

Parish Administration – Finance/Chancery Basics

A review of Finance/Chancery basics is in accordance with general principle #2 (*The Chancery Office mission is to pastorally serve and expertly guide our parishes so as to foster Christ's work on earth. In this mission the Chancery will provide administrative support and information to help our parishes succeed*).

Chancery Contact Information:

Please see "[*Exhibit 13: Chancery Contact Information*](#)" for a list of names and Chancery contact information.

Fiscal Year

The Fiscal Year for the Diocese of Fall River runs from July 1st – June 30th. It is often designated by the initials FY. For example, FY18 runs from July 1, 2017 – June 30, 2018.

Tax Exempt Status and List of Pertinent Documents

All Diocese of Fall River parishes are listed in "**The Official Catholic Directory**" and are covered by the USCCB's general exemption for federal income tax (Group Exemption Number 0928). If your parish's tax exempt status is questioned, please call the Director of Finance at the Chancery; (*Exhibit X:*) to obtain a copy of the following:

1. The latest iteration of *The Official Catholic Directory*, including your parish or organization in the Diocese of Fall River listing.

Please see "[*Exhibit 14: Cover Sheet of The Official Catholic Directory*](#)"

2. A copy of the most recent *IRS Determination Letter*, confirming the subordinate relationship of the Diocese of Fall River to the USCCB (and the basis for our tax exempt qualification).

Please see "[*Exhibit 15: IRS Determination Letter for 501\(c\)\(3\) Status*](#)"

These forms signal that the parish is part of a tax exempt 501(c)(3) organization (the USCCB).

The following forms are also important relative to financial administration and the tax exempt status of each parish:

1. **Form SS-4 – Application for EIN** (employer identification number): Your parish should have a unique FEIN (aka the EIN) already. The FEIN is used for the following:
 - a. The FEIN is used when making employee tax withholding payments to the Federal Government, and employer social security taxes.
 - b. The FEIN is given to the banks at which a parish has an account. As a new pastor, a good practice is to call several local banks to inquire if there are any parish accounts at

- each bank. You will need the parish FEIN for this inquiry (see section “5. Parish Accounts,” for more information).
2. **Form 147C – EIN Confirmation (or verification) Letter:** Call the **IRS at 1-800-829-4933** to request a 147c. Be prepared to provide the business address, EIN, and your SSN#/phone number.
 3. **ST-2 Form or Certificate of Exemption:** This is the form that signifies that the parish is exempt from MA State Sales Tax. A copy of this form should be provided to vendors to ensure that no sales tax is applied to parish invoices. If you have any questions (need a copy of your form, questions on renewing or applying for a Certificate of Exemption, etc.), **please call the MA Department of Revenue business unit at 617-887-6367**. Make sure that you have a copy of your FEIN readily available when you call (your state tax exemption number should match your parish’s FEIN). Per the Department of Revenue, parishes should be automatically e-mailed a renewal certificate prior to the current certificate’s expiration.
 4. **ST-5 Form:** For those vendors that require it, you may need to fill out an ST-5 form and mail to the vendor along with the ST-2 form to validate your tax exempt status.

Parish Financial Software

The Diocese of Fall River requires that parishes place their financial software on a hosted environment. This allows the Chancery Finance Office to view the parish financials. It does not allow for the Chancery to make changes to the financials. Some of the benefits of having the parish financials on a hosted environment include:

1. Parish Staff is able to access the financials remotely.
2. The Chancery can access reports, so the parishes who are on a hosted environment no longer have to send in monthly financial reports.
3. The financial data is backed up daily, so there is less risk of losing data that is stored on a parish computer.
4. The Diocese can perform aggregate reporting for parishes that are on a hosted environment.

Please see “*Exhibit X: Parish Software*” for acceptable parish software and hosted environment platforms. If you have any questions regarding Parish Financial Software please contact the Financial Planning Manager (*Exhibit X: List*).

Parish Bank Accounts

Each parish should keep a listing of all bank accounts held by the parish. It is recommended that the number of accounts be kept at a minimum, and may include:

- A local **checking account** (recommended that no more than 3 months of run-rate expenses be kept in this account)
- A local **savings or money market account**
- A Chancery depository account
- A Petty cash account (if applicable)
- A Bingo account (MA state law requires separate accounts for bingo/lottery) (if applicable)

Note that brokerage accounts and mutual fund accounts are not permitted.

It is good practice when a new pastor or administrator takes over a parish, that he contact the banks in the area and request from them a list of all accounts using the parish FEIN. A listing of all bank accounts should be included in the parish financial software program.

The only authorized signer on parish accounts should be the pastor (the one who received power of attorney from the Bishop) and all checks should be manually signed (signature stamps are not permitted in the Diocese of Fall River).

No priest, deacon, or lay person or groups are to hold church properties or funds in their own names (see **Parish Administration - Affiliated Organizations** for more details). This practice could subject the individual to unintended tax consequences and/or make it difficult for the parish to access funds in cases where the 3rd party individual or group becomes sick or disabled.

Bank statements should be dated as of the last day of the month (consistent with monthly reporting), and should be reconciled monthly to the bank balances in the parish financial software program within 30-45 days of month end. It is strongly recommended that parishes segregate duties to the largest extent possible to limit fraudulent liability (see **Parish Administration – Evidence of Pastor Reviews of Financial Transactions** for more details).

Petty Cash

Please see “Exhibit X: Setting Up a Petty Cash System” for step-by-step instructions for how to properly establish and account for a petty cash fund. Also included is a petty cash approval form to serve as the foundation for the approved petty cash fund amount.

When petty cash funds are close to being depleted, the funds should be reconciled utilizing the Petty Cash Reconciliation Sheet (See “Exhibit X: Petty Cash Reconciliation Sheet”).

A petty cash fund should not be maintained at a level above \$200, and individual disbursements should not exceed \$50. Larger disbursements should be made by check or credit card.

Using cash collected at the parish to replenish the petty cash fund is not permitted.

Payments to individuals for services provided are not to be made through the use of petty cash. All such payments should go through either payroll or accounts payable to ensure proper tax reporting.

Cashing of personal or payroll checks is not permitted.

Credit Cards

In the course of business it is sometimes convenient to use a credit card for transactions. The following rules apply to all parishes in the Diocese of Fall River:

1. Parishes and schools may apply for a credit card to facilitate purchases.
2. Credit cards need to be issued in the parish's or school's name and may only be used for parish/school activity (no personal activity).
3. Only staff members that need to make purchases on behalf of the parish or school (pastor, principal, president, business manager), can be authorized signers.
4. The credit line should be limited to the parish or school functional needs – credit limits are not to exceed \$5,000.
5. The pastor or principal is responsible for reviewing the credit card statement at the end of each month to ensure that all purchases were approved.
6. Debit cards are not permitted (unlike credit cards, banks do not assume liability for debit cards; also debit cards result in the immediate withdrawal of funds, facilitating fraud).
7. Credit card purchases must be evidenced with a credit card and store receipt that should be attached to an approved expense reimbursement request form (see Exhibit X Credit Card Expense Report). The credit card statement and expense reimbursement form should then be filed together (please see "Records Retention Policy", for timeline on how long statements must be kept on file).

Payroll

All employees are to be paid through the parish payroll. By definition an employee is someone the employer tells when to work, what hours to work, etc. (as opposed to independent contractors who are not included on the parish payroll). No parish employees are to be paid "under the table", where required federal and state tax withholding does not take place (Please review section titled **Parish Administration – Independent Contractors** for details on how vendors should be paid and the related tax forms).

Timesheets are to be completed and signed by all employees with documented approval from the employee's supervisor (See "Exhibit X: Sample Timesheet"). To serve as support for payroll, each non-contracted employee should have current for the fiscal year pay rate documentation in their personnel file (See "Exhibit X: Personnel Action Form"). All vacation and sick time should be accounted for and tracked.

Additionally, the following forms are required for all employees:

- Form W-4 Employee's Withholding Certificate
- Form M-4 for Massachusetts Employee's Withholding Exemption Certificate
- Form I-9 Employment Eligibility Verification

The parish (or payroll service/consultant) should prepare the necessary W-2 forms at the end of each *calendar* year (as opposed to the parish *fiscal year* which to review, runs from July 1st – June 30th). By law these forms need to be sent to employees by January 31st of the following year.

A copy of all notices for wage garnishments should be kept by the parish office. It is critical that wage garnishments be executed and remitted on a timely basis so to avoid penalties assessed the parish.

Monthly Reports

Parish and cemetery financial reports are due to the Chancery by the end of the 3rd week following the close of a month (so reports for the month of May are due to the Chancery by the end of the 3rd week in June). Reports should be emailed to the Chancery Finance Office (chanfinoff@dioc-fr.org). If your parish and/or cemetery are on a hosted environment, the Chancery can pull the required financial reports, and you no longer have to send them in.

The two reports needed by the Chancery are:

1. Monthly Profit and Loss Statement (also referred to as an Income Statement or Statement of Activities)
2. Monthly Balance Sheet (including month-end balances in local bank accounts)

See “Exhibit X” for instructions on how to produce the required reports on the accepted parish financial software.

No modification of the QuickBooks reports are necessary. If you have any questions specific to the monthly reporting, please do not hesitate to contact the Financial Planning Manager (see “Exhibit X: Employee Listing”).

Invoices Received from the Chancery

As a corporation sole, the Diocese will often negotiate rates and purchase select goods and services on behalf of the parishes and parish staff. In turn, the Diocese needs to invoice each parish for its respective share. The Diocese generates a monthly invoice (billed at the beginning of each month, with payments due one month from the statement date) for the following items:

- Medical
- Dental
- Priest Pension
- Lay Pension Plan Contributions
- Property/Liability/Boiler/Auto Insurance / Worker’s Compensation
- Diocesan Assessment
- Outstanding loans (each month the parish will receive a statement listing the monthly principal and the monthly interest payment. Interest is charged based off the then

current principal amount. A parish is encouraged to use excess funds to pay down the principal amount of the loan, thereby reducing future interest payments).

If there is a change at your parish (i.e. a staff member with medical or dental coverage moves to a new state and ends employment at the parish), you must inform the Chancery of the change in writing to update your parish billing. Please submit changes within 30 days of the event by notifying the Insurance Department in the Chancery (additions, deletions and transfers). The Insurance Department will make the appropriate change to the insurance and advise the Finance Department of any potential retroactive invoice adjustments. The Finance Department will then make the appropriate adjustment to parish invoices. Please pay invoices in full. Do not short-pay invoices. If there is an issue with your bill, please call the Insurance Department directly.

Please return the stub from the top of the invoice and return that with the check.

Check payments to the Chancery should also be accompanied by a yellow remittance slip (See “*Exhibit X: Finance Remittance Form*”) if the following apply:

1. You are making a partial payment or paying an amount different than the invoice total. Please indicate on the yellow remittance form how the payment should be allocated.
2. You are submitting payments or funds unrelated to invoice charges, for example:
 - a. Payments related to short-term disability or life insurance
 - b. Payments related to Diocesan or national collections
 - c. Deposits into your Chancery savings account
 - d. Payments related to loans and interest

It is not necessary to send separate checks for each invoice or copies of invoices. Simply list the payments you are making on the remittance form, and attach the form to your check.

All check payments should be mailed to:

Chancery Finance Office
P.O. Box 2703
Fall River, MA 02722-2703.

Post office box 2703 is the lockbox for the Chancery. Payments sent to the lockbox are processed directly by the bank (a more secure and efficient way to process payments). Include your Parish/School/Service location number on the form. Please send invoice payments only to PO Box 2703. If there are other forms or correspondence for the Chancery Finance Department, please send them directly to 450 Highland Avenue.

Chancery Deposit and Loan Program

Except in very rare instances, the Diocese does not allow parishes or schools to get loans from outside financial institutions (if an entity wishes to obtain a loan from an outside institution, the loan must be reviewed and approved by The Chancery. *Please contact the Director of Finance for specifics.*) In most cases the Diocese acts as banker through the **Depository and Loan Program**.

Through the Depository and Loan Program, the Chancery receives excess funds from parishes, schools, and other entities throughout the Diocese. The Chancery is then able to use these funds to process loans to parishes and schools that are undertaking select projects.

Please see “*Exhibit X: Depository and Loan Program*” for current program offerings.

Deposits to the Parish Savings Accounts and Deposit Endowment should be included on the **Finance Remittance Form** (see [Exhibit X](#)) referenced in the section above.

If your parish does not have a Chancery Depository Savings Account, and you wish to establish a new one, please use the New Depository Account Form. Please see “*Exhibit 25: Creating a New Chancery Depository Account*”.

National/Diocesan Collections

Over the course of the year there are a number of National/Diocesan collections. Please note that the monies included in these collections are restricted. It is important that the parish transmit the exact dollar amount collected to The Chancery (Chancellor’s Office) within two weeks of collection and no more than thirty days following the collection. Please note that all diocesan/national collections are announced in the priest’s monthly mailing preceding the actual collection dates.

Funds may be remitted using the **Finance Remittance Form** (see [Exhibit 24](#)) under the Diocesan Collection heading.

Please see “*Exhibit 16: National and Diocesan Collections*”

Offertory Collections Recommended Policy

It is recommended that parishes strongly consider adding an on-line contribution option for their weekly collections. If you have questions on available vendors, please contact the Chancery Finance Office.

The church is one of a declining number of charitable organizations where cash contributions make up a majority of donations. While every parish is confident of the integrity of the volunteers that support the collection process at their parish, the *process* invites the possibility for fraud or theft. It is also important that parishioners are confident that their support is being taken care of appropriately

and that the parish has documented procedures that they share with parishioners to instill this confidence.

The Chancery strongly recommends that parishes adopt the steps recommended by the Chancery. Please see “[Exhibit 29: Offertory Collections Recommendation](#)”

Fundraising – Raffles, Bazaars, and Bingo

Certain fundraising activities conducted by non-profit organizations like our Diocesan parishes and schools must comply with the Massachusetts laws surrounding charitable gaming.

Raffles & Bazaars

All raffles (defined as “a chance to win is sold to participants and the winner(s) are selected from the chances actually sold”) are regulated by law. Note that a raffle can be held on its own or at an event like a parish bazaar.

- A permit obtained from the clerk from the municipality in which the raffle will be held is required
- The permit is valid for one year from the issue date and there is no limit to the number of raffles that may be held
- Within 10 days after conducting a raffle the parish/school must pay a five percent tax on the gross proceeds to the Lottery Commission
- Within 30 days after the permit expires, the parish/school must provide to the city/town clerk two copies of a report detailing:
 - Number of gaming events held
 - Amount of money received
 - Amount spent on expenses
 - Names of winners of prizes of more than \$250 in value
 - Total net proceeds
 - Use of the funds

Note that the clerk will provide the parish/school with a copy of the report that must be filed.

Any “winnings” obtained via raffles, 50/50 drawings, 1000 club drawings etc. of \$600 or more require that a Form W-2G be furnished to the winner(s) with copies to tax authorities by the current IRS due dates. (Instructions and forms are available at www.irs.gov)

Bingo

Chancery Office Financial Reviews

Effective in the Fall of 2018, the Chancery commenced financial reviews of parishes and schools.

The financial review process is an opportunity to assess financial practices and assist every entity (parishes and schools) with implementing best practices that conform to Diocesan policy; thereby ensuring consistency across the Diocese.

- Entities will be reviewed at least once every five years. The review procedures are performed to evaluate compliance with the “Parish Living and Administration Guide” as well as industry best practices.
- Our financial reviews are conducted with an emphasis on three key areas: Financial Reporting, Internal Controls, and Cash Management.
- Our goals are to: add value, promote improvements, and become a resource for all entities. To that end, we have included implementation and training as part of our fieldwork as well as built a follow-up implementation visit into our schedule so we can return and assist in helping the entity incorporate the changes and recommendations identified during the review.
- At the conclusion of the financial review process, a final report will be issued listing the work that was performed including findings identified, implementation of recommendations, and existing unresolved items.
- The financial reviews are overseen by the Director of Finance, Chancellor, and Bishop and all receive a copy of the final report.

[Please note that all questions related to **Parish Administration - Finance/Chancery Basics** should be directed to the Director of Finance at the Chancery; see “Exhibit X: Employee Listing”.