting which aims to distribute the cost or other basic value of tangible capital assets, less salvage value (if any), over the estimated useful life of the asset, or group of assets, in a systematic and rational manner. Depreciation is a process of allocation, not of valuation.

The capitalized cost of the asset less the asset’s accumulated depreciation is referred to as the net book value of the asset. Net book value cannot be less than zero. As a result, accumulated depreciation for an asset may never exceed the capitalized cost of the asset.

For purposes of a location's accounting records, depreciation is a means of keeping track of the remaining usefulness of the location's capital assets. Depreciation should not be confused with funding the replacement of fixed assets as they are consumed over their useful lives. The means of replacing fixed assets and the extent to which the replacements should be funded are financing decisions to be made by those charged with governance at the location and do not directly impact the current costs of providing program or supporting services.

Please refer to the guidelines for the useful lives of various parish assets in the Chart of Accounts section.

VALUATION OF ASSETS

With few exceptions, U.S. GAAP requires that assets be carried at the lower of cost or market. Investments and other marketable securities whose prices are made public and traded in active markets are recognized at market value as of the date of the financial statement ("marked-to-market"). Capital assets are typically carried at their historical cost. If assets need to be appraised, consult with the Director of Real Estate. To contact the Pastoral Center please refer to the RCBO website, <https://www.rcbo.org/directories/diocesan-departments/>.

ACCOUNTS PAYABLE

GUIDELINES

The control and monitoring of parish and school obligations is critical to ensuring that complete and proper recognition is given to all expenditures of the parish and school in the annual report. This section provides guidelines to improve the accounting for parish and school obligations.

- Take advantage, when feasible, of purchase discounts.
- The parish and school bookkeeper should assign an account classification prior to payment. Invoices are entered into the accounting software program using the accounts payable function by invoice date so that expenses will be posted in the proper period.
- Delivery of goods or services should be verified before authorizing payment.
- The amount of outstanding obligations of the parish and school should be reflected on interim and year- end financial reports to properly present the parish and school's financial positions and operating results.
- The Pastor should direct the timing of payment of vendor bills or Principal based on the terms of payment and availability of funds.
- Paid bills should be appropriately canceled in the accounting system (i.e., marked **PAID**, check date, check number), and coded for distribution to the appropriate expenditure classification.

PAYMENT OF INVOICES – PURCHASING POLICIES

All requests for purchases/services must be approved by the Pastor/Parish Administrator/Principal or designated person.

- A proper invoice contains a billing date, vendor name, address, invoice number, description of goods and services, amount, applicable taxes, and purchase order number, if applicable.
- All expense reimbursement request forms should be accompanied by the original receipts (exceptions must be approved by the Pastor or Principal) to verify validity and to prevent duplicate payments. For meal and entertainment expenses, there should be a list of attendees and a stated business purpose. Reimbursed expenses are to be paid directly to the employee (not to an employee's credit card company).
- All regular operating expenditures for services, supplies, maintenance, and parts should be included in the annual budget of the department/organization making the purchase.
- All budgeted purchases/services for amounts up to \$1,000 must be reviewed and approved by the person responsible for the department/organization budget and the Parish Business Manager. All budgeted purchases/services for amounts over \$1,000 must be reviewed and approved by the Pastor/Parish Administrator/Principal.
- All non-budgeted purchases/services for amounts up to \$500.00 must be reviewed and approved by the person responsible for the department/organization budget and the Parish Business Manager. All non-budgeted purchases/services for amounts over \$500.00 must be reviewed and approved by the Pastor/Parish Administrator/Principal.
- Large dollar purchases or services must be competitively reviewed prior to initiating the purchase. Using a competitive bidding process could result in significant savings for the parish/school.

ACCOUNTS RECEIVABLE

GUIDELINES

The Business Manager or Finance Manager is responsible for the proper classification and accounting of revenue, income, and receivables, which include:

- Developing and issuing necessary operating policies and procedures for the handling of revenue, income, and receivables
- Providing general supervision of these operations
- Developing and maintaining processes and systems as may be required

ACCOUNTS RECEIVABLE

This area is concerned with the business processes of recording, controlling, and collecting amounts due to the parish or school:

- General accounts receivable for amounts due
- Parish capital campaign or pledges that have not been paid should be set up as a receivable on the balance sheet with an appropriate allowance for estimated doubtful accounts (uncollectible pledges). The balance will be updated monthly.
- Student accounts receivable (amounts due from tuition and fees)
- Payments of next year's enrollment activities. These registrations, tuition, curriculum fees income should be reflected as deferred income on the balance sheet as of June 30.
- Grants and Contracts

Parishes and schools must not loan money to outside entities or persons.

- Consideration is to be made to integrate the billing and accounts receivable with the same general ledger software to accurately reflect the accounts receivable balance in the balance sheet at the end of each period. If tuition software is maintained independently of the general ledger system, all receivables should be recorded in the general ledger and the deposits are to be reconciled monthly to the tuition software system to ensure recording of receipts and proper posting to the accounts.

ACCOUNTS RECEIVABLE COLLECTIONS

Upon recommendation of the local school board, the Administration is responsible to determine criteria by which unwillingness to pay tuition and fees are judged. Each school is to have a consistent written policy detailing how financial delinquency is to be handled.

CREDIT BALANCES IN ACCOUNTS RECEIVABLE

Parishes and Schools are required to comply with State laws with the requirements of disposition of Account Receivable credits. Reports are maintained and run monthly. For accounts that have credit balances of five dollars or more, accounts receivable request refund checks are to be generated and mailed to the creditor, unless otherwise instructed. Accounts with credit balances with less than five dollars are written off at least once annually. If an individual presents documentation of a credit balance and requests a refund check after the balance has been written off, a refund request will be issued.

COLLECTION OF PAST DUE ACCOUNTS

Due to the Diocese's mission of public service and the philosophy of a public educational institution, the school often extends credit to students and/or employees, which may sometimes involve a risk in terms of repayment. The school finance department should pursue a vigorous program of follow-up and collection of past-due accounts. This does not change the requirement that the school finance department formulates its guidelines for the extension of credit. Accounts are generally considered past-due if they remain unpaid 30 days after the first statement has been issued or any other notice that payment is due or after a predetermined due date.

OTHER PENALTIES

The Administrator and Finance Manager may refuse to accept customer payments by personal check after a bad check payment has been attempted. Other actions, which may be taken, are to withhold the privilege of registering for a subsequent semester or to require that payments be made in cash or guaranteed remittance such as a money order or bank check. Privileges may be suspended for varying lengths of time depending upon the circumstances.

UNREDEEMED CHECKS

An unredeemed check is one payable to the Parish or School that has been refused by the drawer's bank for any reason and returned unpaid. The Parish or School Finance department is to pursue a vigorous program to follow up and collect on these checks.

UNREDEEMED CHECKS FOLLOW-UP PROCEDURES

Follow-up procedures for unredeemed checks start immediately upon the return of the check from the bank. Procedures are consistent with those used for other delinquent collections and include form letters, personal letters and contacts, telephone calls and other techniques as may be appropriate.

Parishes and Schools are required to follow the appropriate rules and procedures in maintaining records within their accounting systems and in reporting uncollectible claims and past due accounts. The Parish and School Finance departments have the responsibility for setting procedures and for coordinating and developing the operating policies and procedures necessary for the reporting of uncollectible accounts to the Pastor/Administrator and final write-off of uncollectible accounts.

WRITE-OFF OF UNCOLLECTIBLE CHECKS

The Administrator and Finance Manager have the responsibility for setting procedures and coordinating the write-off of uncollectible checks and any other uncollectible amounts. Any amount that is written off is charged back to the account originally credited.

ACCRUAL ACCOUNTING

GUIDELINES

Parishes and Schools in the Diocese of Orange are to maintain their accounts and prepare the year-end financial statements using the accrual basis of accounting.

Under accrual accounting, revenues are reported when earned and expenditures are reported when incurred. Under this method of accounting, revenues earned but not received and expenses incurred but not paid at the balance sheet date are accrued, and cash receipts and disbursements applicable to future periods are deferred.

Revenue cutoff example:

- In June, the school agrees to let two neighborhood soccer clubs hold practices on the school field during July and August, in exchange for \$500 each. The girls' coach pays their \$500 share in advance in June, and the boys' coach pays their \$500 share in arrears on August 31.

Dr \$500 cash for the girls' team

Dr \$500 accounts receivable (asset) for the boys' team

Cr \$(1,000) to deferred revenue (liability)

To record activity as of June 30

Dr \$500 deferred revenue

Cr \$(500) revenue (income)

To record activity as of July 31

Dr \$500 cash

Cr \$(500) accounts receivable for the boys' team

Dr \$500 deferred revenue

Cr \$(500) revenue

To record activity as of August 31

Expense cutoff examples:

- In June, the church makes a \$5,000 deposit to reserve hotel rooms for a pilgrimage planned for September.

Dr \$5,000 prepaid travel expenses (asset)

Cr \$(5,000) cash

To record activity as of June 30

Dr \$5,000 travel expense (cost)

Cr \$(5,000) prepaid travel expenses

To record activity as of September 30

- In June, the church received a \$100 utility bill for service through June 15 and with payment due on July 15.

Dr \$100 utility expenses (cost)

Cr \$(100) accounts payable (liability)

To record activity as of June 30

Dr \$100 accounts payable

Cr \$(100) cash

To record activity as of July 31

- Employee has earned 20 hours of vacation time at \$10.00 an hour and has not used it at year-end. Employee uses 20 hours of vacation in July.

Dr \$200 salaries expense (cost)
 Cr \$(200) accrued vacation account (liability)
To record activity as of June 30

Dr \$200 accrued vacation
 Cr \$(200) credit to cash
To record activity as of July 31

BANK AND INVESTMENT ACCOUNTS

PROCEDURES

Cash management is a tool to improve the liquidity necessary to meet a parish's day-to-day needs. The remainder of this section provides guidelines relating to the proper accounting and control over cash balances.

To fund the Deposit and Loan trust (D&L), all parish and school bank account balances have been transferred to the master D&L concentration account, where they remain available on demand. Parish and school D&L bank accounts have been converted to zero balance accounts (ZBA), with all deposit and withdrawal activity sweeping overnight with the master D&L concentration account. In order to prudently manage and safeguard the cash assets given to the Church, the Diocese of Orange maintains a Concentration Account banking system with the Farmers & Merchants Bank (FMB) and invests the funds to maximize earnings and to reduce exposure to loss.

This account bears interest to the parish/school at a competitive rate based on the daily balance. The Diocese furnishes an activity statement that is to be used by the parish, in connection with the statement and returned checks from FMB, in reconciling its accounts monthly. The monthly checking account reconciliation should be reviewed by the Pastor, Principal and Finance Council of the parish/school.

Every checking account maintained by the parish/school must have the signatures of the Bishop of Orange, the Diocesan Chief Financial Officer, the Vicar General and the Pastor on the account card. Each parish/school is required to have dual signatures for all checks of \$5,000 or more.

Other checking accounts not linked to the Concentration Account are not permitted. Any request for an additional account must be approved by the Diocesan Chief Financial Officer or Controller.

SEGREGATION OF DUTIES

Adequate safeguards and control over cash balances require a minimum level of segregation of the primary responsibilities involving cash transactions: authorization, custodial, recording and reconciliation. Ideally, the same individual should not perform two or more of these responsibilities. The following guidelines should be considered when evaluating the appropriate level of segregation:

1. Authorization: The Pastor/Administrator has the final responsibility of committing parish resources.
2. Custodial: Parish funds should be maintained in adequately protected bank accounts.
3. Recording: Transactions should be recorded by a competent accountant/bookkeeper.
4. Reconciliation: Reconciliation of account balances should be performed by the accountant/bookkeeper and reviewed by the Pastor/Administrator.

BANK ACCOUNTS – INVESTMENT ACCOUNTS

Each parish and each school should maintain only one checking account from which all check disbursements are made unless the need for an additional account is approved by the Chief Financial Officer or Controller. A parish group/ministry may not open a separate account.

These accounts should be included in the financial reports of the parish or school. This holds true for any of the fundraising committees or other parish groups operating in the parish name or utilizing the parish Federal and/or State ID number.

Parishes are not to maintain accounts outside of the State of California unless authorized by the Diocesan Chief Financial Officer.

All operating and savings accounts, cash accounts including the receipts and disbursements through the various minor outside bank accounts and investments must be recorded in parish or school operations. Transactions should be posted to the parish or school general ledger daily, weekly, or monthly (at least on a quarterly basis for small outside accounts). The operations from the small outside accounts are booked, reflecting the bank balances on the balance sheet and the gross amounts of income and expenses related to parish or school operations. These accounts should be reconciled monthly, and the checkbooks are to be stored within parish or school campus.

Stocks donated by parishioners and all stocks held by the Church should be recorded on the financial statements.

BANK RECONCILIATION

The Pastor/Principal should receive the unopened bank statements and review deposit activity and canceled checks for obvious inconsistencies prior to forwarding the statements to the individual responsible for the preparation of the bank reconciliation. Management's review of the bank statements will ensure that unusual items are investigated on a timely basis.

The parish checking account should be reconciled monthly to the general ledger and/or checkbook. The reconciliation process should be adequately documented. All outstanding checks older than one year should be researched, removed (voided), or added back to the cash balance as of June 30 and, if necessary, are to be reissued to the payee. If reissuance is not feasible, follow the California state guidelines on escheating the amount to the state.

Funds received as of June 30 that are not deposited until July should be classified to the checking account balance and reflected as a deposit in transit.

The Pastor or a member of the Finance Council should review the reconciliation and document the review via initials.

The Pastor's, or member of the Finance Council's, review of the reconciliation should include scanning deposits and charges to the bank account as reflected on the monthly bank statements for any inconsistent or unusual deposits or charges.

CONTROL OF BLANK CHECKS

Blank checks must be kept in a locked box or cabinet or drawer accessible only to those who have proper authorization. The checks must be periodically accounted for.

CASH DISBURSEMENTS

GUIDELINES

This section provides guidelines to improve the accountability and safeguarding of the parish/school cash disbursement activity.

1. Only the Pastor, Parish Administrator or Principal may delegate check signing privileges. A Pastor may designate a Parochial Vicar and/or the Finance Council Chairperson to be a signer on the checking account. If the Business Manager writes checks then he/she may not sign checks. An updated signature card must be always on file with Farmers & Merchants Bank.
2. All disbursements should be approved by the Pastor (Parochial Vicar in the absence of the Pastor) or Principal. The Pastor, Principal or a designated member of the Finance Council should periodically review the distribution of expenses to account classifications and, if applicable (i.e., Church pays some bills for the school), the allocation between Church and school to better understand the expenses involved in each entity.
3. Electronic signatures, or rubber signature stamps are not allowed on the checks.
4. The use of parish credit cards is not encouraged. However, if utilized, there should be only one printed card with a limit not to exceed \$10,000, and it should always remain in the Pastor's custody.
5. Blank checks should **never** be pre-signed.
6. Expenditures that exceed \$1,000 (lower/higher limits may be determined by the local management, except for utilities, diocesan obligations, clergy/religious compensation, and payroll expenses) should be reported to the Finance Council at its next meeting.
7. Unbudgeted expenditures expected to exceed \$10,000 require prior consultation with the Parish Finance Council, if not already included in the annual budget for the parish and/or school.
8. All parish disbursements to third parties should be made by check except if paid from petty cash. Payments to the Roman Catholic Bishop of Orange should be made automatically, in FISCAL. Under no circumstances should disbursements be made from un-deposited funds.
9. All check disbursements should be made out to a specific party. Under no circumstances should a check be made out to "Cash."
10. The disbursement of Christmas/Easter bonuses is under the discretion of the Pastor and should be paid through payroll and reported to the parish Finance Council for input.

CASH RECEIPTS

GUIDELINES

This section provides guidelines to improve the accountability and safeguarding of the parish's cash receipt activity.

DEPOSITS

All cash and checks collected should be included for deposit (i.e., under no circumstances should funds be disbursed directly from the collections). Documentation for each cash/check deposit should be available for review and tracing back to the general ledger postings and bank statements and filed in an organized manner. The timing of receipts should be watched to make sure that they are recorded in the proper period.

Monies not immediately deposited should be adequately safeguarded. The use of a safe or locked file cabinet securely bolted to the concrete floor in an enclosed space in the office is strongly suggested. Two individuals should be responsible for depositing all cash receipts, particularly for parishes making "night" deposits on Saturday, Sunday or after weekday banking hours. It is strongly encouraged to use armored courier. Cash is to remain on the premises except when in transit to the bank for depositing. Holding cash, even temporarily, at an offsite location such as personal residence, business or vehicle is prohibited. Validated deposit slips should be retained and returned to the parish bookkeeper to support the recording of receipt activity in the parish's financial records.

Someone not having responsibility for counting collections or handling mail receipts should keep a record of each parishioner's contribution. Statements should be pre-printed with the following confirmation request: "This statement is for your records. Please examine it carefully. If it does not agree with your records, please communicate directly to the Pastor." These statements should be mailed at least annually to parishioners. The total of the weekly postings to the parishioners' accounts should agree with the totals on the weekly Deposit Record Form.

All cash receipts activity must be recorded in the parish's cash receipts journal in a timely manner, preferably daily, at least weekly, to ensure the accuracy of interim and year-end financial data. Prior to recording cash receipts, the parish bookkeeper should check to make sure the totals from the validated bank deposit slips match the totals of the Deposit Record Form.

The depositing of collections and miscellaneous receipts should be made as follows:

Offertory Collections

Weekday Collection - Immediately after Mass; no later than next morning.

Weekend Collection - Immediately after the last Mass on Sunday and no later than Monday afternoon.

Miscellaneous Receipts – Miscellaneous, Fundraising, Fiesta, Scrip, Bingo, etc. - Immediately after receipt; no later than next morning. Activities Reports should be reviewed and include a reconciled monthly bank statement, monthly income statement, balance sheet and budget-to-actual comparison for the month and year-to-date.

Mass Offering and Related Offerings

Mass Offerings, memorials and related offerings should be deposited directly to the parish's bank account using the deposit form. If stipends are to be paid, diocesan clergy should be paid through payroll. Non-Diocesan priests should be paid by check to facilitate the required Form 1099 reporting. Religious order priests should also be paid by check made payable to the Order itself, however a 1099 is not required.

National and Diocesan Collections

A separate Deposit Record Form should be used for each National and Diocesan Collections. National and Diocesan Collections should be remitted to the Diocesan Accounting Office promptly. The amount remitted should equal the amount reflected on the supporting Deposit Record Form. For approved special second collections (i.e., visiting missionaries, etc.), the collection is to be deposited into the parish checking account and a check issued to the particular agency.

PARISH/SCHOOL UNIFORM CHART OF ACCOUNTS

THE ACCOUNTS

This Parish/School Uniform Chart of Accounts is established for use by every parish/school in the Diocese of Orange. It is intended to provide a simple and understandable method of reporting operations of the parish/school. Its proper use should provide consistent accounting within each parish/school as well as among the various parishes/schools. In addition, its use will provide for continuity in the event of a change in Pastor, Administrator, Principal, accountant, and others involved in the financial administration of the parish/school.

CODE STRUCTURE

Depending on the financial information needed, each parish and school has the flexibility to customize the Chart of Accounts so long as the overall summaries can be produced for reporting to the Diocesan Administrative Offices. This is meant to give users greater flexibility in the recording of their parish/school finances. Users can add to the specific type of accounts a code for the nature of expenses or revenues and a code for the cost center or program area. The code can be the first digit of the account number or it can be after the decimal point.

The account number for each expense should be looked at as having two functions: first, to show the expense by program area (Religious Education) and second by type (Office Supplies) The first digit will be the program area and the last three digits will be the expense type: one (1) as in 1432 for General Parish Administration, two (2) for School Direct Assistance, three (3) for school expenses paid directly, four (4) for Religious Education, five (5) for Youth Ministry (6) for Liturgy & Music, seven (7) for Christian Service, eight and nine (8 & 9) for program areas to be defined as desired by the parish.

Please note that the last three numbers of the account (401 through 999) detail the type of expense (i.e., priest's salary). Please also note that the coding for balance sheet items (assets, liabilities, and fund balances) may or may not employ the use of program codes depending on the degree of sophistication employed in the accounting system.

POLICY

The Parish/School Uniform Chart of Accounts must be used in each parish/school in the Diocese of Orange. The level of accounting detail shall be determined by the Pastor in consultation with the Parish Finance Council as documented in the committee's meeting minutes.

SCOPE

The Chart of Accounts is a listing of all the classifications of accounts used in tracking the parish and school's financial activity. The accounts themselves are relatively straightforward: salary expenses, telephone expenses, donation revenues, interest income, etc. Each account has at least three digits. The first digit of any account number signifies which type of account is involved.

100's Assets Accounts

200's Liabilities Accounts

220's Fund Balances Accounts

300's Revenues/Income Accounts

400's – 800's Expenses Accounts

To give some flexibility to parishes/schools to accommodate growth and reorganizations, use of unassigned account numbers is permitted provided that the organization respects the major account classification or account that the Diocese of Orange has established in the Parish/School Uniform Chart of Accounts.

COLLECTIONS

POLICY

The policy or best practice for the standard of due care for offertory collections are to be exercised by a prudent person who is entrusted with a responsibility to provide administrative oversight and to prevent the loss of cash receipts. The key principle is that there should be dual custody of cash and checks at all times from non-related individuals.

In addition to safeguarding the assets entrusted to the Parish, the policy or best practice should provide for the safeguarding of the reputations of those who come in contact with the collection. Safeguarding the reputation of those who come in contact with the collection means the collections should never be left in the sole custody of one (1) individual.

All offertory collections should be counted and deposited intact on the same day they were received or at the latest on the following banking day. Other collections, including but not limited to: Mass intentions, funeral stipends, tuition, raffle, and other fundraising proceeds, are to be deposited at a minimum weekly.

A record of donations received for Mass intentions, stole fees, etc. should be maintained. A receipt book should be used to document the receipt of cash donations.

Collections that could not be deposited on the day of receipt must be kept in a safe in the business office or parish rectory. Access to the safe should be limited to the Pastor, Parish Administrator, and business manager.

EMERGENCY DEPARTURE FROM DUE CARE STANDARD FOR COLLECTIONS

There may be circumstances that might dictate a departure from the due care standard for a good justifiable reason. If the justifiable departure is necessary (i.e., emergencies, pandemics, etc.) then Pastor may take the reasonable emergency action and inform (i.e., e-mail) the Diocese Accounting Department.

The Pastor will at the minimum include in the notification a reason for departure from due care for collection of funds, safeguarding of funds, deposit preparation, and recording of cash receipts of the general ledger, and estimated amount of days from departure in days of internal controls.

It should be noted, however, that adhering to a lower standard of care requires documented justification (i.e., email, etc.) and authorization from the Pastor, added vigilance, and informing the Finance Council Chair.

DEFINITIONS

Church Collections

Income received from all regular and special collections of the Church.

Other Church Related Income Sources

Income received from baptisms, candles, funerals, marriages, quinceañeras, periodicals, religious goods, Special donations, other similar sources, etc. Contributions to St. Vincent de Paul, poor boxes, and special school functions are specifically excluded if they are specifically made payable to the organization itself.

Stole fee

A stole fee can be a free-will offering or it can be a set fee made by a parishioner when a Priest performs a Baptism, wedding, funeral, etc. The fee collection goes to the Parish, not the priest.

Tamper Evident Bags

The first element of the procedure will be for the collection to be safeguarded immediately after it is taken up to the altar or a secure area and placed in Tamper Evident Bags. The current procedure includes the use of serially pre-numbered, plastic, Tamper Evident Bags that are large enough to hold the entire collection. Once this process is completed, the collection is placed into a drop safe until it is delivered to the counters.

The serially pre-numbered Tamper Evident Bags must be issued in numerical sequence and for each Mass. The Mass time and date must be written with an indelible pen on each bag issued. The bag numbers must be listed on a “Tamper Evident Control Log” and are all accounted for by two volunteers comparing the pre-numbered bags to the Tamper Evident Bag Control Log (refer to exhibit A below).

It is necessary to restrict access to the safe to protect the safe contents as well as the reputations and integrity of the volunteers and employees that are responsible for handling and counting the collections. It is the responsibility of the Lead counter to ensure that all bags issued by the responsible employee are received and compared to the Tamper Evident Bag Control Log.

The collection must be counted by volunteers. It is recommended that there be more than one team of unrelated volunteer counters and they are rotated weekly. The Pastor, Parochial Vicars and Staff personnel should not be involved in the counting, preparation of the deposit and handling of collection funds (except in an emergency) with the exception of opening the safe for the volunteer counters to obtain the collection bags.

Collections must be deposited intact; no checks should be cashed; no exchanges of currency or coin and no cash should be removed from the collection for the payment of parish invoices or expenditures. It is necessary for the parish to develop procedures to ensure the accuracy of the donor parishioners records based on the usage of the envelopes and checks submitted. After posting the donations to the parishioner records the posting report must be compared to the count sheets to ensure that parishioner donations agree. This posting report must be signed, dated attached to the count sheet as verification this process has been completed.

If Saturday collections are counted separately or at a different time from the Sunday collections, it is necessary to prepare separate deposits. The inclusion of miscellaneous funds that are received from other sources in the parish or are not donor mass collections must be listed on the count sheets as to purpose and included in the deposit for the week.

It is also recommended the mass collections be counted by mass in six-month intervals. These counts should be compared to the collections of previous masses in the current year and to masses in from the previous year comparable period to determine any change in the level of the collections. All significant changes must be investigated to determine any potential fraud as well as a change in donor giving.

Either the counting teams or parish staff can prepare the deposit. If a member of the parish staff prepares the deposit, then the lead volunteer counter must be present. Parish procedures must include provision for investigation of discrepancies between the amounts recorded by the bank versus the deposit slip and for differences recorded by the volunteer counting teams and the deposit slip. It is also suggested that all count sheets and deposit record forms be signed by all counters and verified by an additional person other than the person who performs the initial counting. These count sheets and deposit record forms must then be compared and reconciled to the bank statement and general ledger deposit by the accounting office and then filed as a permanent record.

The transport of the collection to the bank must be by an Armored Car Service and be in Tamper Evident Bags. This must be done to ensure the safety, reputation, and integrity of the employee as well as the security of the funds being deposited. The cash collection and counting policies and procedures should be formally documented to ensure all the volunteers and staff processes the funds in a consistent manner.

TAMPER-EVIDENT BAG USE PROCEDURES

Preparation for Bag Use

The Parish Business Manager or other representative (other than a member of the volunteer counting group) will:

1. Place a sufficient supply of the tamper-evident pre-numbered plastic bags in the designated area in the church building prior to each day's services.
2. At least one bag, of sufficient size, should be available for each collection at each Mass. Additional bags should be supplied and labeled for securing funds from other activities – scrip, food sales, etc.
3. Should label as to the Mass time and the collection purpose (i.e., second collection).
4. Record the bag numbers on the control sheet designating a specific bag number for each collection at each Mass. This control sheet (roster) of bag numbers and the Masses they are designated for should be kept in a secured place for later comparison when the bags are opened and counted by the volunteer counting teams.

5. Ensure that a designated person, such as the Head Usher for each Mass, is responsible for obtaining the bag(s) before Mass.
6. Ensure that a small emergency supply of extra, number-controlled bags can be on hand in case one of the bags malfunctions or in case another bag is needed because of collection volumes. These bags should be properly labeled with instructions as to their proper use. They should be accounted for each week by the Parish Business Manager or other representative at the time new bags are supplied each week.

A Tamper- Evident Bag Control log sample form Exhibit A is provided below.

Head Usher

A designated person, such as the Head Usher for each Mass, is responsible for obtaining the bag(s) before Mass from the Parish Business Manager or other representative (other than a member of the volunteer counting group).

Parish Ushers

When the collection is finished, during Mass (optional) or after Mass at minimum two (2) the ushers at each Mass will empty the entire collection from the baskets into the numbered tamper- evident plastic bags. Each bag is to be signed and dated with a permanent marking pen by the two (2) ushers (this may be done prior to inserting the money into the bags).

To seal the plastic bag, remove the paper strip (liner) from the adhesive area at the top of the bag, fold the flap down and seal the tamper-evident plastic bag. Ensure that the contents are properly secured. If the bag is spoiled or unusable, the spoiled bag should be kept and not thrown away – it is to be put into the substitute bag that should be available. The paper strip is to be signed by the ushers and attached to the copy of the control log.

The tamper-evident plastic bag(s), once sealed, will be put into the drop safe or other locked and secured area until it can be opened in the joint custody of the volunteer money counters according to the appropriate procedures.

Counting Guidelines

These Counting guidelines are ensuring that those responsible for sorting, counting, and packaging currency, checks, credit card receipts received from Church collections and other Church related income sources are following a consistent set of procedures. During times of emergencies such as pandemics, fires, floods, etc. The Pastor may take necessary action for the Parish.

Collections and Other Related Income Sources

Income from collections and other Church or mission related income sources shall be separated by Income category, i.e., regular collection, special collections, candles, baptisms, funerals, etc.

Contributions to St. Vincent de Paul, Poor Boxes and Special School Functions

If contributions to St. Vincent de Paul, poor box and special school functions are made payable to the specific organization, they shall be kept separate from all other income and shall be sorted from each other to be counted, tabulated, and deposited by the appropriate organization.

Envelopes and Loose Currency

Envelopes are to be separated from loose checks and loose currency.

COUNTING TEAM

Purpose

- To define the number of teams required.
- To define the number of people required for each team.
- To outline the counting process.
- To define the duties and responsibilities of each team member.

Number of Teams

Ideally, the counting ministry will be made up of multiple teams who are unrelated, recommended by the Pastor for their discretion and abilities.

Each team would alternate the Sundays in the month when they would count the collection.

Number of People for Each Team

It is recommended each team should have at least four (4) team members. One member of each team will be designated team captain.

Counting Team Procedures

Before opening, the numbers on the bags shall be compared to the numbers on the control sheet and the paper strip liners. The counting team(s) will open the bag(s) with a pair of scissors. The bags should not be ripped open. If there is a discrepancy with the control numbers or if the bag appears to have been tampered with, the counting team should contact the Pastor or available priest Parish Business Manager or the Diocesan Controller or Assistant Controller immediately. To contact the Pastoral Center please refer to the RCBO website, <https://www.rcbo.org/directories/diocesan-departments/>.

The volunteer counting team is to prepare the deposit. No currency/coin/checks are to be removed from the collection by anyone for any other purpose than to count the collection. Cash or checks must not be taken out of the collection for the payment of bills or other expenses. The counters are not to exchange currency or coins such as \$2 bills and silver dollars for personal use.

The Parish Business Manager is to monitor the entire process including verification of bag numbers assigned and used. The Parish Finance Council should monitor and periodically review the procedures followed by the Parish Business Manager and the volunteer counting teams.

COUNTING AND PACKAGING

Checks

1. Each check shall be examined to determine that the payee is properly specified and that the Check is signed. If the Church is the third party involved with the check, make sure the Original payee has endorsed the check.
2. Copies of all loose checks are to be made and forward to the appropriate location to be recorded by the parish staff. Once recorded these checks copies are to be shredded.
3. Two adding machine tapes shall be made separately of checks received from the envelopes and loose checks. Checks shall be kept in the same order that they are recorded on the tape. Both Tapes must agree. These checks shall then be combined with checks received from other related income.
4. All checks shall be endorsed with the Church deposit stamp.
5. All checks shall be banded together for deposit. The deposit may include more than one group of checks with its accompanying tapes and submitted electronically if possible. The checks submitted electronically shall be retained on file for at minimum three months to ensure clearance of these checks.
6. The disposition of checks deposited but returned by the bank as Non-Sufficient Funds (NSF) or for any other reason should be followed up with the payer or check issuer.

All coin shall be given a cursory examination to remove foreign and bent coins as well as tokens. The coins shall then be placed in the machine for sorting or wrapping.

Coin and Currency

1. Coin shall be put into coin bag furnished by the bank or wrapped as instructed for deposit.
2. All currency shall be counted twice before bundling. The loose currency shall be counted and tabulated separately from currency received in envelopes.
3. One-dollar denomination is to be clipped in \$25 bundles for ease in counting. Four of these bundles are to be wrapped with a \$100 bank band. Remove paper clips.
4. Five, ten and twenty-dollar denominations are to be clipped in \$100 bundles for ease of counting. Then five of the bundles are to be wrapped with a \$500 bank band. Remove paper clips.
5. Any bills not wrapped in \$100 bundles (ones) or \$500 bundles (5's, 10's, 20's) are banded together in one or more bundles using a bank band applied in reverse so that the visible side of the bank band is blank. Write on the blank side of the band "mixed currency" and the total amount.
6. All bank bands shall be marked with the Church deposit stamp.

Envelopes

1. Envelopes shall be opened, and the contents removed. A review shall be made to determine if the amount enclosed agrees with the amount noted on the envelope. If not, change the amount on the envelope. If no amount is shown, note the amount on the envelope.
2. The envelopes shall be retained, bundled, and forwarded to the appropriate location to be recorded by the parish staff.
3. As checks and currency are taken from the envelopes, the checks are to be kept separate from the currency and the currency is to be sorted by denomination to facilitate the counting process.

Tabulating

The collections and other income for the parish shall be kept and tabulated separately. However, the procedures for tabulating the income for each are the same.

Special Collections and Other Related Income

Income from special collections and other related sources shall be counted and the amounts tabulated on the Deposit Record Form in the spaces provided or on the blank lines if the category is not specified. After the amounts have been tabulated, the checks and currency shall be included with the regular income collection for deposit counting purposes or can be deposited separately.

Total Deposit

Count the dollar amount of checks and currency and tabulate on the back of the Deposit Record Form. The sum of these is the total deposit.

Deposit Record Form

1. Total the amount from the currency in envelopes and the amount from checks, which are loose checks and checks from envelopes. Enter the total on the line "Sunday Envelopes and Loose Checks" on the Deposit Record Form.
2. Enter the amount of loose currency on the line "Loose Currency" on the Deposit Record Form.
3. Other Related Income (baptisms, weddings, funerals, etc.) shall be counted separately and the amounts entered on the Deposit Record Form in the spaces provided or on the blank lines if the category is not already specified on the form. The amounts entered on the Deposit Record Form shall agree with the actual amount of currency and checks of other related income. The currency and checks shall then be combined with the regular collection income.
4. The sum of the above is the total collection. This amount shall then be entered on the line "Total Collections" on the Deposit Record Form.
5. Two adding machine tapes shall be made on all checks (loose checks, checks from envelopes and checks from other related income). Checks are to be kept in the same order that they are recorded on the tape. The two tapes shall agree. Band together all checks making sure to include the two adding machine tapes.

Reconciliation of Deposit

1. Enter the denomination, quantity, and value under "Reconciliation of Deposit" on the back of the Deposit Record Form.
2. Enter the total of all currency on the line "Total Currency" under "Reconciliation of Deposit" on the Deposit Record Form.
3. Enter the total of all checks on the line "Checks" under "Reconciliation of Deposit" on the Deposit Record Form.
4. Add the total amount of currency and checks. Enter this amount on the line "Total Deposit" on the Deposit Record Form.
5. The "Total Deposit" is to agree with the amount of the "Total Collection".
6. Write the bank bag id number and the amount of deposit on the line provided on the Deposit Record Form.
7. Sign the Deposit Record Form and enter your phone number in the place provided.

Deposit Record Form Sample I

COLLECTION OF ____/____/____

DEPOSIT DATE ____/____/____

TAMPERED PROOF BAG # MASS TIME INTACT (Yes/No)

(If no, indicate what was wrong, sign and date)

SUNDAY ENVELOPES CURRENCY AND CHECKS _____.

LOOSE CHECKS _____.

LOOSE CASH _____.

COIN _____.

BAPTISMS _____.

FUNERALS _____.

WEDDINGS _____.

CANDLES _____.

SVDP _____.

PSA REBATE _____.

SRE REGISTRATION _____.

SPECIAL COLLECTION: _____.

HOLYDAY COLLECTION: _____.

OTHER: _____.

TOTAL COLLECTION _____.

Signature and date of Lead Counter and Deposit Preparer

Deposit Record Form Sample II

COLLECTION OF ____/____/____

DEPOSIT DATE ____/____/____

TOTAL COLLECTION _____. ____

RECONCILIATION OF DEPOSIT

DENOMINATION QUANTITY VALUE (\$)

1'S _____

2'S _____

5'S _____

10'S _____

20'S _____

50'S _____

100'S _____

TOTAL CURRENCY _____.

COINS _____.

CHECKS _____.

TOTAL DEPOSIT _____.

BAG NUMBER AMOUNT

_____.

_____.

_____.

TOTAL DEPOSIT _____.

DEPOSITS PREPARED BY:

NAME PHONE NUMBER

BANKING (ARMORED COURIER)

Checks and Currency

1. Fill out the bank deposit slip.
2. The bank bag id number must be written on the deposit slip.
3. The white and pink copies of the deposit slip shall be placed with the checks to go into the bank bag. Bundles of checks are to have the two machine tapes attached. The yellow copy of the deposit slip is retained and shall be attached to the Deposit Record Form.
4. Fill out the F&M receipt. Sign and date the receipt. The white copy must go in the bank bag with the entire deposit.
5. The deposit information shall be written on the bank bag in the space provided. The checks and deposit slip and the F&M receipt shall be placed in the marked areas of the bag. Place the currency in the bag. Tear off the bag id number and attach to the Deposit Record Form. Make sure all air is out of the bag and seal.
6. Place the bank bags, Deposit Record Form, and F&M Receipt book in the fireproof safe until pick up by armored courier.

Coin

1. The amount of coin shall be entered on the line "Coin" on the Deposit Record Form.
2. Enter the total on the line "Total Collections" on the Deposit Record Form.
3. The total of coin shall be entered on the line "Coins" under "Reconciliation of Deposit" on the Deposit Record Form.
4. The total of coin shall be entered on the line "Total Deposit" on the Deposit Record Form.
5. Fill out coin tag and secure the bag using security seal and security press.
6. Fill out the bank deposit for F&M bank, Coin Receipt shall be written on the deposit slip. The white and pink copies of the deposit slip shall go in the F&M envelope. The yellow copy of the deposit slip is retained and shall be attached to the Deposit Record Form.
7. Fill out the F&M Coin Receipt and sign.
8. Fill out F&M bank envelope. Place the white and pink copies of the deposit slip and the second copy of the F&M Coin Receipt (marked "Receiver") in the envelope.
9. Sign the Deposit Record Form and enter your phone number in the place provided.
10. Place the coin bag, Deposit Record Form, F&M envelope, and receipt book in the Business Manager's Office for pick up by armored courier.

All F&M Receipt books go with the bank bags for pickup.

**EXHIBIT A- Tamper
Evident Bag Tracking
Form Name of Parish**

Collection Type Codes	Bag Condition Codes
SS = Saturday/Sunday SC = Second Collection HD= Holy Day 0 = Other	S =Sealed NS = Not Sealed T/R/O = Torn, Ripped or Other

Line No.	Bag Number	Collection Type	Mass Date	Mass Time	Bag Condition	Usher Signatures or Initials	Count Team Initials
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
20							
21							
22							
23							
24							
25							
26							
27							
28							
29							
30							

DEFICIT BUDGETS

POLICY

A deficit budget is one where the planned expenditures exceed the anticipated revenues for a particular fiscal year (July 1 through June 30). In most or all of these cases, reserves should or do exist to cover the deficit. A deficit budget, in and of itself, does not necessarily constitute financial distress at a parish, center or school (location). However, depending on the relevant facts and circumstances related to the location's financial health, a deficit budget signals a need to evaluate the ability of a location to continue as a going concern.

At the Diocesan level, deficit budgets will be considered within the larger context as being more important matters of ordinary administration or even matters of extraordinary administration. Both of these types of administration require more than the approval of the Pastor and the location's Finance Council; all deficit budgets require the written approval of the Diocesan Bishop or his authorized agent (i.e., Diocesan CFO).

PROCEDURES AT PERIOD END

To maintain the parish or school books and facilitate data gathering at the end of the year for reports, several procedures should be performed after the end of every month.

These month-end procedures include:

1. Balancing the books (general ledger system).
2. Reconciling the bank and FISCAL statements with the books and recording interest income.
3. Reconciling the ADP employee compensation records to the books.
4. Reviewing the payroll taxes withheld and paid by ADP.
5. Preparing the monthly financial statements.

If all of the above procedures have been accomplished throughout the year, the fiscal year-end and calendar year-end tasks will be less burdensome. The fiscal year-end (after June 30) tasks include:

1. Reconciling year-end bank, endowment, and loan statements, and recording investment income and expenses.
2. Recording of outstanding accounts payable and accounts receivable (net of allowance for doubtful accounts).
3. Recording (or releasing) any prepaid expenses and deferred revenues.
4. Transferring of advances and payments on debt and purchases, transfers, and dispositions of fixed assets to proper asset and liability accounts and recording interest and depreciation expenses (and accumulated depreciation).
5. Recording (or releasing) of full accrual for payroll and vacation time due (liability), but unpaid as of June 30, in the year-end financial statements.
6. Closing income (loss) from statement of activities for twelve months ended June 30 to change in net assets on statement of financial position as of June 30 (including transfers between funds with and without donor restrictions).
7. Preparing the financial statements and Annual Report.

Tax procedures that need to be performed at the calendar year-end (after December 31) are:

1. Preparing paperwork for ADP related to employees' Federal W-2 forms.
2. Preparing the contracted workers' 1099 forms.

OVERDRAFT POLICY - CONCENTRATION ACCOUNT

Parishes and schools must avoid entering into an overdraft position. When in an overdraft position, the location is “borrowing” from the other locations, without authorization. If a parish or school does enter into an overdraft position, then it is essential that the Diocesan Finance Office be briefed on and consent to the plan to resolve the overdraft (transfer from savings or deposit in transit). This will allow the parish or school the opportunity to set forth options to overcome the negative balance. Locations who enter into an overdraft position will be assessed an overdraft fee of \$25 per day.

PAYROLL PROCEDURES

GUIDELINES

There are adequate time keeping and attendance procedures. Timesheets are required for non-exempt employees (hourly basis). Non-exempt must record the time and number of hours worked each day through ADP Time. The Pastor, Principal or Business Manager must approve the payroll cycle prior final submission to ADP Pay and payment disbursement. An individual other than the person who processes the payroll should do this authorization. No employee is paid in cash.

All changes to employment status are documented and include the approval of the Pastor for parish employees and the Principal for school employees. Personnel files for all employees should be properly prepared, maintained and kept at the Parish's or School's Business Office including the employee's application for employment, W-4 form, as well as any management comments and wage changes.

Monthly and quarterly payroll reconciliation must be completed to determine any discrepancy between payroll reports and general ledger information for gross salaries and payroll taxes. All discrepancies should be researched and explained.

Full accrual for payroll and vacation time due (liability), but unpaid as of June 30, is performed and recorded in the year-end financial statements. The parish or school uses ADP to maintain vacation records.

PETTY CASH FUND

GUIDELINES

- A petty cash fund should not be maintained at a level above \$500. The petty cash fund is to be recorded in the financial statement.
- Individual petty cash disbursements should not exceed \$100. These funds are generally used for reimbursements of small expenditures such as office supplies; large disbursements should be made by check. No checks should ever be cashed through the petty cash fund.
- Petty cash disbursements should be supported by a purchase receipt or petty cash voucher request and must be initialed by both parties (requestor and custodian of the petty cash fund).
- Access to the petty cash fund should be restricted to no more than two individuals at any one time (i.e., the Pastor/Principal and the custodian).
- Replenishment of the petty cash fund should be done on an as needed basis, at least monthly, but never above the predetermined level (not to exceed \$500).
- Replenishment of the petty cash fund should be done by a check written to the custodian of petty cash (i.e., Mary Smith), and “Custodian of Petty Cash” written in the check memo when available. The custodian should then cash the check at the bank and place the cash into the petty cash depository. The petty cash fund must not be replenished by the cash collection.

FINANCIAL REPORTS

POLICIES

Annual Financial Reports

Parishes, centers, and schools (locations) within the Diocese of Orange shall prepare and submit to the Diocesan CFO an annual summary financial report by no later than September 30. These financial reports shall include information for the fiscal year-to-date (YTD) activity and the information should be drawn from the monthly reports that the parishes and schools are already preparing.

The Annual Report to the Faithful, in addition to the annual report furnished to the Diocese each year, parishes shall report the results of their operation annually to the people of the parish. This report must be given to the people no later than the second Sunday in November. At a minimum, the report must include a statement of financial position (balance sheet) and a statement of activities (income statement), both of which may be condensed from the Annual Report sent to the Diocese. A copy of the report, or notice of the posting of the Annual Report, shall be sent to the Diocesan CFO by the first day of December. Include any accompanying notices with the submission (e.g., bulletin notice of posting in the Church or on the parish website).

The annual report to each parish should also include information for the school, if applicable.

REVENUE CLASSIFICATION AND ASSESSMENTS (CATHEDRATICUM)

PARISH REVENUES/INCOME

Ordinary Income (counted for assessments)

301 Collections – Sundays and Holy Days

302 Collections – Christmas

303 Collections – Easter

311 Collections – Baptisms

312 Collections – Marriages

313 Collections – Funerals

314 Collections – Undesignated Gifts and Donations

316 Votive (net revenue and charges)

318 Parish missions

319 Novenas

330 Facilities Use (fees, donations, charges including special events)

333 Religious goods (net revenue and charges)

334 Interest and Dividend Income, and Distributions from Investment Income and Gains (from checking, savings, stock dividends, royalties and partnership interests and other accounts at the parish or school)

336 Advertising Income

337 Rental Property

338-340 Other Ordinary Income – may use sub-account categories under this heading as appropriate

Apostolate Related Income (not counted for assessments)

341 Religious Education

342 Youth Ministry

343 Liturgy and Music

344 Christian Service

345-346 Other apostolate related income – may use sub-account categories under this heading as appropriate

Other Income (not counted for assessments)

350 Not in Use

351 Parish Building/Debt Reduction Fund

352 Pastoral Services Appeal Rebates

353 Bank Credits (used for credits and debits from the bank for minor accounts – debit balance should be reported to account #474)

354 Mass Offerings

355 Sale of Parish Property (net gain)

356 Fundraising for school – may use sub-account categories under this heading as appropriate (expenses relating to revenue under this category should be charged to expense #480)

357 Bingo, social activities, and festivals

358 Insurance Settlements (net gain)

359 Scrip Income (net profit)

360-369 Other Income categories – may use sub-account categories under this heading as appropriate

Background

Locations must submit an annual financial report and the annual budget to the Diocese. There is also a requirement for a five-year financial operations and capital forecast, to include any major construction projects (i.e., Construction Project Approval System “CPAS” cost greater than \$25,000 or needing a permit). The Diocesan Finance Council has recommended a reporting requirement and a format for uniformity so that Pastors can continue to advise the Ordinary in an orderly and timely fashion. The reports call for summary information that ought to be readily available from the location’s financial records. Each location is expected to close its books, including performing bank reconciliations, monthly. These variance reports, comparing actual performance to the budget, are also expected to be presented to the Pastor and Parish Finance Council at their regularly scheduled Finance Council meetings.

SUBMISSION PROCESS

The Annual Financial Report must include fiscal YTD information on income, expenses, surplus/(deficit), all bank accounts (D&L accounts and any accounts held outside of the D&L) and school enrollment data.

The report format is available on the Employee Extranet of the Diocesan website. All reports required to be submitted to the Diocesan CFO in accordance with this section are to be emailed to FinancialData@RCBO.org on or before the due date.

GOVERNANCE DOCUMENTS

All parishes should maintain an updated Finance Council charter properly executed by the pastor and committee members. Committee meeting minutes are to be prepared and approved by the members. Annually, the updated charter and meeting minutes are to be submitted to governance@rcbo.org by September 30.

REQUIRED REPORTS

Reports	Due Date	Submission
Annual Budget (for the next fiscal year)	April 30	Enter data to extra site; Email cover sheet to: FinancialData@RCBO.org
Five-year Forecast	At least annually, more often if circumstances are expected to change materially, or requested by Diocesan CFO	Email to: FinancialData@RCBO.org
Annual Report (for the most recently ended fiscal year)	September 30	Enter data to extra site; Email cover sheet to: FinancialData@RCBO.org
Annual Report (if audited)	November 30	Enter data to extra site; Email cover sheet and audited financial statements to: FinancialData@RCBO.org
Annual report to the Faithful	December 1	Email to: FinancialData@RCBO.org
Governance Documents	September 30	Email to: Governance@RCBO.org

RESTRICTED AND NON-RESTRICTED FUNDS

GUIDELINES

Revenues, expenses, and net assets (fund balances) are either with or without donor restrictions and must be disclosed accordingly on the statement of financial position and the statement of operating activities. Examples of restrictions include time restrictions for future periods, purpose restrictions, and permanently restricted endowment funds. The nature and amount of donor restrictions should be documented. Parish or school management must review the restrictions to see when they are met so that the funds can be released at the proper time. Unrestricted funds include general funds and board (Finance Council) designated funds. Examples of designations include operating reserves and funds designated for capital projects. The amount, purpose and type of any designations should also be documented.

SCHOOL HOT LUNCH PROGRAM

ADEQUATE PHYSICAL SAFEGUARDS

Monies should be deposited as soon as possible, weekly, or more frequently if needed. Until a timely deposit can be made, receipts should be locked in a safe under dual control.

BANK ACCOUNT

The Hot Lunch Program can be linked to the concentration account.

DEPOSIT RECEIPTS

Accept daily deposits for lunch order payments and leftover sales. Verify the accuracy of Hot Lunch Program deposits.

PAYMENT FOR MEALS SERVED

All direct non-payroll expenses associated with the Hot Lunch Program should be disbursed as payment through the Bank Account e.g., meals, equipment, repairs to kitchen.

SCHOOL TUITION COLLECTIONS

ADMINISTRATION OF STUDENT ACCOUNTS

Abide by the standard policy for recording tuition and any school fees through FACTS Tuition Management. Ensure that any late fees are applied to the appropriate student account. Monitor to enforce that all appropriate fees are collected.

SCHOOL TUITION COLLECTIONS ARE HANDLED PROPERLY

(INCLUDING EXTENDED CARE AND AFTER SCHOOL PROGRAMS) Funds collected through FACTS; need to be properly recorded in the financial statements and bank accounts. Records are to be in order and easy to follow. The tuition collections are recorded and reconciled to the student accounts. Tuition collections are reconciled to total tuition revenues recorded on the school records. Separate individuals should be responsible for the custody and recording of tuition collections.

TUITION COLLECTION PLAN

On a monthly basis, outstanding tuition balances should be identified and reviewed to determine if they are collectible. Establish a plan for the collection of past due tuition. Payment plans and reminder notices should be utilized to collect past due tuition. To identify past due tuition, request a delinquency report from FACTS and address listed accounts according to the aforementioned delinquency policy. Uncollected tuition and any tuition waivers should be written off after review and approval of the person responsible for the school's financial operations e.g., Pastor, Principal, Business Manager, the School Finance Council.

SELECTED GOOD BUSINESS PRACTICES AND POLICIES

ANNUAL FINANCIAL REPORTS

Each parish and school is to submit an annual report, according to the prescribed format, by the set date to the Diocesan Finance Office. The following protocol must be observed:

- Parish annual financial report is to be reviewed with the Parish Finance Council and must be signed by the Pastor, and the Chair of the Parish Finance Council.
- Schools annual financial report is to be reviewed with the Parish Finance Council and must be signed by the Pastor, Principal, and the Chair of the Parish Finance Council.
- For schools under a Diocesan Financial Management Agreement- the report is to be signed by the school Principal, Regional Business Manager and/or Superintendent for Catholic Schools.
- A report is also to be presented to the parish, which includes both the statement of operations and the balance sheet of the parish, as well as school information, no later than December 1.

BANK RECONCILIATION

Bank statements (from Farmers and Merchants and other financial institutions) must be accessible to the parish or school directly. The bank statements are to be reconciled each month by a set date, usually within the first 5 or 6 working days, by someone who does not generally write checks or make deposits. The Pastor, Principal, Business Manager, or Parish Finance Council representative should review the bank reconciliation with the accompanying bank and diocesan concentration account statements each month.

BUDGETING AND FINANCIAL REPORTING

Budgets are to be prepared in consultation with parish and school staffs. Goals and objectives should be formulated during the budget process. Budgets are to be reviewed with the Parish Finance Council. Responsible stewardship dictates that budgets should be balanced with a reasonable surplus (2-10% of operational revenues) before depreciation. In circumstances where the prospects for the funding of plant replacement, i.e., capital repairs and replacement, must be funded through extraordinary capital appeals to the people, the reasonable surplus before depreciation would be lower.

MONTHLY FINANCIAL REPORTS

Each parish and school should prepare a monthly financial report by a specified date for presentation to the Parish Finance Council. The report should include a balance sheet and income statement comparing actual operational results in comparison to budget. Provision should be made in the monthly and annual statements and budget for depreciation of furnishings, equipment, and buildings.

CHECKING AND SAVINGS ACCOUNTS AND INVESTMENTS

Each parish and school is to maintain the primary checking account with the bank designated by the Diocese, currently Farmers and Merchants Bank. These accounts are linked to the concentration account and they are maintained on a zero-balance basis with funds being swept each day to insure low exposure to uninsured balance minimums and for the short-term investment of accumulated checking account balances. All savings accounts of the parishes and schools are to be maintained at the Diocese through the Deposit and Loan Fund. Any stocks, bonds or marketable securities or gifts of such are to be forwarded for safekeeping or sale to the Diocesan Finance Office. The Parishes or Schools may not maintain other savings accounts or investments. Other checking accounts are generally discouraged and may only be maintained with permission of the Diocesan Controller and Chief Financial Officer, provided that: proper signatures from the Diocesan Offices are included on

the signature cards, there is a valid business reason for a separate account, the account is still under the direct authority of the Pastor, the account is reconciled monthly, and the reconciliation and account activity are recorded in the parish books of account.

CONTRACTS AND LEASES

The locations should consult with the Chief Financial Officer about all significant and multi-year contracts, and annually review the terms.

ESTATES, WILLS AND BEQUESTS

The Orange Catholic Foundation is to assist in the settlement of all estates and other planned gifts. Gifts of land must also be coordinated with the Director of Real Estate.

FINANCE COUNCIL

Each parish is required to have a Finance Council to advise the Pastor of the business affairs and the stewardship of parish and school assets. For schools, the parish Finance Council or a subcommittee advises the Pastor and Principal and provides financial oversight. When parish schools have a separate school Finance Council or an Advisory Board supporting the Principal, a member of the Parish Finance Council and the Pastor should sit as members. Sample constitution and a summary description of Parish Finance Council duties and obligations are available from the Diocesan Finance Office and in the Administrative Handbook as well.

LOANS

Loaning and/or borrowing money (to or from individuals or financial institutions) is not permitted. Any such transactions must be conducted through the Office of the Bishop of Orange (only with the written permission).

MAIL AND WALK-IN RECEIPTS

In ideal circumstances, any mail that has the potential to contain cash should be opened in the presence of two persons. Any checks should be endorsed "For deposit only" to the parish or school account. Any currency should be logged, or receipted, under dual custody before the deposit is prepared. Persons giving in-person currency donations at the office or front desk should be given receipts from a multi-copy receipt register that is compared to the deposits periodically. Deposits should be made daily or weekly to assure that no significant amounts of cash or checks are held overnight or over the weekends.

PAYROLL

All personnel, except for religious clergy on a parochial assignment and vowed religious with a contract between the respective religious community and the parish or school, are to be paid on the uniform diocesan payroll system through ADP. This includes diocesan priests. All bonuses, overtime, termination, vacation, and sick time is to be paid through the payroll. No person is permitted to authorize its own compensation or remuneration amount himself or herself; all remuneration amounts are to be supplied in writing by authorized supervisory personnel only.

PERSONAL EXPENSES

The personal expenses of parish and school staff (clergy, religious and lay) are not to be paid with parish or school funds, whether reimbursed or not.

PROPERTY PURCHASE, SALE, RENTAL OR LEASE

All purchases, sales, leases, and rentals of real or personal property, as well as gifts and bequests of real property (land and buildings) are to be conducted through the Diocesan Real Estate and Construction Office. Cell site leases must be reviewed by the Real Estate and Construction Office (refer to the section: Cell Site Lease Procedures).

REIMBURSEMENTS TO PASTOR AND PRINCIPAL

It is strongly recommended that reimbursements never be made to one's own self. The Pastor or higher authority should sign reimbursement checks to Principals. A Parochial Vicar or the Finance Council Chairperson should sign reimbursements to the Pastor. Adequate back up or documentation should accompany all reimbursements.

SUNDAY COLLECTIONS

The Sunday collection must be safeguarded from the time it is taken at Mass until it is deposited into the bank. In order to safeguard both the assets of the parish and the reputation of our priests, employees, and volunteers, it is never appropriate for the collection to be under the custody of a single person without proper safeguards such as pre-numbered, sealed, tamper-proof bags. It is never appropriate, and it may be considered illegal and criminal, for cash to be removed by anyone from the collection to cash checks or to take funds to pay bills or other expenses. The Sunday collection deposits should be kept intact and distinct from mail and office walk -in receipts. Offering for weddings or funerals on the weekend can be properly noted and included with these deposits.

VENDOR APPROVAL AND PAYMENTS

Each parish and school should establish procedures to ensure that the proper price is paid to vendors, that vendors are objectively selected so that the most favorable price is assured and that the purchased goods or services have actually been received or consumed. All Independent Contractors who are not incorporated must furnish a W9 with their taxpayer identification number prior to being paid and those Independent Contractors who receive more than \$600 in a calendar year are to receive an IRS Form 1099.

WIRE TRANSFERS

Electronic transfer of funds often entails a high risk of loss and, at times, even fraud. There are some valid reasons for such transfers. All wire transfers of funds require the approval of the Diocesan Finance Office.

BUSINESS SOLICITATIONS – FUNDRAISING INCOME – UBIT POLICY

Parishes and schools regularly receive solicitations from businesses and parishioners that offer to split the proceeds with the parishes or schools for participating in their programs, such as SCRIP.

Each situation should be examined on its own merits but, in general, the programs should not be undertaken without serious review. Things that **MUST** be considered and documented in writing include: Applicability of Unrelated Business Income Tax (UBIT) issues that could affect our tax-exempt status or subject the proceeds of the fundraiser to income tax; the signing of contracts; insurance and legal considerations; the perception of endorsement and of reciprocity for others offering the same or similar “opportunities”; Catholic Church prohibition on compensating fundraisers with a “percentage” of the donation.

All significant or multi-year contracts **MUST** be reviewed by the Bishop or his designee. Professionals as to legal and insurance implications should review every contract, no matter its amount, and these reviews should be documented in writing. Please note that this includes contracts for tuition collection as well as for licensing any Church or school name or logo. It also includes “agreements” to remit a portion of any proceeds from cooperative arrangements such as endorsements.

Insurance coverage does not extend to donated vehicles that are to be resold, and therefore the program should be avoided.

In addition to the prospect of Federal Income Tax, take into consideration the cost of accumulating the tax information, the return preparation fees and any other UBIT income of the parish or school that may have previously been considered de minimis. For a more in-depth discussion on UBIT issues contact professional tax advisors and relevant tax code.

Offers and advertising solicitations must be scrutinized closely. First, ask if it is really part of the mission and worthy of our time? Would better stewards simply ask for an appropriate donation? Do not sign agreements or understandings without reviewing them for insurance and other legal implications.

It is general policy not to engage in activities that are not related to the Diocese’s exempt purpose. Parishes and schools are not to enter into these arrangements without doing the proper and documented diligence and, where appropriate, obtaining the prior written approval of the Bishop of Orange or his designee. This includes all contracts with fundraising firms or operations. This requirement covers all projects and programs carried on by our ministries, boosters, parents’ organizations, etc. Questions regarding this subject matter should be directed to the Finance Office.

CELL SITE LEASE PROCEDURES

Carrier is to obtain permission from the Pastor:

1. If Carrier contacts the Diocesan Real Estate and Construction Office, the Pastor is asked about his level of interest. Determine if there is a need for any further discussion or approvals to proceed with exploring the opportunity.
2. Pastor, if contacted directly by Carrier, is asked to contact the Diocesan Real Estate and Construction Office (<https://www.rcbo.org/directories/diocesan-departments/>). If he wishes to pursue; the Pastor will provide copies of any documentation given to him by Carrier to the Real Estate and Construction Office for evaluation.

Application Process

1. Real Estate and Construction Office designee will evaluate the site and opportunity.
2. If it is determined that a reasonable transaction is feasible than the Carrier will be asked to provide a set of specific on-site location drawings for equipment to review.

Carrier is to provide Site Plans to the Property Department

1. Real Estate and Construction Office designee verifies with the Pastor the correct location of Cell Site via Assessor's Parcel Map so that correct parcel number and legal title are noted on Site Plans and Lease, as well as legal parcel description on Lease.
2. Copies of initial Site Plans are provided to the Diocesan Real Estate and Construction Office, Pastor, and Diocesan Attorney. The Diocesan Real Estate and Construction Office designee meets with the Pastor for review and approval or revisions. The Diocesan Real Estate and Construction Office provides Cell Site Guidelines which have been accepted and must be met on revised Site Plans.
3. Real Estate and Construction Office designee provides copies of Site Plans with noted Diocesan Real Estate and Construction Office Guidelines for revision to the Agent with copies to Pastor and Diocesan Attorney.
4. The above process may repeat itself several times before a final agreement is reached on the Site Plans by all parties (Pastor /Diocese and Carrier/Lessee).
5. Obtain Pastor's written approval. Diocesan Real Estate and Construction Office signs off on Final Site Plans.

Lease with Exhibits and Notary Forms are prepared with initial Terms and condition applicable to each Site and Lessor.

1. Prepare initial Lease with terms and conditions applicable to each site. Copies provided along with Pastor's special requests/concerns to Diocesan Attorney (copy to Pastor) for review and input by Diocesan Attorney on Pastor's requests/concerns (if required).
2. Revised copy is prepared and provided to Diocesan Attorney and Pastor for final review and approval.
3. Copy is provided to Carrier for Lessee's review and approval or proposed revisions and returned to Property Department.
4. Lessee's proposed revisions are provided to Diocesan Attorney and Pastor for review.
5. Negotiations between Real Estate and Construction Office designee, both attorneys (Diocesan/Lessee's) take place on proposed revisions.
6. This process may go back and forth until both attorneys meet final agreement.
7. Once both attorneys come to an Agreement and it meets with the Pastor's approval, a final Lease is prepared for one more review by Real Estate and Construction Office designee, Diocesan Attorney and Pastor.

8. Obtain the Pastor's written approval (via form provided by Diocesan Real Estate and Construction Office).
9. Three sets of the Lease with final Site Plans are prepared for Lessee's signature and sent to Lessee. Once the executed leases are returned the Pastor or Real Estate and Construction Office designee will execute and have notarized.
10. One original fully executed lease is sent to the Carrier for their file. A Copy is kept on file with copies to Real Estate and Construction Office designee, Parish/School Pastor and Diocesan Attorney. A fully executed copy is to be returned to the Diocesan Real Estate and Construction Office.
11. Follow-up on commencement date (upon issuance of local building permit to construct or X days after the full execution of Lease).

Preparation Fee

1. The first month's lease payment will be withheld by the Diocese as a preparation fee for each Cell Site Lease. Payments following the first month's lease payment will be made directly to the Parish

CHANGE OF PASTOR – RECORDS NEEDED FOR CHURCH AND SCHOOL TRANSITION

In accordance with Canon Law 1283 as part of the transfer of assets of the Church and the School, a written record is needed for this transition. The following information must be prepared for the new Pastor by June 25. In order to facilitate the transition of Pastors on June 30 – July 1.

BANK ACCOUNTS AND NEW SIGNATURE CARDS (Parish and School)

A listing of all bank accounts reconciled as of May 31 is to be prepared along with a listing of all checks and deposits written from May 31 to the date of possession by the new Pastor. New signature cards are needed by June 15. For all the parish and school accounts, these cards are to be prepared for distribution to the appropriate banks on July 1. Return all signature cards with the new Pastor's signature to the Diocesan Accounting Office in order for this office to obtain the signatures of the Bishop and other Diocesan Designated persons. Copy of the last four parish bulletins (school newsletter if any).

FINANCAIAL RECORDS (Parish and School)

A copy of the most recent External and Internal Audit Reports, where records are located, any advisory groups in place, copies of current monthly and annual reports, copy of the May 31 bank reconciliation(s) (when completed); budget(s) for parish, school, and any other parish/school organizations for the current fiscal year as well as for the following fiscal year (if completed).

FIXED ASSETS (Parish and School):

An inventory schedule of buildings, furniture, fixtures, equipment, vehicles (if any), etc. inclusive of accumulated depreciation of the parish and school.

INSURANCE AND SAFETY (Parish and School):

Copies of the current insurance policy, Injury, and Illness Prevention Program (IIP), Safety Inspection reports, and recent Health and Safety Training Records, which includes the Parish, School and Diocese as covered parties from organizations that are not ministries of the parish or school, which use the facilities, accident reporting procedures (Parish and School).

LEGAL ISSUES (Parish and School):

Leases or agreements with others, any pending legal issues, and any large outstanding liabilities (Parish and School).

REVIEW OF FINANCIAL OPERATIONS (Parish and School):

It is also the policy of the Diocese of Orange to have a review of the financial operations and statements of its entities (Parish and School) on a change of leadership.

Independent professionals and/or the Diocese Audit and Advisory Services Department of the Diocese perform these reviews. While a change of Pastor leads automatically to a financial operations review of both the Parish and the School, a change of Principal setting off a review of the School, does not always activate a review of the Parish.

A primary objective of this review effort is to assist the New Pastor or Principal of the entities and their Financial Committees in the areas of sound financial management and reporting as well as the status of Internal Controls formulated to protect the assets of the parish or school. This procedure

would need to be scheduled at the parish prior to or in June after the priest's retreat or in early July or agreed upon scheduled date. The school review is to be done agreed upon scheduled date or mid-September.

ORGANIZATIONAL STRUCTURE (Parish and School)

A complete list or organization chart illustrating the functions, services, programs, and activities along with the employees, volunteers, or groups who assist in each area.

PHYSICAL PLANT

An evaluation of the condition of buildings and grounds (Parish and School). Information physical plant expenditures for the current year, planned expenditures, and listing of deferred maintenance projects and estimated costs.

WRITTEN POLICIES AND PROCEDURES

All internal written policies in place (other than diocesan standards) for both the Church and the School.

CHARITABLE CONTRIBUTIONS

CONTRIBUTIONS OF \$250 OR MORE

The IRS suggests that charitable organizations 501(c)(3) continue the practice of providing written acknowledgment for contributions received that are valued at \$250 or more. Cancelled checks are no longer adequate. Best practices are to send these acknowledgements within a week of receipt. It is also recommended to retain a file with copies of these acknowledgement letters. Donors who plan to deduct charitable contributions should retain these letters in with their tax records.

QUID PRO QUO CONTRIBUTIONS

A quid pro quo contribution is defined as a payment made partly as a contribution and partly in consideration for goods or services furnished to the donor in excess of \$75. For instance, a donor gives \$100 and receives movie tickets valued at \$50. The difference is \$50. This is a quid pro quo contribution. Inform donors in writing that their quid pro quo contributions are deductible only to the extent that they exceed the value of the goods or services provided. Common examples of where the value is different from the amount paid are special events, dinners, golf tournaments and auctions. In the case of the first three, the solicitation or receipt must have a good faith estimate of the value of the item provided and state the amount of the donation. Auctions present a particular difficulty because no part of the payment is deductible unless it exceeds the fair market value of the item purchased.

A penalty from the IRS may be imposed if quid pro quo contributions in excess of \$75 are not disclosed as required. Please also remember that any raffle or prize drawings must not include the following words: "Donation", "Contribution", or "Tax Deductible" on the tickets. Refer to the raffle policy. Scrip programs should carefully secure and log inventory and note that no amounts paid for scrip are tax deductible.

SECTION 6104(D) DISCLOSURE STATEMENT

The Diocese of Orange is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code by virtue of its inclusion in the group tax exemption (GEN #0928) of the United States Catholic Conference (“USCC”). Because of its inclusion in the USCC Group Ruling, the Diocese of Orange did not file an application for exemption, Form 1023. In addition, USCC, whose group ruling was issued in 1946, did not file Form 1023. Accordingly, there is no application for exemption subject to public inspection under section 6104 (d) of the Code. A copy of the USCC Group Ruling reaffirmation letter is available at <http://www.usccb.org/about/general-counsel/tax-and-group-ruling.cfm>.

As provided in section 301.6104(d)-3(f) of the Regulations, the Diocese of Orange will provide for public inspection and copying the pages of the current edition of the Official Catholic Directory (“OCD”) on which it appears. The OCD is the directory submitted by USCCB in order to cover the Diocese of Orange under its group tax exemption. The OCD is updated annually and available for purchase at <https://www.officialcatholicdirectory.com/OCD/sales>.

Under the provisions of section 6033(a)(2)(A)(I) of the Code, the Diocese of Orange is not required to file annual information return, Form 990. Accordingly, there is no Form 990 subject to public inspection under section 6104(d).

FUNDRAISING

Compliance with the policies prescribed is necessary to comply with the legal and tax implications of carrying on these fundraising events. The penalties for non-compliance range from having to pay Unrelated Business Income tax on the event's net proceeds to criminal sanctions. Please also refer to the Raffle Policy.

AUCTIONS AND DOOR PRIZES

A specific program should be documented indicating the audience for the solicitation and the content of the solicitation, and anticipated revenue from fund solicitation should be indicated as accurately as possible in the projected income section of the budget.

Live and silent auctions play an important part in the financial success of many special dinners and dances. The provisions for 31% backup withholding and withholding for prizes valued at \$5,000 or more are to be observed. Also, note that with respect to non-cash prizes, locations have three options:

1. The winner can pay the 28% required withholding to the location and the location can report and pay that to the IRS
2. The location can pay the required 28% withholding for the winner and then "gross up" the value of the prize to the value of the non-cash item plus the withholding, or
3. The location can plan to publicize the option to substitute a cash alternative for some portion or the entire non-cash prize.

So that the location and the donor can determine what portion of the auction price is a donation, the location must set a reasonable value for every prize. The location may not categorize an item as being "priceless." It is the value that is assigned here that the location will use in acknowledging those payments of \$75 or more that involve a premium to the price set. These are commonly known as "Quid Pro Quo" contributions.

When someone pays at least \$600 less than the stated fair market value (FMV) for an auction item, the location must report that transaction as bargain sale and issue a Form 1099 for the difference between the amount paid and the FMV. Many items being auctioned are subject to sales tax and the location must report and pay the sales tax at the local rate. Also, note that the amount of sales tax will have an effect on the FMV and the amount of any Quid Pro Quo contribution.

The value of door prizes of \$600 or more must be reported on Form 1099. If no wager or purchase was required (including purchase of the dinner or dance ticket), no withholding is required. For this reason, the location may wish to make free door prize tickets available at the door for those not paying and/or attending the event.

BINGO AND PULL-TABS

Bingo is usually subject to local (city) regulations. All Bingo games must be licensed/permitted with the appropriate City in which the game is to be operated. A copy of the application, city approval and all correspondence relating to the Bingo Program should be kept in a permanent file in our Parish/School office.

Because the bingo is to be conducted entirely by volunteers, no compensation can be given to volunteers. This includes free or discounted food or drink. This is especially important since most bingo operations also sell pull-tabs or other instant bingo prize cards, and the use of volunteers is the only way to preserve the income tax exempt character of bingo and pull-tab surpluses. Form W-2G or Form 1099 is required for bingo winnings of \$1,200 or more for all persons. If a person does not supply his/her Social Security Number (SSN), the location is required to withhold 31% as backup withholding. If a single prize exceeds \$5,000, Form W-2G must be filed with 28% Federal withholding.

GIFTS AND BEQUESTS TO DIOCESE/FOUNDATION

Gifts of cash, stock or real property to the Diocese of Orange or the Orange Catholic Foundation (OCF) are tax-deductible; but donors should always check with their attorneys, accountants, or financial professionals regarding specifics.

Questions about gifting the Diocese or OCF can be directed to the Diocesan CFO or the Director of the OCF.

Wording for gifts/bequests to the Diocese: “To the Roman Catholic Bishop of Orange, a Corporation Sole, for the use of (NAME OF PARISH, SCHOOL, MINISTRY, ETC.)”

The Diocese and OCF do not always accept gifts of real property. The Diocesan CFO or the Director of OCF should be contacted before accepting gifts of real property (to contact the Pastoral Center please refer to the RCBO website, <https://www.rcbo.org/directories/diocesan-departments/>).

As a rule of thumb, gifts/bequests to a parish, school or ministry that are not intended as endowment gifts should be made to the Diocese of Orange with endowment gifts being made to the OCF.

Gifts of cash or stock can be used to establish trusts in the OCF. Contact the Director of OCF for further information (to contact the Pastoral Center please refer to the RCBO website, <https://www.rcbo.org/directories/diocesan-departments/>).

GRANTS

POLICY

The Diocesan Chief Financial Officer must review all requests for grants by the Diocese of Orange, its instrumentalities or any of its sponsored corporations before being granted.

IMPLEMENTATION

In the process of grant development, all requests for grants including those from federal, state, county or local governmental agencies must include a review by the Diocesan Chief Financial Officer. For this purpose, the Diocesan Finance Office will file a copy of the completed application packet for each Diocesan Department through its respective Director who is then responsible for final review.

This policy does not apply to Catholic Charities.

The Office of Catholic Schools is available for consultation should the schools need it.

OUTSIDE REGULATIONS

Activities involving people, money, equipment, materials, supplies, and facilities may well be subject to regulation by several layers of government. Those layers could include federal, state, county, or city regulations.

FEDERAL REGULATIONS

There are multiple regulations that govern federal funds in relation to taxes, financial audits, facilities, staff, nutrition, drug-free workplace, environmental tobacco smoke, non-delivery by applicants for federal assistance, debarment, and suspension, lobbying the federal government, program fraud, and nondiscrimination.

STATE REGULATIONS

The state has its own set of regulations. There are regulating authorities for most everything, and this list is very broad.

LOCAL REGULATIONS (county, city)

As with the state, there are many regulations.

REPORTING

Grantors generally require a variety of reports and documentation.

GRANT REQUIREMENTS

Special procedures and guidelines may be followed when required by the provisions of a grant.

INFORMATION TECHNOLOGY SAFEGUARDS

POLICY

A Diocesan Entity are all Parishes, Centers, Schools, and other organizations that are affiliated with the Diocese of Orange and under the purview of the Roman Catholic Bishop of Orange. Proper internal control procedures call for tightly controlled access to parishioner and financial programs, books and records and the availability of data.

ANTI-PHISING CONTROLS

Parishes and Schools should install SPAM filter for their Parish and School e-mail systems to minimize the Phishing email threats occurring. Parishes and Schools should consult with the Diocese IT Department for consultation.

FIREWALL FOR NETWORK SECURITY

Firewall controls should have established for Parishes and Schools. Parishes and Schools should consult with the Diocese IT Department for consultation.

ANTI-VIRUS SOFTWARE AND ANTI-MALWARE SOFTWARE

Anti-virus software and anti-malware (i.e., Microsoft Windows defender) should be maintained and updated frequently on all Parishes and Schools computer systems.

COMPUTER USE AND SECURITY POLICY

All authorized users must follow the Computer Use and Security Policy found in the Employee Handbook.

ADMINISTRATION ACCESS

Administrator access for the Parish/School Accounting System should be restricted to appropriate employee(s) to ensure the confidentiality and integrity of data transactions. Compensating internal controls must be in place for the Pastor or Parish Administrator to review and independently verify bank reconciliations, monthly Profit & Loss Statements, and monthly Balance sheets in circumstances where Segregation of Duties is in place for system access.

PASSWORD SECURITY

Access to parishioner and financial programs must be restricted via the use of password protection. A Systems Administrator whose responsibility is to assign and maintain current systems and employee passwords must be designated in order to be able to control the systems usage and obtain information on the system in the case of an employee change or concern.

DATA BACKUPS

The parish and school financial and parishioner records must be backed up on a regular basis. One of the main reasons for creating backup files is to be able to recover them in the event of a disaster (i.e., fire or water damage). This objective is not served if backup files are not kept separate from regular operating files. Important data must be backed up off-site at least weekly (daily or more frequently is recommended). It is recommended that the backup files be properly labeled. In addition, the data needs to have one backup stored from each month for 12 months. Critical Data needs to have a backup saved from every year for 5 years.

RECOMMENDATION FOR BACK-UP

Back-ups must be performed by third party vendors either in the cloud or to an offsite location that would not be affected by a disaster that the entity for which the backup is being processed.

CAPITAL PURCHASES, LEASES, AND CONTRACTS

CONTRACTS AND COMMITMENTS

Capital asset purchases (not construction), leases, and contracts with the following values over the life of the lease, contract, or commitment are processed as follows:

- Up to \$15,000 are considered acts of ordinary administration.
- \$15,000 to \$25,000 require pastor to consult the parish finance council.
- \$25,000 to \$50,000 require pastor to receive consent of the parish finance council and consult with the parish pastoral council.
- Greater than \$50,000 require the pastor to receive consent of the parish finance council and consult the parish pastoral council before requesting written permission from the Bishop of Orange before acting validly.

The parish or school is encouraged to consider diocesan financing for leased equipment in order to take advantage of lower interest rate financing.

The appropriate policies and procedures in the Administration of Temporal Goods should be followed.

No one entrusted with the administration of parochial property may incur any debt against that property without the permission of the Bishop.

All legal matters affecting parochial property or administration (Churches, schools, rectories, convents, and other subdivision thereof) shall be referred immediately to the Vicar General or the Diocesan CFO.

NEW LEASE STANDARD

A change made in accounting principles generally accepted in the United States of America (U.S. GAAP) requires parishes, centers, and schools within the Diocese of Orange to change the manner in which leases are carried on the location's books beginning with fiscal years beginning after December 15, 2019. This means that for the fiscal year, which begins on July 1, 2020, leases will need to be recorded under the new standard.

Previously, the standards allowed for both capital leases (acquisition) and operating leases (rent). The new standard requires all leases to be recorded as 'finance leases'. In essence, all leases more than 12 months in duration will be recorded in a similar manner as what were previously referred to as capital leases.

For existing and new leases, contact the Diocesan Finance Office for assistance with recording it on the books (to contact the Pastoral Center please refer to the RCBO website, <https://www.rcbo.org/directories/diocesan-departments/>).

LOANS – POLICIES AND PROCEDURES FOR DEBT MANAGEMENT

GUIDELINES

This section includes a summary of the application and approval processes, and subsequent loan servicing with regard to loans made from the Diocesan Deposit and Loan Fund (D&L) and The Bishop's Fund. For more detailed information regarding the policies and procedures for these types of loans, please refer to the Policies and Procedures for Debt Management manual (Manual) which is published from time to time by the Diocesan Finance Office and can be found on the extra site. The Manual will take precedence over any discrepancy that may arise between this section and any loan documentation.

The Bishop of the Diocese of Orange will make all loan decisions.

TYPES OF LOANS

The purpose of loans described in this section includes the funding of:

- No more than 25 percent of construction projects;
- Property and land purchases;
- Working capital for expenses and short-term operational needs (i.e., past due amounts payable to the Diocese);
- Past deficits (i.e., overdraft payments);
- Refinancing of existing debt.

INTEREST RATES

All loans are based on a fixed rate. Specific rates will depend on the type of loan and the needs of the borrower. Recommendations from the Diocesan CFO will determine the initial rate and terms. The Diocesan Finance Council will approve exceptions to this interest rate and make final recommendations to the Bishop.

LOAN AMORTIZATION

Unless an exception is granted, the loan maturity will not exceed 15 years from the date the loan is funded, will require monthly payments, and will amortize normally (i.e., monthly payment will include principal and interest). All amortization schedules in excess of 15 years and /or interest only amortization schedules are to be approved by the Bishop in consultation with the Diocesan Finance Council.

REQUESTING A LOAN

Loan request letters must be addressed to the Diocesan CFO and emailed to FinancialData@RCBO.org. The loan request letter must include:

- Purpose of the loan;
- Source of funds for repayment;
- Anticipated repayment period;
- Pastor's signature and date.

The Promissory Note is a legal contract whose terms are enforceable under both civil and canon law.

PARISH FINANCE COUNCILS

BACKGROUND AND POLICY

The Bishops who gathered in Rome from 1962 – 1965 at the Second Vatican Council discussed the possibility of a variety of councils. As they envisioned the laity more involved in shared responsibility for the Church, the Bishops opened new avenues for the lay voice to be heard. The Code of Canon Law, which flowed from the Vatican Council, reflected the fundamental communion of the Church (“communion”), and fostered the mission of all the people of God. Each parish is to have a Finance Council (Council) to assist the parish priest in the administration of the temporal goods of the parish and to enable the parish to fulfill its mission in the Church and in the world. Canon 537 states that in each parish there is to be a Finance Council which is governed, in addition to universal law, by norms issued by the Diocesan Bishop and in which the Christian faithful, selected according to these same norms, are to assist the Pastor (or Administrator or Director) in the administration of the goods of the parish (or center).

IMPLEMENTATION

Mission of the Parish Committee

1. Assist the Pastor/Administrator in the administration of the temporal goods of the parish.
2. Help the Pastor/Administrator keep the financial administration of the parish in harmony with the mission of the Church. Decisions affecting the financial status of the parish are to be made by the Pastor following consultation with the Committee. The Pastor and Committee must create and maintain an atmosphere in which open and honest discussion is encouraged.

Duties and Responsibilities

1. To serve in an advisory capacity and have a primary fiduciary responsibility to the parish faithful and the Pastor/Administrator.
2. To provide sound, analytical, legally appropriate, financial, and administrative advice to the Pastor/Administrator, Pastoral Council, and parish staff.
3. To evaluate the financial health of the parish and school (if applicable):
 - By reviewing and recommending approval of the annual budget(s).
 - This includes the timely submission of budgets and any required documentation. Annual budgets and required documents are due April 30.
 - By reviewing long-range financial plans (five-year plan).
4. To be knowledgeable of all Diocesan policies that relate to the financial administration of the parish:
 - a. Diocesan Policies.
 - The Committee must be familiar with and comply with Diocesan statutes, particularly those outlined in this Parish and Financial Management Manual.
 - b. Personnel/Payroll Policies.
 - Be knowledgeable of all civil laws pertaining to labor and social policies as far as they are not contrary to Catholic principles.
 - Ensure that employees are paid a just wage and all the benefits due by law and the policies of the Diocese of Orange.
 - c. Accounting Policies.
 - d. Building and Capital Projects Policies.
 - Special vigilance should be given to expenditures for building projects, new or refurbished, as regards to obtaining permission needed from the Most Reverend Bishop or his designee in accordance with the Diocesan Capital Project Approval Process (refer to the Capital Project Approval System “CPAS” in the Fiscal dashboard).
 - e. Financial Reports.
 - Review and approval of the Parish’s Annual Financial Report.
 - This includes the timely submission of fiscal year-end financial statements and any required documentation. Annual reports and required documents are due September 30.
 - To review the parish financial statements at regular intervals, compare and understand variances from budgeted levels, review the administration and management of surplus funds in accordance with Diocesan policy, address and resolve as needed the findings of any audit (independent auditor or Diocesan internal audit).
 - f. Risk Management Policies.
 - Contracts for services and Certificates of Liability Insurance are required when related to the use of facilities by outside entities.

- Safety guidelines for all special events on parish properties in conjunction with buildings and grounds.
- Annual safety inspection of all diocesan owned properties in conjunction with building and grounds.

Membership

Composition of the Committee

1. Three to seven Members, in addition to the Pastor/Administrator.
 - a. Roman Catholic men or women, who are registered and participating members of the parish.
 - b. Individuals who are appointed by the Pastor/Administrator, in consultation with the parish staff; they should be reflective of the diversity within the parish community and representative of the economic strata of the parish.
 - c. Individuals who have no family relationship to the Pastor/Administrator.
 - d. Individuals who have no conflict of interest because of such affiliation, e.g., spouse of parish or school employee, someone who transacts business with the parish or school or who would derive personal benefit from recommendations that are made by the committee.
2. Individuals are appointed for a term of three years or less and renewable for one further term.
3. Membership should be open to every member of the parish community. A balanced mix of skills sets would be the ideal Finance Council.
 - a. Members blessed by the Holy Spirit with gifts other than financial acumen are desirable in order to ensure outcomes and decisions are clear and can be readily understood by all members of the parish community. These Members will help maintain the Committee's egalitarian nature.
 - b. Members possessing skills and expertise in financial matters, business administration and civil law (e.g., CPAs, business owners, attorneys, real estate professionals) are desirable in order to ensure the parish complies with its fiduciary responsibilities in accordance with both canon and civil law.
 - c. Individuals who are committed to fulfill their duties in a sound and legal manner and who see the Church as not above the law in non-ecclesiastical matters. They should also have a sense of Christian social justice with a deep love and concern for the poor, the needy and the helpless (MT.25).
 - d. Individuals who are motivated to become knowledgeable of Diocesan policies.
 - e. Individuals who have shown to be trustworthy and able to maintain confidentiality. From time to time, sensitive matters (e.g., personnel decisions, long-term planning) may be discussed in committee meetings.
4. The Committee does not cease to exist with the temporary unavailability, incapacity, convalescence, transfer, or death of a Pastor/Administrator.
5. Members of the committee serve out the term of their appointment upon assignment of a new Pastor/Administrator. The newly assigned Pastor/Administrator has the authority to remove members before the end of their term for cause.

Chairperson

1. The Committee shall have a Chairperson or meeting facilitator, appointed by the Pastor/Administrator who will coordinate the work of the committee. Prepare for the meetings and implement those proposals of the committee, which have been accepted and ratified by the Pastor/Administrator.

2. The Chairperson or meeting facilitator shall perform other such tasks as may be delegated. These may include chairing and conducting regular meetings of the Committee. The Chairperson or meeting facilitator should be chosen on:
 - a. Ability to facilitate a meeting.
 - b. Knowledge of rules and guidelines.
 - c. Leadership qualities.

Records

1. The Committee shall have a Recorder who keeps the minutes of meetings.
2. Members shall have access to records and documents relating to the financial status and operations of the parish as required making informed decisions. Access to records is required to determine whether or not:
 - a. Payroll and personnel matters are managed in accordance with Diocesan policy.
 - b. Independent Contractors are treated in accordance with civil law.
 - c. Insurance coverage is appropriate for the needs of the parish.
 - d. Cash is managed, including deposits in the Deposit & Loan Trust and non-Diocesan financial institutions, in accordance with Diocesan policy.
 - e. Parish prepares appropriate financial accounting records.

Meetings

1. Meetings shall be held at least quarterly and no more frequently than monthly unless an emergency arises.

Cooperation with Stakeholders

Members should be known by the people of the parish community and be visible enough in the parish to be sought out by parishioners when they have subjects of concern.

1. The Parish faithful, as the primary source of temporal goods of the parish, are entitled to having the Members available to:
 - a. Entertain suggestions.
 - b. Answer questions that do not breach confidentiality.
 - c. Serve as liaisons between the parishioners and the Pastor/Administrator.
2. The Pastor/Administrator of the parish is ultimately accountable to the faithful and the Bishop for all legal, business, and administrative matters of the parish. As a result, the Committee must work in consultation with the Pastor/Administrator.
3. The Parish staff, particularly the parish business manager and/or bookkeeper. The person responsible for the maintenance of the financial records should serve as a resource to the Committee. This person is an employee of the parish and a resource for the Committee.

Relationship to Pastoral Council

Since the Parish Finance Council relates to the administrative responsibilities of the pastor, it should not be a part of the Parish Pastoral Council structure. However, an officer from the Parish Finance Council may serve as an ex-officio member of the Parish Pastoral Council. Communication between the two councils is essential to share information regarding the parish finances in order to implement the pastoral plans and priorities.

An appropriate means of communication should be developed between the Parish Finance Council and the Parish Pastoral Council to ensure that the Parish Finance Council does not enter into areas of policy

and mission, which are the prerogative of the Parish Pastoral Council. The Parish Finance Council advises on the adequacy of resources to accomplish the mission and specific ministries of the parish.

The Parish Finance Council reviews a draft of the parish annual calendar prepared by the Parish Pastoral Council.

CONCLUSION

One of the essential roles of a Pastor/Administrator is parish administration. They are the legal representative of the parish and responsible for the administration of Church property and finances in accordance with the norms of canon law (Canon 532). The Pastor/Administrator is assisted by the Parish Finance Council, which is composed of members of the congregation (Canon 537). This relationship demonstrates the sense of Church as communion. The members of the Finance Council "...become sharers in Christ's priestly, prophetic and royal office in their own manner" (Canon 204). By using their various gifts and skills in a collaborative and faithful manner, they live out their baptismal call and the vision set forth by the Bishops in the Second Vatican Council.

PARISH/SCHOOL ADMINISTRATIVE & FINANCIAL REVIEWS

In order to be of assistance to pastors and their Finance Councils, along with business personnel, every parish and parochial school is to have an administrative & financial review at a minimum of every three years.

PROCEDURES

Administrative

- Inquire and review accounting manual.
- Review list of members and qualifications of Finance Council.
- Review minutes of meetings of Finance Council meetings.
- If change of Pastor or Principal, review change of Pastor/Principal checklist.

Accounts Receivable and Deferred Revenue

- Review A/R reports.
- Review that employee/parishioner loans do not exist.
- Review tuition reporting system for cash receipts delinquencies, registration, and other fees.
- Determine whether parish capital campaign or pledges receivable have been booked at year end.
- Determine whether next year's registration and/or tuition for school has been deferred at year end.

Bank and Investment Accounts

- Review bank reconciliation and bank statements.
- Review petty cash procedures.
- Review that receipts at period end are recorded as Deposits in Transit.
- Inquire as to whether all bank accounts are recorded in Financial Statements.
- Determine that main parish and school accounts are with FMB (zero balance accounts).
- Inquire about stock certificates/donations procedures.
- Review signers on accounts.
- Review name of holder of accounts.
- Review procedures on NSF checks.
- Review for outstanding checks older than one year.
- Review for additions to endowments.

Bingo, Scrip and Fundraising

- Review record keeping procedures.
- Verify scrip inventories.
- Review scrip forms and summary information.

Cash Collections

- Inquire about cash collection handling and procedures (special emphasis on tamper evident bags).
- Inquire about mail receipt procedures.
- Compare collection summaries to bank statements.
- Review cash receipt logs.
- Inquire and review procedures for un-deposited funds and who has access.

- Inquire about use of tamper proof bags for transporting collections/cash and if bags are sealed immediately after collection.

Computer Data

- Review back up procedures, (automatic or manual, frequency, on site/off site storage).
- Review security procedures (who has access, password protection).
- Inquire about use of anti-virus software.
-

Disbursements

- Review accounts payable reports.
- Review and inquire regarding unrecorded liabilities, i.e., lawsuits, disputed invoices.
- Review latest month's checks for past due or unusual amounts.
- Review paid invoice files backup documents for approvals and payments.
- Review for approval limits.
- Review for dual signature requirements.
- Review 1099 procedures and vendor lists.
- Sample checks as to payee, amounts, signatures, and endorsements for questionable items.
- Determine whether vacation accruals are booked at year-end.
- Determine whether July/August salary accruals are booked.
- Determine whether payables to Diocese for pension, medical insurance, disability, and Workers' Comp have been recorded.
- Review for donated services (should not be recorded unless it is a professional service).

Financial Statements

- Inquire about basis of accounting.
- Review financial statements, annual report, and budget; note any discrepancies between internal financial statements and annual report.
- Review format and use of uniform chart of accounts.
- Review for proper fund balance category presentation.
- Inquire as to whether financial report is made available to parishioners – mandatory as of 2003.
- Inquire as to timeliness of monthly reports including budget to actual comparisons being issued to Finance Council.
- Inquire as to grants received and whether grant guidelines are followed.
- Inquire whether three-year forecasts have been submitted to administrative offices of the Diocese.

Fixed Assets

- Review capitalization policy.
- Review acquisition and disposal policies.
- Review depreciation methods and useful life term.
- Review valuation and completeness of assets on the fixed asset listing.
- Trace year's activity.
- Inquire about adequacy of insurance coverage.
- Determine whether leases are capitalized (Diocese does not allow capital leases because Diocese will make loans at lower interest rate).
- Inquire about video inventory of assets.

Other Assets

- Review safeguarding of sacred vessels.
- Review in-kind donation procedures.
- Verify procedures for recording sacramental records.

- Verify security of safekeeping and confidentiality for sacramental records.

Payroll

- Review ADP records for approval.
- Review authorization for pay changes.
- Review I-9 forms and W-4 forms.
- Review procedure for eligibility for health and pension benefits.

PASTOR/PARISH ADMINISTRATOR – TEMPORAL RESPONSIBILITIES

FINANCIAL

- Applies for all loans or for approval to overdraft the concentration checking account, in consultation with the Parish Finance Council, to the Diocesan Bishop.
- Approves all loans of Parish and School property and does not permit Parish or School funds to be loaned to a third party.
- Approves all parish and school disbursements.
- Approves Annual Report to Parishioners.
- Approves the bidding parameters for large dollar purchases or services within the Diocese Construction Project Approval System (“CPAS”) requirements (i.e., Real Estate, Construction, etc.).
- Approves personnel salary changes in writing.
- Approves Parish and School budgets in consultation with the Parish Finance Council.
- Approves Parish and School three-year forecast.
- Approves and signs reimbursements other than to himself (reimbursement and salary changes for Pastor should be annotated in the records that the reimbursement or salary change was reviewed by the Parish Finance Council Chair, Parochial Vicar, or other responsible, independent party. Reimbursement checks are to be signed by other than the Pastor).
- Authorizes and personally oversees the use of credit card accounts.
- Contacts the Vicar General and Diocesan Finance Office as soon as he is aware that he is unable or expects to be unable to meet the parish’s financial cash flow or reporting obligations.
- Develops the Parish and School operating and capital budgets in consultation with the Parish Finance Council and the Parish Pastoral Council.
- Implements internal control systems and safeguards for all Parish and School assets.
- May delegate check signing privileges to a responsible and trained departmental manager.
- Consults with the Parish Finance Council prior to committing to any expenditures of \$10,000 or more that is not previously budgeted.
- Presents the Parish and School annual report to the Parish Finance Council.
- Receives all bank statements, reviews, deposits, and cancelled checks immediately after they are printed from the electronic bank file and prior to the bank reconciliation.
- Retains authority on school finances unless the Catholic Schools Department has been reassigned authority.
- Reviews along with the Parish Finance Council monthly financial statements.
- Reviews, initials, dates monthly bank reconciliation, and bank statement.
- Reviews and signs Annual Parish Report to the diocese. Ensures the Annual Parish Report is signed by the Finance Council Chairperson.

- Reviews, initials, and dates the first sheet of all biweekly, semimonthly, and monthly payrolls.
- Receives, reviews, initials, and dates the first sheet of the monthly copies of all Parish and School bank accounts. Including the bank accounts of all Parish and School organization(s).

OTHER

- Appoints the Finance Council members.
- Appoints the Pastoral Council members.
- Approves the access to Parish donor records.
- Approves any lease or rental of Parish and School real or personal property according to Diocesan policy.
- Approves in writing changes to employment status for all Parish and School personnel.
- Approves, in consultation (or approval as called for under Canon Law) with the Parish Finance Council, any acts of alienation of parish or school property and any acts of extraordinary administration.
- Consults with the Parish Finance Council, puts in writing, and signs any exceptions to best business practices of the parish and school.
- Must approve the minutes of the Finance Council Meetings (this is done by signing and dating the first page of the minutes). Also ensures that the Finance Council Chairperson signs the documents.
- Notifies the Diocesan Bishop and Diocesan Finance Office upon receipt of a bequest to Parish and School.
- Promulgates and implements Diocesan policies.
- Provides an accounting, inventory, and other documents and disclosures upon the appointment of a successor.
- Refers all legal matters affecting parish, school, or administration to the Vicar General. Reports to the Diocesan Risk Management Department any act of theft, desecration, or act of violence against sacred articles or church property.
- Reviews with the Finance Council, signs, and dates the responses to the audit recommendations for Parish and School. Reviews uncollected school tuition before write offs or being sent to a collection agency. The Catholic Schools Department will perform these duties for the schools that it has authority over.
- Set policies for facility use and parish functions.

INSURANCE AND SAFETY

- The completion of Injury Illness Prevention Program (IIPP) and submit an approved copy to the Diocesan Risk Management Department.
- Copies of the current insurance policy, Injury, and Illness Prevention Program (IIP), Safety Inspection reports, and recent Health and Safety Training Records, which includes the Parish, School and Diocese as covered parties from organizations that are not ministries of the parish or school, which use the facilities, accident reporting procedures (Parish and School).

PRINCIPAL RESPONSIBILITIES

FINANCIAL

- Manages the school with appropriate fiduciary oversight to assure the long-term financial sustainability of the school.
- Develops and submits an approved balanced budget. (Pastor and Finance Council approval).
- Reviews and signs the Annual School Report with Pastor and Finance Council.
- Approves purchases/disbursements (may delegate check signing privileges).
- Approves employee stipends, according to the approved budget, attached to contract(s) when and if applicable; i.e., Athletic Director.
- Approves credentialed teacher salary increases per Diocesan Teacher Salary Scale.
- Approves employee salary increases according to the approved budget.
- The designated approver Pastor approves principal salary increases and/or Department of Catholic Schools designated approver.
- Approves school three-year forecast with Pastor and School Advisory Board.
- Approves and signs reimbursements other than to oneself (reimbursements and salary changes for Principal are to be approved only by the Pastor/Administrator and reimbursement checks are to be signed by other than the Principal).
- School that are managed by the Catholic Schools Department will designate the approver for Principals' reimbursements.
- Develops school budget with Parish Finance Council and/or School Advisory Board and seek consultation from the Catholic Schools Department designee(s).
- Develops sources of supplemental income for designated projects outside of the regular curriculum.
- Implements internal control systems and safeguards for all school assets.
- Keeps Pastor informed of all financial matters and reports.
- Obtains Pastor and Parish Finance Council's approval and puts in writing and signs any exceptions to best business practices.
- Presents for approval and signs, along with the Pastor and Parish Finance Council, all loan documents and applicable Diocese approver).
- Receives electronic bank statements, reviews deposits and cancelled checks.
- Reviews monthly financial statements and prepares operations/financial narrative for Pastor and Parish Finance Council.
- Reviews, initials, and dates monthly bank reconciliation(s).
- Reviews, initials, and dates payroll changes.
- Signs on and receives monthly copies of all school and school organizations bank accounts.

OTHER

- Approves changes to employment status with the knowledge and agreement of the Pastor.
- Develops an effective public relations program with the school and civic community.
- Follows financial, accounting, and internal control policies as set by the Diocese.
- Follows all laws regarding hiring, fingerprinting and citizenship verification.
- Makes accessible all emergency cards, disaster plan information on all staff and students.
- Makes accessible all emergency supplies.
- Makes provisions for general operation when school is not in session.
- Oversees School Finance Council and School Advisory Board.
- Posts all Diocesan communications pertaining to staff or directs to appropriate staff.
- Approves and documents all uncollected tuition write offs.
- Authorizes turnover of tuition written off to a collection agency when needed.

- Secures and maintains all staff records, including evaluations and payroll records, and student records.

INSURANCE AND SAFETY

- The completion of Injury Illness Prevention Program (IIPP) and submit an approved copy to the Diocesan Risk Management Department.
- Copies of the current insurance policy, Injury, and Illness Prevention Program (IIP), Safety Inspection reports, and recent Health and Safety Training Records, which includes the School as covered parties from organizations that are not ministries of the school, which use the facilities, accident reporting procedures (School).

PHYSICAL PLANT

- An evaluation of the condition of buildings and grounds (School). Information physical plant expenditures for the current year, planned expenditures, and listing of deferred maintenance projects and estimated costs.

REVIEW OF FINANCIAL OPERATIONS

- It is also the policy of the Diocese of Orange to have a review of the financial operations and statements of its entities (Schools) on a change of leadership.
- Independent professionals and/or the Diocese Audit and Advisory Services Department of the Diocese perform these reviews. A change of Principal setting off a review of the School.
- A primary objective of this review effort is to assist the New Pastor and Principal of the entities and their Financial Committees in the areas of sound financial management and reporting as well as the status of Internal Controls formulated to protect the assets of the school. The school review is to be done agreed upon scheduled date.

ORGANIZATION STRUCTURE (School)

- A complete list or organization chart illustrating the functions, services, programs, and activities along with the employees, volunteers, or groups who assist in each area.

DIOCESE OF ORANGE PRIVACY STATEMENT

The Diocese of Orange respects and protects the privacy rights of all individuals associated with parishes, schools, organizations, and/or workplaces falling within the auspices of the Diocese of Orange. It is our intention that all personal information is to be kept private and only to be used for those purposes the information was collected and recorded, to fulfill the mission and direction of the Diocese of Orange.

The Diocese intends to collect personal information in a fair and lawful manner. Prior to the collection of information and upon request, the Diocese shall disclose the following:

- Why the information is being collected.
- How the information will be used.
- Who has access to the information.

Sensitive information is neither collected nor shared without prior written consent of the individual to whom it pertains. The Diocese will only use or disclose information for the purpose it was collected. It will not disclose or distribute to a third party any such information without an individual's prior written consent, unless required to do so by law.

Reasonable steps will be taken to protect personal information from unauthorized access, loss, misuse, disclosure, or alteration. The Diocese may distribute aggregated statistical information for reporting purposes, but personally, identifiable information will not be shared with third parties. Access to Parish donor records will not be given to anyone at the Administrative Offices and no one will access this data without the written approval of the Pastor.

Individuals may, at any time, request access to their personal information. If any of the information held by the Diocese is incomplete or inaccurate, please notify the Diocesan Finance Office about any updates or corrections. To do so, [contact Helpdesk@rcbo.org](mailto:Helpdesk@rcbo.org). Individual privacy concerns should first be addressed with the individual's pastor, school principal, human resources manager, or agency manager. From time to time, this statement may be reviewed to ensure that it remains relevant and appropriate.

SAFEKEEPING RECORDS

FINANCIAL RECORDS

Some of our Federal laws prohibit the destruction of certain documents. Therefore, it is important that administrative personnel know the length of time records should be kept. All financial records documenting transactions, including cancelled checks should be available to the parish and school as needed. Some records should be retained for at least two years whereas other records are to be retained permanently (**see Record Retention Policy**). Records should not be kept offsite at the residence of employees or other locations where access to the records is limited.

SACRAMENTAL RECORDS

All sacramental records should be stored in a secure area where these records are safeguarded against physical damage and deterioration: the best choice is a locked fireproof safe. Written guidelines should be documented that clearly define the recording of sacramental records.

DOCUMENT DESTRUCTION

All records that have reached their retention expiration can be disposed of in a safe fashion. An example of this would be to have a shredding company remove and destroy such documents. It is important to keep a record of what is being shredded, along with the date of destruction. All sites should have a destruction policy on file.

STOCK DONATIONS

Parishioners are encouraged to take advantage of tax laws by donating non-cash items such as appreciated stock and mutual funds. If the donor were to sell the stock outright, capital gains taxes would apply to the increased value of the stock. However, if the stock is donated, the diocese (or parish) receives the current market value of the stock and this amount is deductible as a charitable donation for the donor, while no capital gains taxes apply. This method for charitable giving is also useful if the donor has no record of the basis (cost) of the stock for tax purposes and is hesitant to sell the stock because of tax implications. Contact the Controller at the Diocesan Finance Office for the current forms and instructions (to contact the Pastoral Center please refer to the RCBO website, <https://www.rcbo.org/directories/diocesan-departments/>).

TAX MATTERS

FORMS

W-2, W-4, and I-9

W-2, W-4 and I-9 forms are retained in employee files. All employees receive a W-2 Form by January 31 of each year and a copy is retained with the parish or school payroll records.

All W-4 forms need to match to the payroll records. Workers who want to change their withholding need to file a revised IRS Form W-4 with their employer(s).

All INS forms I-9 are to be reviewed for completeness including Section 2, Employer Review and Verification. All documents submitted by the employee for section 2 of the I-9 form are to be reviewed and verified by the parish/school Business Manager. This form is to be retained in the employee file.

Issuance of Form 1099 and Filing EDD 542 Form

When payments of more than \$600 are made to a person or contractor during a calendar year, for other than W-2 reportable services, issue a Form 1099. It is recommended that the parish or school obtain W-9 forms from all Independent Contractors to ensure that all appropriate parties are receiving 1099 forms at the end of each calendar year.

An EDD 542 report is to be filed with the Employment Development Department for the existing independent contractors as well as any new independent contractors within twenty (20) days of making payments of \$600 or more or entering into a contract for \$600 or more in any calendar year.

Federal Tax-Exempt Status

1. Memo from USCC General Counsel.
2. IRS Annual Determination Letter for the Catholic Church.

The two above materials, serving as documentation for the Federal Tax-Exempt Status of the Catholic Church in general, and the Diocese of Orange and its members in particular, along with other useful information can be downloaded from the USCCB website at the following location: <http://www.usccb.org/about/general-counsel/tax-and-group-ruling.cfm>. The Diocese of Orange and all of its members are listed in the Kenedy Official Catholic Directory, which is referred to in this letter.

There are new IRS regulations that require all tax-exempt organizations to respond to individual requests for certain information almost immediately. To comply with these regulations, refer any inquiries to the Office of Finance, Diocese of Orange, 13280 Chapman Avenue, Garden Grove, CA 92840. Please contact the Diocesan Finance Office with any questions or concerns (to contact the Pastoral Center please refer to the RCBO website, <https://www.rcbo.org/directories/diocesan-departments/>). This memorandum only applies to the parishes and schools under the Roman Catholic Bishop of Orange, a corporation sole.