

Introduction

The Parish and School Accounting Manual is intended to put in one place some of the answers to the many questions which arise maintaining accurate and complete financial records for the parishes and schools of the Catholic Diocese of Raleigh. This manual should be considered a companion to the Pastoral Administrative Manual and the School Administrator Handbook.

The Catholic Diocese of Raleigh has adopted a cash based accounting methodology for parishes and schools. Cash based accounting was chosen over accrual accounting in order to maintain a high degree of focus on the cash position of the parish or school. To help sharpen this focus, the standard chart of accounts has been split into operating and non-operating sections.

Many people who are accustomed to looking at financial information developed using an accrual method of accounting may ask: Where is the balance sheet? Except for a Cash account and a Fund Balance account, there isn't one. Savings account balances must be maintained separately. Loan balances must be maintained separately. Capital outlays are recorded as non-operating expenditures. No entry is made to record asset depreciation.

Parishes and schools have three options for maintaining their accounting records. Parishes and schools may use the diocesan accounting service, use Automated Church Services (ACS), the software recommended by the diocese, or use a manual system. The first two options are recommended. The third option requires the parish or school to ensure that their financial reports meet the standardized reporting requirements of the diocese.

The diocesan accounting service provides parishes and schools with budgeting capabilities, a general ledger and operating statements. Copies of checks and deposits that have been coded to the proper general ledger account are sent to the diocesan business office. The information is keyed into the diocesan computer and reports returned to the parish or school. For more information on the diocesan accounting service, contact the Fiscal Services Department at 919-821-9727.

ACS is a division of Computer Dimensions, Inc. In addition to Financial Accounting, ACS offers a Membership and Contribution module. A diskette containing the standard diocesan chart of accounts for parishes and schools is available. This significantly reduces the amount of time required for setting up the software. For more information on ACS contact the Computer Services department of the Diocese at 919-821-9719.

Chart of Accounts

All parishes and schools in the Catholic Diocese of Raleigh are required to use a standard chart of accounts. This allows priests of the diocese to move from parish to parish without having to learn a new financial system at each parish. Use of a standard chart of accounts also allows for comparisons of parishes of like size or demographic composition.

The standard account number is six digits. The first three digits are set by the diocese. In some cases the fourth and fifth digit are also set by the diocese. In all cases the last digit is reserved for local use.

The chart of accounts is divided into four major classifications: Operating Income, Operating Expense, Non-Operating Income and Non-Operating Expense. The first digit in the account number determines the classification. A parish or school may not add or change a major classification without diocesan approval.

- 4 - Operating Income
- 5 - Operating Expense
- 6 - Non-Operating Income
- 7 - Non-Operating Expense.

Each of the four major classifications are divided into minor classifications. The combination of the first and second digits determines the minor classification. A parish or school may not add or change a minor classification without diocesan approval.

- 4 - Operating Income
 - 41 Ordinary - Parish
 - 42 Non-Ordinary - Parish
 - 43 Fees - Parish
 - 44 Fundraising - Parish
 - 46 Education - School
 - 47 General - School
 - 48 Auxiliary Services - School

- 5 - Operating Expenses
 - 51 Word - Parish
 - 52 Worship - Parish
 - 53 Service - Parish
 - 54 Administration - Parish
 - 56 Education - School
 - 57 General - School
 - 58 Auxiliary Services - School

	6 - Non-Operating Income	
61	Non-Operating	- Parish
65	Non-Operating	- School
	7 - Non-Operating Expense	
71	Non-Operating	- Parish
75	Non-Operating	- School

The minor classifications are divided into major groups. The combination of the first three digits determines the major group. A parish or school may not add or change a major group without diocesan approval.

A parish or school may find that its operations do not require more detailed information than the major group provides. In that instance, the major group account number, for example 411000 Offertory, can be used on its own. Some parishes or schools may desire more detailed information. In those instances, account numbers within the major group may be added.

Certain major groups have been pre-divided into minor groups. These minor groups have been pre-determined to provide consistency among parishes and school. Below is a list of major groups that have pre-determined minor groups. A parish or school may not add or change a minor group without diocesan approval. If the major group is not on the list below, the parish may divide the major group any way it chooses.

Major groups with pre-determined minor groups.

Parish		School	
524	Liturgical Seasons	481	Cafeteria
525	Sacraments	482	Student Activities
541	Personnel	561	Educ. Wages & Benefits
542	Office	562	Media Center
543	Plant	571	General Wages & Benefits
544	Assessments	572	Office
545	Committees & Commissions	574	Plant
613	National Collections	581	Cafeteria
712	Capital	582	Student Activities
713	National Collections	583	Extended Day Programs
714	Payroll	752	Capital
		754	Payroll

Special Instructions for ACS users

A diskette is available from ACS that has the standard chart of accounts pre-loaded. The account types are all pre-defined and require no changes by the parish or school.

The ACS fund number is used to distinguish parish and school accounts. Fund 01 is reserved for all parish accounts. Fund 02 is reserved for all school accounts.

The department number is not required by the diocese and may be used by the parish or school in whatever way is helpful.

Subtotal codes 1 - 199 are reserved for diocesan directed use by parishes. Subtotal codes 200 - 499 are reserved for diocesan directed use by schools. Subtotal codes 500 - 999 are reserved for local use by parishes and schools.

Parish Chart of Accounts

Cash Basis

100000	Assets		
	111000	Cash	
200000	Liabilities & Fund Balance		
	291000	Fund Balance	
400000	Operating Income		
	410000	Ordinary	
		411000	Offertory
		412000	Donations
		413000	Interest & Dividends
		414000	Rents
		415000	Sale of Literature & Goods
	420000	Non-Ordinary	
		421000	Bequests
		422000	Special Collections
		423000	Priest Welfare/Retirement
		424000	BAA Rebate
		425000	Grants & Subsidies
		426000	Gain on Sale of Asset
	430000	Fees	
	440000	Fund Raising	
		441000	Charity
		442000	Special Projects
500000	Operating Expenses		
510000	Word		
	511000	Evangelization	
	512000	Vocations	
	513000	Formation of Children	
	514000	Formation of Youth	
	515000	Formation of Young Adults	
	516000	Formation of Adults	
	517000	Family Based Formation	
	518000	Committees & Commissions	
520000	Worship		
	521000	Music	
	522000	Altar Servers	
	523000	Parish Ministers	
	524000	Liturgical Seasons	

520000	Worship (Cont'd.)	
	524100	Advent
	524200	Christmas
	524300	Lent
	524400	Easter
	524500	Ordinary
525000	Sacraments	
	525100	Baptism
	525200	Eucharist
	525300	Confirmation
	525400	Reconciliation
	525500	Marriage
	525600	Holy Orders
	525700	Anointing of the Sick
526000	Committees & Commissions	
530000	Service	
	531000	Assistance to Individuals
	532000	Committees & Commissions
540000	Administration	
	541000	Personnel
	541110	Priest Stipend
	541120	Priest Auto & Travel
	541130	Priest Medical Insurance
	541140	Priest Welfare/Retirement
	541150	Priest Training & Development
	541160	Rectory
	541210	Religious Stipend
	541220	Religious Auto & Travel
	541230	Religious Medical Insurance
	541240	Religious Pension
	541250	Religious Training & Development
	541260	Convent
	541310	Non-Contract Salaries
	541320	Lay Contract Salaries
	541330	Lay Medical Insurance
	541340	Lay Pension
	541350	Lay Re-employment
	541360	Employer FICA
	541370	Employer Medicare
	541380	Lay Staff Training & Development
542000	Office	
	542100	Supplies & Equipment
	542200	Postage
	542300	Printing & Copying
	542400	Auto & Travel

540000

Administration (Cont'd.)

- 542000 Office
 - 542500 Purchased Services
 - 542600 Interest & Bank Charges
 - 542700 Property Tax
 - 542900 Miscellaneous
- 543000 Plant
 - 543100 Utilities
 - 543200 Building Supplies
 - 543300 Building/Ground Maintenance
 - 543400 Equipment Repair
 - 543500 Leased Buildings
 - 543600 Property & Liability Insurance
 - 543900 Miscellaneous
- 544000 Assessments & Subsidies
 - 544100 Cathedralicum
 - 544200 Deanery Support
 - 544300 Elementary School Investment
 - 544400 High School Investment
 - 544800 Other Assessments
- 545000 Committees & Commissions
 - 545100 Pastoral Council
 - 545200 Finance Council
 - 545500 Other Admin. Committees
- 546000 Special Projects
- 549000 Contingency

610000

Non-Operating Income

- 611000 Transfer from Savings
- 612000 Loan Proceeds
- 613000 National Collections
 - 613010 Latin American Missions
 - 613020 Church in Eastern Europe
 - 613030 Black & Indian Missions
 - 613040 Overseas Relief
 - 613050 Holy Land Shrine
 - 613060 Communications
 - 613070 Peter's Pence
 - 613080 Catholic University
 - 613090 Propagation of the Faith
 - 613100 Campaign for Human Development
 - 613110 Religious Retirement
 - 613120 Rice Bowl
 - 613130 Mission Co-operative
- 614000 Capital Campaigns
- 615000 BAA Initial Gifts
- 616000 Sales Tax Refund
- 617000 Parish Affiliated Groups
- 619000 Exchange

710000

Non-Operating Expenses

- 711000 Transfers to Savings
- 712000 Capital
 - 712100 Land
 - 712200 Buildings
 - 712300 Furniture & Equipment
 - 712400 Vehicles
- 713000 National Collections
 - 713010 Latin American Missions
 - 713020 Church in Eastern Europe
 - 713030 Black & Indian Missions
 - 713040 Overseas Relief
 - 713050 Holy Land Shrine
 - 713060 Communications
 - 713070 Peter's Pence
 - 713080 Catholic University
 - 713090 Propagation of the Faith
 - 713100 Campaign for Human Development
 - 713110 Religious Retirement
 - 713120 Rice Bowl
 - 713130 Mission Co-operative
- 714000 Payroll Related Items
 - 714100 Federal Withholding
 - 714200 State Withholding
 - 714300 FICA Withholding
 - 714400 Medicare Withholding
 - 714500 Medical Insurance Withholding
 - 714600 Tax Deferred Withholding
- 715000 BAA Initial Gifts
- 716000 Sales Tax Expense
- 717000 Parish Affiliated Groups
- 718000 Principal Repayment
- 719000 Exchange

Account Definitions

100000	Assets	
111000	Checking	- Money in the parish's checking account.
200000	Liabilities & Fund Balance	
291000	Fund Balance	- The accumulated profit or loss from prior years' operations. Similar to owner's equity in a for-profit business.
410000	Operating Income	
410000	Ordinary	
411000	Offertory	- All offerings at masses and devotions. Includes week-end, Holy Day, and daily masses.
412000	Donations	- All money given to the church which does not properly belong in another category. This would include stole fees and poor box donations.
413000	Interest/Dividends	- Income from investments such as savings accounts or interest bearing checking accounts.
414000	Rents	- All money received for the use of church land or buildings.
415000	Sale of Literature and Other Goods	- Money from the sale of books, pamphlets, newspapers, or any other item bought for resale.
420000	Non-Ordinary	
421000	Bequests	- All money or property given to the church by will.
422000	Special Collections	- All offerings for special parish needs such as parish debt reduction collections. This item should not be confused with the national special collections or with capital campaigns.
423000	Priest Retirement Collection	- All offerings from the special collection taken up for this purpose.
424000	BAA Rebate	- Money in excess of the parish BAA goal which is rebated by the diocese.
425000	Grants & Subsidies	- Money received from another organization for a specific purpose.
426000	Gain on Sale of Asset	- Any gain or loss realized from the disposal of land, building or equipment.
430000	Fees -	Money received in exchange for a specific service. This would include such items as religious education fees, retreat fees, and youth ski trip fees. Money received for marriages, baptisms or other sacraments are recorded in account 412000 Donations. Payments for the use of church buildings are recorded in account 414000 Rents.

410000	Operating Income (Cont'd)	
440000	Fund Raising	
441000	Charity - Money received as the result of activities for the benefit of an outside organization or for an individual. Examples: a yard sale for Habitat for Humanity or a fish fry to benefit an ill parishioner. Income should be recorded net of expenses. These funds would be expended under 530000 Service.	
442000	Special Projects - Money raised as the result of activities sponsored by the parish for the benefit of the church or a church organization. Example: Car wash by the youth group. Each project should be assigned its own account number between 442001 and 442999. This number should coincide with an expense number between 546001 and 546999.	
500000	Operating Expenses	
510000	Word	Expenditures related to proclaiming the Word of God in speech and in deed, giving witness to God's Word in daily life.
511000	Evangelization - Expenditures related to the proclamation of the Word to non-Catholics. This would include ecumenical activities.	
512000	Vocations - Expenditures related to the encouragement of religious career choices.	
513000	Formation of Children - Expenditures related to the religious education of individuals 13 years of age and younger. This would include all materials, supplies and staff related expenses except payroll.	
514000	Formation of Youth - Expenditures related to the religious education of individuals 14 to 18 years old. This would include all materials, supplies and staff related expenses except payroll.	
515000	Formation of Young Adults - Expenditures related to the religious education of individuals 19 to 35 years old. This would include all materials, supplies and staff related expenses except payroll.	
516000	Formation of Adults - Expenditures related to the religious education of adults. This would include all materials, supplies and staff related expenses except payroll. R.C.I.A. is considered Adult Formation.	
517000	Family Based Formation - Expenditures related to programs designed around multi-generational formation. the FIRE program would be an example. This would include all materials, supplies and staff related expenses except payroll.	
518000	Committees & Commissions - Expenditures of the various parish groups concerned with the proclamation of the Word. Examples: Bible study groups, Religious Education Committee.	

520000	Worship	Expenditures related to giving praise to God and to gathering together as a community of faith believers.
521000		Music - Expenditures related to the purchase of music and choir materials and the appreciation of choir members.
522000		Altar Servers - Expenditures related to the purchase of materials, training and appreciation of altar servers.
523000		Parish Ministers - Expenditures related to the purchase of material, training, and appreciation of parish ministers.
524000		Liturgical Seasons - Expenditures related to the purchase of materials or special events held in conjunction with the various liturgical seasons and for Ordinary time. Examples: purchase of banners for the church, Christmas trees, or palms. Expenses related with soup meals during Lent or an Easter Egg hunt for children. Breakdowns by season are not required. However, if a parish wishes to use a breakdown, then the following categories are permitted.
		524100 Advent
		524200 Christmas
		524300 Lent
		524400 Easter
		524500 Ordinary
525000		Sacraments - Expenditures related to the celebration of the seven sacraments. This would include any materials purchased such as oils, breads, wine, candles, missalettes, prayer books, etc. Expenditures related to gatherings such as a First Communion breakfast or a Confirmation reception are also included. Breakdowns by sacrament are not required. However, if a parish wishes to use a breakdown, then the following categories are permitted.
		525100 Baptism
		525200 Eucharist
		525300 Confirmation
		525400 Reconciliation
		525500 Marriage
		525600 Holy Orders
		525700 Anointing of the Sick
526000		Committees & Commissions - Expenditures of the various groups concerned with the praise of God and the gathering of believers. Examples: Rosary Guild, Altar Society, Prayer Groups.
530000	Service	Expenditures related to giving public witness of the community's profession of faith.

530000

Service (Cont'd)

531000 Assistance to Individuals - Expenditures related to attending to the temporal needs of the poor, lonely and disenfranchised. This would include bills paid on behalf of the poor or money given to individuals. Pastor's Discretionary funds are also included.

532000 Committees & Commissions - Expenditures of the various parish groups concerned with giving witness and social justice. This would also include any service projects that are undertaken. Examples: Respect Life, Pax Christi, Social Action Committee, Hunger Group.

540000

Administration

Expenditures related to personnel, administration and proper stewardship of parish properties and funds.

541000 Personnel - Expenditures related to having a member of the clergy, a member of a religious community or a non-vowed person on staff. For clergy and religious, auto & travel includes monthly car allowance, insurance, gas, repairs, etc. Also, rectory or convent includes all expenses related to those dwellings including utilities, dry cleaning, food, etc. However, salary for a housekeeper is included on either line 541310 or 541320. Training & Development expenditures include sending staff, both paid and unpaid, to schools, colleges, meetings, or workshops for in-service training. This also includes retreats for clergy and religious.

- 541110 Priest Stipend
- 541120 Priest Auto & Travel
- 541130 Priest Medical Insurance
- 541140 Priest Welfare/Retirement
- 541150 Priest Training & Develop
- 541160 Rectory

- 541210 Religious Stipend
- 541220 Religious Auto & Travel
- 541230 Religious Medical Insur.
- 541240 Religious Pension
- 541250 Religious Training & Dev.
- 541260 Convent

- 541310 Non-Contract Lay Salary
- 541320 Lay Contract Salary
- 541330 Lay Medical Insurance
- 541340 Lay Pension
- 541350 Re-employment
- 541360 Employer FICA
- 541370 Employer Medicare
- 541380 Lay Staff Training & Dev.

Administration (Cont'd)

- 542000 Office - Expenditures related to the operating of an office and general parish expenses. Items which can be directly attributed to another aspect of parish life should be recorded there.
Example: A mailing to all parents of high school students would be expensed under Formation of Youth.
- 542100 Supplies & Equipment
 - 542200 Postage
 - 542300 Printing & Copying
 - 542400 Auto & Travel
 - 542500 Purchased Services
 - 542600 Interest & Bank Charges
 - 542700 Property Tax
 - 542900 Miscellaneous
- 543000 Plant - Expenditures related to all parish buildings except for the rectory, convent and schools. Rectory and convent charges are included in lines 541160 & 541260.
- 543100 Utilities
 - 543200 Building Supplies
 - 543300 Building/Ground Maintenance
 - 543400 Equipment Repair
 - 543500 Leased Buildings
 - 543600 Property & Liability Insurance
 - 543900 Miscellaneous
- 544000 Assessments and School Investments - Expenditures related to diocesan or deanery assessments and school subsidies.
- 544100 Cathedraticum
 - 544200 Deanery Support
 - 544300 Elementary School Investment
 - 544400 High School Investment
 - 544800 Other Assessments
- 545000 Committees & Commissions - Expenditures of the various parish groups concerned with the administration of the parish.
- 545100 Pastoral Council
 - 545200 Finance Council
 - 545500 Other Admin. Committees
- 546000 Special Projects - Expenditures for special projects. Each project should be assigned its own account number between 546001 and 546999. This number should coincide with an income number between 442001 and 442999.

540000**Administration (Cont'd)**

549000 Contingency - A budgeted amount set aside for unforeseen parish expenditures or revenue shortfalls. Generally no actual expenditure would be coded to this account number. For example, if the parish boiler needed repair, the expenditure would appear on line 543400. If a fiscal year was completed and all budgeted revenue was realized and all other expenditures lines were at the budgeted level, the parish would realize an operating surplus equal to the contingency budget.

610000**Non-Operating Income**

611000 Transfers from Savings - Money taken out of savings.
 612000 Loan Proceeds - Money received as a loan to the parish.
 613000 National Collections - Amounts received from the national special collections. Each collection has a unique account number.
 614000 Capital Campaign - Money raised by solicitation and payment of pledges.
 615000 BAA Initial Gifts - Amounts collected with BAA pledges during the pledge period.
 616000 Sales Tax Refund
 617000 Parish Affiliated Groups - Such as Men's Club or Ladies' Guild.
 619000 Exchange

710000**Non-Operating Expenses**

711000 Transfers to Savings - Money put into a savings account.
 712000 Capital
 712100 Land - purchase of land
 712200 Buildings - purchase or construction of buildings.
 712300 Furniture & Equipment - Purchase of furniture or equipment.
 712400 Vehicles - Purchase of cars, trucks, trailers, etc.
 713000 National Collections - Amounts remitted for the national special collections. Each collection has a unique account number.
 714000 Payroll Related Items
 714100 Federal Withholding - Payment of amounts withheld from employees' pay for federal income tax.
 714200 State Withholding - Payment of amounts withheld from employees' pay for state income tax.
 714300 FICA Withholding - Payment of amounts withheld from employees' pay for federal social security taxes.

714400	Medicare Withholding - Payment of amounts withheld from employees' pay for federal social security taxes.
714500	Medical Insurance Withholding - Payment of amounts withheld from employees' pay for medical insurance.
714600	Tax Deferred Withholding - Payment of amounts withheld from employees' pay as deferred compensation.
715000	BAA Initial Gifts - Payment of amounts collected with BAA pledges during the pledge period.
716000	Sales Tax Expense
717000	Parish Affiliated Groups - Such as Men's Club or Ladies' Guild.
718000	Principal Repayment - Repayment of principal balance on money borrowed by the parish.
719000	Exchange

School Chart of Accounts

Cash Basis

100000	Assets		
	122000	Cash	
200000	Liabilities		
	211000	Pre-paid Tuition	
	292000	Fund Balance	
400000	Operating Income		
	460000	Education	
		461000	Tuition
		462000	Fees
	470000	General	
		471000	Gifts
		472000	Parish Investment
		473000	Special Projects/Development
		474000	Interest & Dividends
		475000	Grants & Subsidies
		476000	Rents
		479000	Miscellaneous
	480000	Auxiliary Services	
		481000	Cafeteria
			481100 Federal Program
			481200 Non-Federal Program
		482000	Student Activities
			482100 Student Insurance
			482200 Student Transportation
			482300 Athletics
			482700 Other Student Activities
		483000	Extended Day Programs
		484000	Parent Groups
500000	Operating Expenses		
560000	Education		
	561000	Education Wages & Benefits	
		561110	Clergy/Rel. Stipend
		561120	Clergy/Rel. Auto & Travel
		561130	Clergy/Rel. Health Insurance
		561140	Clergy/Rel. Pension

	561150	Clergy/Rel. Household
	561210	Lay Instructor Salary
	561220	Substitute Instructor Salary
	561230	Lay Health Insurance
	561240	Lay Pension
	561250	Re-employment
	561260	Employer FICA
	561270	Employer Medicare
	561300	Faculty Development
	561400	Professional Services
562000		Media Center
	562100	Printed Material
	562200	Audio/Visual Material
	562300	Computer Materials
	562400	Media Center Supplies
	562500	Media Center Equip. Repair
563000		Computer Lab
564000		Instructional Materials
569000		Education Contingency
570000		General
	571000	General Wages & Benefits
	571110	Clergy/Rel. Stipend
	571120	Clergy/Rel. Auto & Travel
	571130	Clergy/Rel. Health Insurance
	571140	Clergy/Rel. Pension
	571150	Clergy/Rel. Household
	571210	Lay Professional Staff
	571220	Lay Support Staff
	571230	Lay Health Insurance
	571240	Lay Pension
	571250	Re-employment
	571260	Employer FICA
	571270	Employer Medicare
	571300	Staff Development
	572000	Office
	572100	Supplies & Equipment
	572200	Postage
	572300	Printing & Copying
	572400	Auto & Travel
	572500	Purchased Services
	572600	Interest & Bank Charges
	572700	Property Tax
	572900	Office Miscellaneous

500000

Operating Expenses (Cont'd)

573000 Special Projects/Development

574000 Plant

- 574100 Utilities
- 574200 Building Supplies
- 574300 Building/Ground Maint.
- 574400 Equipment Repair
- 574500 Leased Buildings
- 574600 Property & Liability Ins.
- 574900 Miscellaneous

579000 General Contingency

580000

Auxiliary Services

581000 Cafeteria

- 581110 Cafeteria Staff Salary
- 581130 Health Insurance
- 581140 Pension
- 581150 Re-employment
- 581160 Employer FICA
- 581170 Employer Medicare
- 581200 Staff Development
- 581300 Food Supplies
- 581400 Non-Food Supplies & Equip

582000 Student Activities

- 582100 Student Insurance
- 582200 Student Transportation
- 582300 Athletics
- 582700 Other Student Activities

583000 Extended Day Programs

- 583110 Extended Day Staff Salary
- 583130 Health Insurance
- 583140 Pension
- 583150 Re-employment
- 583160 Employer FICA
- 583170 Employer Medicare
- 583200 Extended Day Staff Development
- 583300 Extended Day Materials

584000 Parent Groups

650000

Non-Operating Income

- 651000 Transfer from Savings
- 652000 Loan Proceeds
- 653000 Sales Tax Refund
- 659000 Exchange

750000

Non-Operating Expenses

751000	Transfers to Savings
752000	Capital
	752100 Land
	752200 Buildings
	752300 Furniture & Equipment
	752400 Vehicles
753000	Sales Tax Expense
754000	Payroll Related Items
	754100 Federal Withholding
	754200 State Withholding
	754300 FICA Withholding
	754400 Medicare Withholding
	754500 Medical Insurance Withholding
	754600 Tax Deferred Withholding
755000	Principal Repayment
759000	Exchange

Account Definitions

100000	Assets	
122000		Cash - Money in the school's checking account.
200000	Liabilities	
211000		Pre-Paid Tuition - Money received during the current fiscal year that is payment for tuition and educational services that will not be provided until the following fiscal year.
292000		Fund Balance - The accumulated profit or loss from prior years' operations. Similar to owner's equity in a for-profit business.
400000	Income	
460000	Education	
461000		Tuition - Record payment of tuition. This would include money paid by students or on behalf of the student by scholarship.
462000		Fees - Record payment of fees directly related to education. Examples: book fees, material fees, test fees, registration fees.
470000	General	
471000		Gifts - Record all donations to the school. If gifts are restricted for a specific use, a separate account number should be used.
472000		Parish Investment - Record all money given to the school by the parish for operations.
473000		Special Projects/Development - Money raised as the result of activities sponsored by the school. Each project should be assigned its own account number between 473001 and 473999. This number should coincide with an expense number between 573001 and 573999.
474000		Interest/Dividends - Income from investments such as savings accounts or interest bearing checking accounts.
475000		Grants & Other Subsidy - Record on-going supplements to the school's budget. Examples: A diocesan grant or a subsidy from a religious community.
476000		Rents - All money received for the use of school's land or buildings.
479000		Miscellaneous - Money received by the school that does not properly belong in another category.

400000
480000

Income (Cont'd)

Auxiliary Services

481000 Cafeteria

481100

Federal Program - Money received from students or from the government for any federally subsidized meal program.

481200

Non-Federal Program - Money received for food or services which are not part of any federally subsidized program.

482000 Student Activities

482100

Student Insurance - Money received for purchase of student insurance.

482200

Student Transportation - Example: Bus fee

482300

Athletics - Money received for sale of uniforms, athletic equipment, participation fees and gate fees.

482700

Other Student Activities - Any student activity not specifically mentioned above.

483000

Extended Day Program - Money received in support of or to attend a before or after school program.

484000

Parent Groups - Any money raised by or given to a parent group for the on-going support of that group. For example, a parent group collects \$10 from every parent to have snacks and drinks at their monthly meeting. This money is held by the school and would be recorded here. However, if a parent group gives money to the school for the benefit of the school or a student, the money would be recorded elsewhere. Example: a group gives money for the purchase of new equipment, that would be a grant. Example: a group gives money for scholarships, that would be tuition. Example: a group gives \$2,000 every year to support the school, that would be a subsidy.

500000 Expenses

560000 Education

561000 Education Wages & Benefits - All costs associated with having a member of the clergy, a member of a religious order or a non-vowed person on staff as an instructor. The principal is considered an education, not administrative, staff person.

561110 Clergy/Rel. Stipend
561120 Clergy/Rel. Auto & Travel
561130 Clergy/Rel. Health Insur.
561140 Clergy/Rel. Pension
561150 Clergy/Rel. Household

561210 Lay Instructor Salary
561220 Substitute Inst. Salary
561230 Lay Health Insurance
561240 Lay Pension
561250 Re-employment
561260 Employer FICA
561270 Employer Medicare

561300 Faculty Development - Expenditures related to sending faculty members to schools, colleges, meetings, or workshops for in-service training. This also includes retreats for clergy and religious.

561400 Professional Services - Expenditures for education related services provided by non-staff professionals. Example: Counselor.

562000 Media Center

562100 Printed Material - Books, Magazines, Newspapers, etc.
562200 Audio/Visual Material - Records, Compact discs, video tapes, movies, slides, and related equipment.
562300 Computer Materials - Non-capitalized computer equipment, software, etc.
562400 Media Center Supplies - Consumable supplies.
562500 Media Center Equip. Repair & Maint. - Cost of repair and maintaining any of the equipment in the media center. This would also include any maintenance plans.

560000

Education (Cont'd.)

563000 Computer Lab - Expenditures related to maintaining a separate lab area for computers. This would include non-capitalized computer equipment, software, and supplies.

564000 Instructional Materials - Purchase of consumable and non-consumable classroom supplies. Examples: Textbooks, workbooks, art supplies, chalk, glue, charts, maps, etc.

569000 Educational Contingency - A budgeted amount set aside for unforeseen educational expenditures or shortfalls in educational revenues. Generally no actual expenditure would be coded to this account number. For example, if the students had an unexpected need for counselling, the expenditure would be coded to line 561400.

570000

General

571000 General Wages & Benefits - All costs associated with having a member of the clergy, a member of a religious order or a non-vowed person on staff as an administrator. The principal is considered an education staff person and not a general administrative staff person.

- 571110 Clergy/Rel. Stipend
- 571120 Clergy/Rel. Auto & Travel
- 571130 Clergy/Rel. Health Insur.
- 571140 Clergy/Rel. Pension
- 571150 Clergy/Rel. Household

- 571210 Lay Professional Staff
- 571220 Lay Support Staff
- 571230 Lay Health Insurance
- 571240 Lay Pension
- 571250 Re-employment
- 571260 Employer FICA
- 571270 Employer Medicare

571300 Staff Development - Expenditures related to sending staff members to schools, colleges, meetings, or workshops for in-service training. This also includes retreats for clergy and religious.

572000 Office - Expenditures related to the operating of an office and general school expenses. Items which can be directly attributed to another aspect of school life should be recorded there.

General (Cont'd.)

572100	Supplies & Equipment
572200	Postage
572300	Printing/Copying
572400	Auto & Travel
572500	Purchased Services
572600	Interest & Bank Charges
572700	Property Tax
572900	Office Miscellaneous

573000 Special Projects/Development - Expenditures for special projects which are intended to raise money or promote the school. Each project should be assigned its own account number between 573001 and 573999. This number should coincide with an income number between 473001 and 473999.

574000 Plant - Costs associated with maintaining the facilities of the school.

574100	Utilities
574200	Building Supplies
574300	Building/Ground Maintenance
574400	Equipment Repair
574500	Leased Buildings
574600	Property & Liability Insurance
574900	Plant Miscellaneous

579000 General Contingency - A budgeted amount set aside for unforeseen general school expenditures or revenue shortfalls. Generally no actual expenditure would be coded to this account number. For example, if the school's boiler needed repair, the expenditure would appear on line 574400. If a fiscal year was completed and all budgeted revenues were realized and all other expenditure lines were at the budgeted level, the school would realize an operating surplus equal to the contingency budget.

580000**Auxiliary Services**

581000 Cafeteria - Costs associated with running a cafeteria.

581110	Cafeteria Staff Wages
581130	Health Insurance
581140	Pension
581150	Re-employment
581160	Employer FICA
581170	Employer Medicare

580000

Auxiliary Services (Cont'd.)

- 581200 Staff Development - Expenditures related to sending staff members to schools, colleges, meetings, or workshops for in-service training.
- 581300 Food - Purchase of food used in the cafeteria.
- 581400 Non-Food Supplies & Equipment - Purchase of non-food supplies used in the cafeteria.

582000 Student Activities

- 582100 Student Insurance - Cost of providing insurance for students.
- 582200 Student Transportation - Cost of providing transportation for students.
- 582300 Athletics - Cost of providing athletic programs for students.
- 582700 Other Student Activities - Cost of any student activity not specifically mentioned above.

583000 Extended Day Program - Cost of running a before or after school program.

- 583110 Extended Day Staff Salaries
- 583130 Health Insurance
- 583140 Pension
- 583150 Re-employment
- 583160 Employer FICA
- 583170 Employer Medicare
- 583200 Extended Day Staff Development- Expenditures related to sending staff members to schools, colleges, meetings, or workshops for in-service training.
- 583400 Extended Day Materials - All materials directly related to operating a before or after school program.

584000 Parent Groups - Cost incurred by any parent group for the ongoing operation of that group.

650000

Non-Operating Income

- 651000 Transfers from Savings - Money taken out of savings.
- 652000 Loan Proceeds - Money received as a loan to the school.
- 653000 Sales Tax Refund
- 659000 Exchange

750000

Non-Operating Expenses

751000	Transfers to Savings - Money moved to an account.
752000	Capital
752100	Land - Purchase of land.
752200	Buildings - Purchase or construction of buildings.
752300	Furniture & Equipment - Purchase of furniture or equipment.
752400	Vehicles - Purchase of cars, trucks, trailers, etc.
753000	Sales Tax Expense
754000	Payroll Related Items
754100	Federal Withholding - Payment of amounts withheld from employees' pay for federal income tax.
754200	State Withholding - Payment of amounts withheld from employees' pay for state income tax.
754300	FICA Withholding - Payment of amounts withheld from employees' pay for federal social security taxes.
754400	Medicare Withholding - Payment of amounts withheld from employees' pay for federal social security taxes.
754500	Medical Insurance Withholding - Payment of amounts withheld from employees' pay for medical insurance.
754600	Tax Deferred Withholding - Payment of amounts withheld from employees' pay as deferred compensation.
755000	Principal Repayment - Repayment of principal balance on money borrowed by the school.
759000	Exchange

Payroll and Benefits

The Payroll and Benefits section contains information on the accounting procedures for lay payroll and diocesan priest payroll. Please refer to the Employee Handbook for answers to questions on policy and procedure related to lay employees. Please refer to the Pastoral Administrative Manual for information on remuneration of priests. Please refer to the Administrator Handbook for questions regarding policy and procedure within the schools.

The following example shows the debits and credits involved in payroll for one employee. The exact type and amount of deductions for each employee will vary. Some employees will not have a tax deferred annuity, some will not have family medical insurance, some will not be eligible for medical coverage under the group plan. The amount of federal and state withholding will depend on the number of exemptions claimed on forms W-4 and NC-4. The account code used to record gross wages will also vary depending on the situation. Please refer to the chart of accounts for the proper coding.

Payroll Example

Ms. Employee is a non-contract, full-time employee with over three years of service and her gross salary is \$200 per pay period. She is paying for family insurance coverage and has a tax deferred annuity deduction of \$20 per pay period. Net pay is calculated with the following deductions (amounts are fictitious):

Gross Wages	\$200.00
Federal Withholding	20.00
State Withholding	7.00
FICA Withholding	12.40
Medicare Withholding	2.90
Family Insurance	25.00
Tax Deferred Annuity	20.00
Employee Contribution for Medical Insurance	.75
 Net Pay	 \$111.95

The checks that must be written and the proper accounting codes to use are as follows:

- Write a check to the employee with the following coding:

	Debit	Credit
541310 Non-contract Salary	200.00	
714100 Federal Withholding		20.00
714200 State Withholding		7.00
714300 FICA Withholding		12.40
714400 Medicare Withholding		2.90
714500 Medical Insurance Withholding		25.00
714600 Tax Deferred Withholding		20.00
541330 Lay Medical Insurance		.75
 Amount of check		 111.95

2. Write a check for payment of federal taxes with the following coding:

	Debit	Credit
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541360 FICA Tax	12.40	
541370 Medicare Tax	2.90	
714100 Federal Withholding	20.00	
714300 FICA Withholding	12.40	
714400 Medicare Withholding	2.90	

Amount of check		50.60
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3. Write a check for payment of state taxes with the following coding:

	Debit	Credit
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714200 State Withholding	7.00	
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Amount of check		7.00
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4. Write a check for the tax deferred annuity with the following coding:

	Debit	Credit
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714600 Tax deferred withholding	20.00	
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Amount of check		20.00
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5. Write a check for the medical insurance with the following coding. This example assumes that the employee's medical coverage costs \$120.00 and the family coverage costs \$25.00.

	Debit	Credit
541330 Lay Medical Insurance	120.00	
714500 Medical Withholding	25.00	

Amount of check		145.00
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Re-employment

The Catholic Diocese of Raleigh, its parishes, schools and agencies, do not participate in the state or federal unemployment compensation program. Instead, the diocese has created its own re-employment plan for non-contract employees. Each parish and school maintains a bank equal to 2% of gross annual non-contract lay salary in the diocesan program. The amount due each year is calculated by the diocesan business office and billed on the Monthly Statement.

Pension

The Catholic Diocese of Raleigh has established a pension program for the lay employees of its parishes, schools and agencies. Please refer to the Employee Handbook for information on eligibility. The amount due each quarter is calculated by the diocesan benefits department based on the information provided by the parish or school in the Quarterly Lay Payroll Report and given to the business office to bill on the Monthly Statement.

Worker's Compensation Insurance

Worker's Compensation Insurance is included in the property and liability insurance billed to the parish each year by the insurance carrier. Each year an audit is conducted based on the annual payroll of each parish, school and agency of the diocese. An annual listing of all wages paid is required from each parish and school. Please see the Diocesan Reports section for more information on this annual listing.

Health Insurance

The Catholic Diocese of Raleigh has established a group health insurance program for the lay employees of its parishes, schools and agencies. Please refer to the Employee Handbook for information on eligibility.

Please contact the Benefits Department of the diocese for information on insurance coverage, adding new employees, deleting employees, COBRA requirements, or other health insurance questions.

Diocesan Priest Payroll

For several years, the Church struggled over the ambiguous requirements for reporting priest compensation to the Internal Revenue Service (IRS). Historically the Catholic Diocese of Raleigh and most other dioceses reported compensation on Form 1099, Nonemployee Compensation. In 1980, the IRS developed the position that ministerial compensation constituted employee wages for federal income tax purposes and self-employment income for Social Security tax purposes. As inconsistent as that seems, the IRS has maintained this position, and the courts have not set forth any decisions which contradict the Service's position.

In October 1989 the Diocese was advised by Mr. Eddie Strange, CPA of Williams, Overman, Pierce & Company, that beginning with the tax year 1990 the Diocese should issue forms W-2 for diocesan priests. The amount of wages reported should be equal to the monthly stipend and the auto allowance paid to the priest. However, this amount can be reduced if the priest submits a documented request for reimbursement of actual business expenses. The documented expenses may include only actual expenses incurred by the priest such as automobile depreciation (or mileage if the priest uses the mileage method of reporting expenses), travel, dues and subscriptions, office supplies and meals and entertainment. Any expenses which have been or will be paid directly by the diocese, parish or school can not be included as reimbursable expenses. Any expenses that will be reimbursed separately throughout the year such as gasoline, car repairs, homily aids, or journal subscriptions cannot be included in the estimate of reimbursable expenses.

The mechanics of how this works is described below.

1. At the beginning of each calendar year, every diocesan priest should estimate what their reimbursable expenses for the year will be. A written copy of this estimate should be given to the person who prepares their monthly check.

2. When the monthly check is prepared for the priest, the total estimate of reimbursable expenses should be divided by 12. The result should be subtracted from the total of the monthly stipend and the auto allowance.

Example: Father John submits a \$4,350 written estimate of reimbursable expenses. Assuming that the monthly stipend is \$690 and the monthly auto allowance is \$275, the total monthly payment to the priest is \$965. The total reimbursable expense estimate divided by 12 equals \$362.50. This becomes the amount of monthly Auto & Travel allowance. \$965 minus \$362.50 equals \$602.50, this becomes the monthly salary.

3. When the monthly check to the priest is written it must be clearly noted on the check that two distinct amounts are being paid. One amount should be noted as reimbursement of expenses. The other amount should be noted as salary. Continuing with the example above, the total amount of the check should be \$965. \$362.50 should be shown as expense reimbursement, \$602.50 should be shown as salary. For parishes, the salary amount will be coded to account number 541110. The expense reimbursement portion will be coded to 541120.

4. In September of each year, before the priest's October 1 check is prepared, the priest should be asked to review his reimbursable expense estimate to be sure it is still accurate. If the priest submits a written revision to his estimate of reimbursable expenses, the correction should be prorated over the remaining three checks for the calendar year.

Example: In the example in #2 above, Father John submitted a \$4,350 written estimate of reimbursable expenses in January. In September he revised this amount to \$4,575. Through September, \$3,262.50 had already been paid as reimbursable expenses ($\$362.50 \times 9$). The balance of reimbursable expenses is \$1,312.50 to be divided over three months. The new

monthly Auto & Travel amount is \$437.50. The new monthly salary amount becomes \$527.50 (\$965 - \$437.50).

Example: In the example #2 above, Father John submitted a \$4,350 written estimate of reimbursable expenses in January. In September he revised this amount to \$3,975. Through September, \$3,262.50 had already been paid as reimbursable expenses ($\$362.50 \times 9$). The balance of reimbursable expenses is \$712.50 to be divided over three months. The new monthly Auto & Travel amount is \$237.50. The new monthly salary amount becomes \$727.50 ($\$965 - 237.50$).

5. When the W-2 is prepared for the priest at the end of the calendar year, the total salary portion of the twelve monthly checks is reported as wages along with any amount of expense reimbursement that is unsubstantiated.

Example: Father John submitted a written estimate of reimbursable expenses and was paid \$362.50 in Auto & Travel and \$602.50 in salary for 9 months. He updated his reimbursable expense estimate in September and was paid \$437.50 in Auto & Travel and \$527.50 in salary for 3 months. At the end of December, Father John submitted documentation showing \$4,518 in actual reimbursable expenses. This is \$57 less than his estimate. The total wages to appear on Father John's W-2 for the year is \$7,062 [$(\$602.50 \times 9) + (\$527.50 \times 3) + 57$].

If Father John had not submitted written documentation of his actual reimbursable expenses, the amount of wages to appear on his W-2 would have been \$11,580 ($\965×12).

Example: Father John submitted a written estimate of reimbursable expenses and was paid \$362.50 in Auto & Travel and \$602.50 in salary for 9 months. He updated his reimbursable expense estimate in September and was paid \$237.50 in Auto & Travel and \$727.50 in salary for 3 months. At the end of December, Father John submitted documentation showing \$4,118 in actual reimbursable expenses. This is \$143 more than his estimate of \$3,975. The total wages to appear on Father John's W-2 for the year is \$7,462 [$(\$602.50 \times 9) + (\$727.50 \times 3) - \143].

If Father John had not submitted written documentation of his actual reimbursable expenses, the amount of wages to appear on his W-2 would have been \$11,580 ($\965×12).

Form 941

At the end of every quarter, parishes and schools with a diocesan priest and/or lay employees are required to file Form 941 with the IRS. This form shows the amount of wages paid that are subject to income tax withholding, social security tax, and medicare tax. The amount of tax that is due on the various wages paid is then calculated. The amount of tax due plus the amount of withholding is compared with the amount that has already been paid by the parish or school. Any balance due is then to be remitted with the form. Any overpayment can be applied to the next quarter or refunded.

Parishes and schools that have only a diocesan priest and no lay staff will report the amount of wages paid to the priest on line 2 of Form 941. Since the priest's wages are considered to be self-employment income for social security and medicare tax purposes, the amount reported on lines 6a and 7 of Form 941 will be \$0.

Parishes and schools that have lay employees and diocesan priests must also include the wages paid to the priest in the total amount of wages subject to income tax withholding. The amount paid to the priest is not included in the total amount subject to social security tax or medicare tax.

Example: St. Mary parish has three lay employees and one diocesan priest. For the quarter ended March 31 the lay employees had been paid a total of \$10,325.48. The priest had been paid \$2,085. On line two of form 941, the total wages subject to income tax withholding will equal \$12,410.48. On lines 6a and 7 of Form 941, the amount subject to social security tax and medicare tax will equal \$10,325.48.

Diocesan Deposit and Loan Program

The Diocesan Deposit and Loan program is intended to provide individual parishes with the funds necessary for land purchases, construction of church buildings and the renovation of existing buildings. One of the primary sources of these funds is the money parishes and schools put on deposit with the diocese. Parishes and schools should keep no more than six weeks normal operating costs in their checking account. All funds in excess of that amount should be deposited in a diocesan savings account.

For example, if parish operations average \$1,200 per week the parish should keep, on average, no more than \$7,200 in the parish checking account.

The Diocesan Deposit and Loan program attempts to provide favorable rates on loans while paying a rate of interest on deposits that is favorable when compared to rates available from banks on demand accounts or short term investment accounts. When the amount of funds needed for loans exceeds the amount of money available from parish deposits, the diocese secures additional funds from other sources such as the Knights of Columbus or commercial banks. The interest rate charged on loans is determined by calculating a weighted average of the cost of funds from the various sources.

Interest rates, both the rate paid on deposits and the rate charged on loans, are set at the beginning of every fiscal year.

How is a Savings Account Opened?

To open a savings account, send a check made payable to the Catholic Diocese of Raleigh for the amount of your initial deposit. Note on the check or in an accompanying letter that you would like to open a new diocesan savings account. The account will be opened in the name of the parish or school. If you would like a sub-title included in the account name you may do so.

Example: St. Mary Parish would like to open a new account with an initial deposit of \$2,500. The parish is saving money to buy new hymnals. A parish check in the amount of \$2,500 is sent to the diocese with a note that says: Please open a new savings account called "St. Mary Parish - Hymnal Savings."

Once the new account has been established a deposit receipt will be returned to the parish or school. The receipt will indicate the name of the account and the account number. Please make note of the account number.

How is interest paid?

Interest is calculated on the beginning account balance each day. The interest is calculated based on a 365 day year and is compounded monthly. The interest earned for a month is added to the account balance on the last day of each month.

Example: St. Mary Parish sent \$2,500 which was received on September 10th. The money was put into a new account and started receiving interest. On the 30th, the money had been in the account for 20 days. Assuming a 5% interest rate, \$6.85 interest would be credited to the account that day. This would make the new balance \$2,506.58. ($\$2,500 \times .05 / 365 \times 20$)

Example: St. Mary Parish has a savings balance of \$2,506.58 on October 1. On October 15th a deposit of \$1,000 is received. On the 31st, there had been \$2,506.58 in the account for 15 days and \$3,506.58 in the account for 16 days. Assuming a 5% interest rate, \$12.84 interest would be credited to the account that day. This would make the new balance \$3,519.42. ($\$2,506.58 \times .05 / 365 \times 15$) + ($\$3,506.58 \times .05 / 365 \times 16$)

Example: St. Mary Parish has a savings balance of \$3,519.42 on November 1. On November 15th a deposit of \$1,000 is received. On November 21 a withdrawal of \$1,500 is made. On the 30th, there had been \$3,519.42 in the account for 15 days, \$4,519.42 in the account for 6 days and \$3,019.42 in the account for 9 days. Assuming a 5% interest rate, \$14.66 would be credited to the account that day. This would make the new balance \$3,034.08. ($\$3,519.42 \times .05 / 365 \times 15$) + ($\$4,519.42 \times .05 / 365 \times 6$) + ($\$3,019.42 \times .05 / 365 \times 9$)

How are deposits made to an existing account?

To make deposits to an existing account, send a check made payable to the Catholic Diocese of Raleigh for the amount of your deposit. Please indicate on the check that the money is a deposit to savings. Be sure to include the savings account number to insure credit to the proper account.

When the deposit is received and credited to the savings account, a deposit receipt showing the date received and the amount of the deposit will be sent to the parish or school.

How can money be withdrawn from the account?

Funds in diocesan savings accounts are available upon demand. To insure good diocesan internal controls, a written request must be sent to the diocese for each withdrawal from savings. The request must be signed by the pastor. With the pastor's permission, the school principal may sign requests for withdrawals from school savings accounts. Requests can be sent by mail, fax or hand delivered.

The diocesan accounting office produces checks every Wednesday. Any request must be received at the diocese by 5 pm on Tuesday to be included in the Wednesday processing.

Monthly Savings Statements

Statements are sent the last day of each month. The statement shows the beginning balance, the date and amount of each individual deposit and withdrawal. The total amount of deposits and the total amount of withdrawals are also shown. The interest earned for the month is shown on a separate line. The ending balance is the result of adding together the beginning balance, the deposits, the withdrawals, and the interest earned.

Debits and Credits and Savings Accounts

A deposit to savings is recorded as a non-operating expenditure in the standard chart of accounts for parishes and schools. The major account 711000 is used by parishes to record transfers to savings. The major account 751000 is used by schools to record transfers to savings. The major account number (711000 or 751000) may be used to record all transfers to savings. Or, within the appropriate major account group, a parish or school may record transfers to savings using whatever sub-account number is desired.

Example: St. Mary Parish wants to open two new savings accounts, one called Hymnal Savings and the other called New Building Savings. The parish bookkeeper decides that it would be best to keep the transfers to these two accounts on separate lines in the financial reports. Account 711001 is created and titled Hymnal Savings, account 711002 is created and titled New Building Savings. The following transaction is recorded when a transfer to these accounts takes place.

	Debit	Credit
711001 Hymnal Savings	\$2,500.00	
111000 Cash in Checking		\$2,500.00
711002 New Building Savings	\$3,123.78	
111000 Cash in Checking		\$3,123.78

Withdrawals from savings are recorded as non-operating revenues in the standard chart of accounts for parishes and schools. The major account 611000 is used by parishes to record transfers from savings. The major account 651000 is used by schools to record transfers from savings. The major account number (611000 or 651000) may be used to record all transfers from savings. Or, within the appropriate major account group, a parish or school may record transfers from savings using whatever sub-account number is desired. It is strongly recommended that if a sub-account is used to record transfers to savings than a corresponding sub-account should be used to record transfers from savings.

Example: St. Mary Parish has two savings accounts, one called Hymnal Savings and the other called New Building Savings. The parish bookkeeper previously decided that it would be best to keep the transfers from these two accounts on separate lines in the financial reports. Account 611001 was created and titled Hymnal Savings, account 611002 was creat-

ed and titled New Building Savings. The following transaction is recorded when a transfer from these accounts takes place.

	Debit	Credit
111000 Cash in Checking	\$2,500.00	
611001 Hymnal Savings		\$2,500.00
111000 Cash in Checking	\$3,123.78	
611002 New Building Savings		\$3,123.78

Since interest earned on savings accounts is not sent to the parish or school in the form of cash but is instead credited directly to the savings account balance, interest income is recorded by journal entry. Each month when the monthly statement is received the following entry should be recorded. Assume that \$12.84 is the amount of interest earned.

If A Parish Account

	Debit	Credit
711000 Transfers to Savings	\$ 12.84	
413000 Interest and Dividends		\$ 12.84

If A School Account

	Debit	Credit
751000 Transfers to Savings	\$ 12.84	
474000 Interest and Dividends		\$ 12.84

If sub-accounts have been established within the Transfer to Savings major category for individual savings accounts, then the correct sub-account should be used for the debit entry.

How are loan proceeds paid out?

Once a loan has been approved, notice is given to the diocesan accounting office. At that point, a parish or school may draw on that loan at anytime. To insure strong diocesan internal controls, a written request must be sent to the diocese for each loan draw. The request must be signed by the pastor. Requests can be sent by mail, fax or hand delivered.

The diocesan accounting office produces checks every Wednesday. A request must be received at the diocese by 5 pm on Tuesday to be included in the Wednesday processing.

How is interest on a new loan draw calculated and billed?

Interest on the amount of a loan draw is based on a 365 year day and is computed from the day of the draw to the end of the month. The amount is billed on the monthly Statement of Accounts. See "Statement of Accounts" Section for more information.

Example: St. Mary Parish has approval for a \$100,000 loan. A loan draw of \$15,000 is processed on September 8. When the parish's Statement of Accounts is processed at the beginning of October, the parish will be billed for 22 days interest. Assuming a 7% interest rate, the amount billed will be \$63.29.
($\$15,000 \times .07 / 365 \times 22$)

Once a loan draw is made but before the loan is capped and amortized, how is interest calculated and billed?

Interest is calculated each month based on the beginning principal balance. Interest is based on a twelve month year. The interest is billed at the beginning of the month. Each loan is billed on a separate monthly loan statement. The loan statement shows any unpaid portion of the previous month's balance and the interest due for the current month. These two amounts are added together and become the new balance due. The balance due is to be paid by the 25th of the month.

Example: St. Mary Parish has approval for a \$100,000 loan. In September an initial draw of \$15,000 was made with the balance to be drawn during October and November. On October 1, the principal balance (also the total amount drawn) is \$15,000. The loan statement is processed on October 1 and bills the amount of interest due during the month of October. Assuming a 7% interest rate, the amount billed will be \$87.50. ($\$15,000 \times .07 / 12$)

During the month of October, an additional \$65,000 of the approved loan is drawn. (See example above for how interest will be billed on the new loan draw amount.) On November 1, the principal balance (also the total amount drawn) is \$80,000. The loan statement is processed on November 1 and bills the amount of interest due during the month of November. Assuming a 7% interest rate, the amount billed will be \$466.67. ($\$80,000 \times .07 / 12$)

Once a loan is fully drawn, how are the monthly payments determined? What part is interest and what part is principal?

Once a loan has reached the approved limit or the parish or school notifies the diocesan business office that no more funds are needed from the approved loan, the loan is capped and amortized. The monthly payment amount will be determined by taking into consideration the current interest rate and the approved term of the loan. At the beginning of each month a loan statement will be generated for each loan. The loan statement shows any unpaid por-

tion of the previous month's balance, the principal amount due for the current month and the interest due for the current month. These three amounts are added together and become the new balance due. The balance due is to be paid by the 25th of the month.

Example: St. Mary Parish made the final draw on an approved \$100,000 loan during November. Since the loan limit has been reached, the loan is capped and amortized. Assuming that the current interest rate is 7% and the loan is to be repaid over ten years, the total monthly payment will be \$1,161.09. On December 1 a loan statement is generated that shows \$583.33 in interest and \$577.76 in principal due during December.

How are payments made? How are the funds applied to the loan?

To make a loan payment, send a check made payable to the Catholic Diocese of Raleigh. Please be sure to include the loan account number to insure credit to the proper account. When any payment is made to a loan, the funds are applied in the following order: Past due interest, current interest due, past due principal, current principal due, additional principal payment.

Example: St. Mary Parish has a loan with a monthly payment of \$1,161.09. There is no amount past due on the loan. The current interest due is \$583.33 and the current principal due is \$577.76. Of the \$1,161.09 remitted by the parish, \$583.33 is applied to the current interest and the remainder, \$577.76, is applied to the current principal.

Example: St. Mary Parish has a loan with a monthly payment of \$1,161.09. Past due interest is equal to \$1,739.86. Past due principal is equal to \$1,743.41. Current interest due is \$573.16 and the current principal due is \$587.93. Of the \$2,322.18 remitted by the parish, \$1,739.86 is applied to the past due interest, \$573.16 is applied to the current interest and \$9.16 is applied to the past due principal.

Example: St. Mary Parish has a loan with a monthly payment of \$1,161.09. There is no amount past due on the loan. The current interest due is \$583.33 and the current principal due is \$577.76. The parish has some extra money and decides to make a \$3,000.00 payment this month. Of the \$3,000 remitted, \$583.33 is applied to the current interest, \$577.76 is applied to the current principal and the balance, \$1,838.91 is applied as an additional principal payment.

Are additional principal payments accepted? Will this change the amortization schedule?

Yes, additional principal may be paid at any time. Payment of additional principal in one month does not excuse a parish or school from making the regular monthly payment in a subsequent month. Additional principal should be paid using only excess funds which would otherwise be invested long term. Any amount of additional principal is accepted. If the exact

amount of the next principal payment shown on the amortization schedule is remitted, then there will be no change in the amortization schedule. If some other amount is remitted, the amortization schedule will change. A revised amortization schedule is available from the Fiscal Services department upon request.

Can loans be paid off early?

Yes, loans can be paid off at any time without penalty. Please contact the Fiscal Services office for the exact amount of a loan payoff.

Debits and Credits and Loan Draws and Payments

Proceeds from loans are recorded as non-operating income in the standard chart of accounts for parishes and schools. The major account 612000 is used by parishes to record loan proceeds. The major account 652000 is used by schools to record loan proceeds. The major account number (612000 or 652000) may be used to record all loan proceeds. Or, within the appropriate major account group, a parish or school may record loan proceeds using whatever sub-account number is desired.

Example: St. Mary Parish has approval for two loans one for a new bus and the other for roof repair. The parish bookkeeper decides that it would be best to keep the proceeds from these two loans on separate lines in the financial reports. Account 612001 is created and titled New Bus Loan, account 612002 is created and titled Roof Repair Loan. The following transactions are recorded when the proceeds from a loan draw are received by the parish.

	Debit	Credit
111000 Cash in Checking	\$2,500.00	
612001 New Bus Loan		\$2,500.00
111000 Cash in Checking	\$3,123.78	
612002 Roof Repair Loan		\$3,123.78

Principal payments are recorded as non-operating expenditures in the standard chart of accounts for parishes and schools. The major account 718000 is used by parishes to record principal payments. The major account 755000 is used by schools to record principal payments. The major account number (718000 or 755000) may be used to record all principal payments. Or, within the appropriate major account group, a parish or school may record principal payments using whatever sub-account number is desired.

Example: St. Mary Parish has two loans, one called New Bus Loan and the other called Roof Repair Loan. The parish bookkeeper previously decided that it would be best to keep principal repayments on these two loans on separate lines in the financial reports. Account 718001 was created and titled New Bus Loan, account 718002 was created and titled Roof

Repair Loan. The following transaction is recorded when a payment of principal is made on these two loans.

	Debit	Credit
718001 New Bus Loan	\$ 577.76	
111000 Cash in Checking		\$ 577.76
718002 Roof Repair Loan	\$ 482.37	
111000 Cash in Checking		\$ 482.37

Interest payments are recorded as operating expenditures in the standard chart of accounts for parishes and schools. The major account 542600 is used by parishes to record interest. The major account 572600 is used by schools to record interest payments. The major account number (542600 or 572600) may be used to record all interest payments. Or, within the appropriate major account group, a parish or school may record interest payments using whatever sub-account number is desired.

Example: St. Mary Parish has two loans, one called New Bus Loan and the other called Roof Repair Loan. The parish bookkeeper previously decided that it would be best to keep interest payments on these two loans on separate lines in the financial reports. Account 542601 was created and titled New Bus Loan, account 542602 was created and titled Roof Repair Loan. The following transaction is recorded when a interest payment is made on these two loans.

	Debit	Credit
542601 New Bus Loan	\$ 583.33	
111000 Cash in Checking		\$ 583.33
542602 Roof Repair Loan	\$ 923.78	
111000 Cash in Checking		\$ 923.78

Statement of Accounts for Parishes

Each month the diocesan business office sends to every parish a monthly statement of charges. There are three sections to the parish statement. The top section contains items for which an annual amount is determined and then billed to the parish. The middle section contains items which are billed on an "as incurred" basis. The bottom section is a summary of the National Collections. The statements are processed at the beginning of each month and payments are due by the 25th of the month.

There are three items contained in the top section, Cathedraticum, Priest Retirement, and Priest Medical Insurance. Each of these is discussed below.

Cathedraticum - Cathedraticum is a type of tax that parishes pay to support the operations of the diocese. The amount of cathedraticum due for any given fiscal year is a percentage of the parish's offertory from the prior fiscal year. Currently the percentage is 8.5%. The total amount due for the year is calculated and recorded on the parish statement in the column titled "Total Dúe Current Year." The total amount is not all due at one time. The amount is billed in four installments. One fourth of the total amount is due by the end of September. One half is due by the end of December. Three quarters is due March. The full amount is due by the end of June.

Example: St. Mary Parish received \$78,900 in offertory collections during fiscal year '90. The cathedraticum for fiscal year '91 is set at \$6,706.50 ($\$78,900 \times .085$). At the beginning of September, \$1,676.63 appears in the Current Charges column on the Cathedraticum line of the parish statement. Assuming the parish pays on schedule a similar amount will appear on the December, March and June statements.

When paying cathedraticum, a check should be made payable to the Catholic Diocese of Raleigh. The expenditure is to be coded to account number 544100.

Priest Retirement - Each parish pays this assessment every year. The diocese uses the proceeds from this assessment for three purposes. A portion of the money is used to make a contribution to the various orders for each religious order priest that works in the diocese. A portion of the money is used to fund the first dollar insurance coverage program for priests working in the diocese. The balance of the money is placed in the Priest Retirement Fund for diocesan priests. The amount of priest retirement due for any given fiscal year is a percentage of the parish's offertory from the prior fiscal year. Currently the percentage is 2.5%. The total amount due for the year is calculated and recorded on the parish statement in the column titled "Total Due Current Year." The amount becomes due in January of each fiscal year and is considered past due if not paid by the end of April.

Example: St. Mary Parish received \$78,900 in offertory collections during fiscal year '90. The priest retirement assessment for fiscal year '91 is set at \$1,972.50 ($\$78,900 \times .025$). At the beginning of January the full amount appears in the Current Charges column on the

Priest Retirement line of the parish statement. If any portion remains unpaid when statements are processed at the beginning of May, that amount will appear in the column labeled "Amount Past Due."

When paying priest retirement a check should be made payable to the Catholic Diocese of Raleigh. The expenditure is to be coded to account number 541140.

Special Note: Most parishes hold special collections to raise the funds to pay this assessment. Collections at Christmas and Easter are the most popular times. If such a collection is taken up, the proceeds from that collection should be recorded as revenue using account number 423000.

Priest Medical Insurance - Parishes with priests that have their medical insurance coverage through the diocesan insurance plan are billed for that insurance. The total amount due for the year is the annual premium amount. The amount due each month is calculated by dividing the annual premium by 12, multiplying the result by the number of months elapsed in the current fiscal year and then subtracting the total of the amount paid and the amount past due. The amount billed each month is due that month and will be considered past due if not paid by the 25th of the month.

Example: St. Mary Parish has two priests. The premium for the first priest is \$3,000 per year. The premium for the second priest, an older priest who only has Medicare Supplemental Insurance, is \$1,400 per year. The total amount due for the year is \$4,400. If there are no changes which affect the total annual premium, the amount due in any given month will be approximately \$367.

When paying priest medical insurance a check should be made payable to the Catholic Diocese of Raleigh. The expenditure is to be coded to account number 541130.

Monthly Charges

The middle section of the monthly statement contains seven elements. Six of the elements appear on every statement. The seventh element is optional and appears only when needed. Each of the elements is discussed below:

Bookkeeping -This line is used to record charges for the accounting service provided by the diocesan business office. Parishes which are signed up for the service are billed quarterly.

When paying for bookkeeping services the expenditure is to be coded to account number 542500 or to a sub-account under that major account number.

Bishop's Annual Appeal - This line is used to bill the parish for the amount of initial gifts collected by the parish during the appeal. The amount billed on this line is based on the pledge cards submitted by the parish.

The collection and disbursement of BAA initial gifts is considered non-operating. When remitting the BAA initial gifts collected by the parish, the expenditure is to be coded to account number 715000. This amount should offset the amount that was collected by the parish and reflected in account number 615000.

Lay Pension - This line is used to bill the parish for the amount that is due to the Lay Pension Fund. The amount billed is calculated using the Quarterly Lay Payroll Report submitted by the parish. The calculation is computed by the Benefits Office of the diocese and given to the Business Office to bill.

When remitted, the expenditure is to be coded to 541340.

Interest on Loan Draws - This line is used to bill parishes for interest on loan proceeds from the day the funds are drawn to the end of the month. Please refer to the Deposit & Loan section for information on how the amount is calculated.

When remitted, the expenditure is to be coded to 542600 or to a sub-account under that major account number.

Label/Listings - Parishes on occasion request that a list of parishioners or mailing labels be generated from the diocesan computer. This line is used to bill any charges associated with this service.

When remitted, the amount is charged to the appropriate account number depending on the nature of the expenditure.

Miscellaneous - This line is used to bill the parish for a variety of items. For any item billed on this line, documentation is attached to the statement as back-up.

When remitted, the amount is charged to the appropriate account number depending on the nature of the expenditure.

Prior Year - This line appears only when there is an amount due. At the end of each fiscal year, when statements are processed at the beginning of July, any amount still owed on Cathedraticum, Priest Retirement or Priest Medical Insurance is moved to this line. In the new fiscal year when payments are sent in for any item included in the top portion of the statement, if there is a balance due on this line, the money remitted will be applied to the prior year balance.

Example: When statements are processed at the beginning of July, St. Mary parish owes \$2,350 in Cathedraticum and \$527 in Priest Medical Insurance. The July statement will show that a Prior Year balance of \$2,877 is past due. The top portion of the statement will not show any amounts past due. During July, St. Mary parish remits \$2,000 in Cathedraticum. This amount will be applied to the Prior Year balance, not to the new year's Cathedraticum amount.

National Collections

The bottom section of the statement is the National Collection Summary. This summary includes a line for each of the special collections approved by the U.S. Bishops for collection in all parishes. Information for two calendar years is provided. This allows for easy comparisons of the current year with the prior year. It also allows one entire fiscal year to show on the same report.

Each year the diocesan business office publishes a list of dates for the national collections. Parishes are strongly encouraged to take up the collection on the scheduled date. However, the parish may move the collection one week-end forward or one week-end back if a conflict exists with the scheduled date. Parishes are required to observe these collections.

The proceeds from the collection are to be sent to the diocese within four weeks of the scheduled collection date.

These collections are considered non-operating income and expense. When the collections are taken up, the proceeds are to be coded to the proper account within the 613000 major account group. When the collections are remitted to the diocese, the expense is to be coded to the proper account within the 713000 major account group.

Diocesan Reports

The diocesan business office requires that certain reports be submitted by parishes and schools. Each of the reports and the requirements are discussed below.

Quarterly Financial Report - Every parish and school is required to submit a year to date financial report within thirty days of the end of the first three quarters of each fiscal year. The quarter ending dates are September 30, December 31, and March 31. Therefore, the reports are due on October 31, January 31 and April 30.

A copy of the report prepared by the diocesan business office for the parishes and schools that use the diocesan accounting service will be submitted for these parishes and schools. The parishes and schools that use the diocesan accounting service are not required to submit a separate report.

Parishes and schools that use Automated Church Systems (ACS) should submit a Summarized Analysis of Revenue and Expenses. The option to summarize on minor account types should be set to "Yes." As a minimum, this report must include a Year-to-Date Actual column, a Budget-to-Date column, a variance column comparing Year-to-Date Actual with Budget-to-Date, and a Total Annual Budget column.

The following are step by step instructions for ACS users to follow in producing the quarterly financial report. The numbers in parentheses are provided for those users not using pull down menus.

- (12) Reports Menu
- (8) Summary Analysis of Rev & Exp.
- (2) Print By Fund
 - Enter 01 for parish and/or 02 for school then press F5 to end data entry.
- (1) Print Funds One at a Time Answer `Y' to Continue?
 - Answer `N' to Print Detail for Revenue Accounts?
 - Answer `Y' to Summarize on Minor Account Types?

Parishes and schools that do not use the diocesan accounting service nor ACS must complete a report that follows the standardized quarterly report form. A master copy of this report is included in this section for your convenience. However, any report that follows this standard format is acceptable.

Annual Report - Every parish and school is required to complete an annual report. This report is due by July 31 of each year. Copies of the form and instructions are sent to each parish and school at the beginning of June each year.

Budget Report - Every parish is required to complete an operating budget prior to the start of every fiscal year. These reports are due by June 30 for the fiscal year which starts July 1.

Instructions will be distributed in April of each year to the parishes and schools which use the diocesan accounting service. Forms for submitting the budget will be distributed at that time.

Parishes and schools that use Automated Church Systems (ACS) should submit a Summarized Analysis of Proposed Budget. The option to summarize on minor account types should be set to "Yes." As a minimum, this report must include a Proposed Budget column.

The following are step by step instructions for ACS users to follow in producing the quarterly financial report. The numbers in parentheses are provided for those users not using pull down menus.

- (8) Define Proposed Budget
- (6) Summary Analysis of Rev & Exp.
- (2) Print By Fund
 - Enter 01 for parish and/or 02 for school then press F5 to end data entry.
- (1) Print Funds One at a Time Answer `Y` to Continue?
 - Answer `N` to Print Detail for Revenue Accounts?
 - Answer `Y` to Summarize on Minor Account Types?

Parishes and schools that do not use the diocesan accounting service nor ACS must complete a report that follows the standardized budget report form. A master copy of this report is included in this section for your convenience. However, any report that follows this standard format is acceptable.

Quarterly Lay Payroll Report - Every parish and school is required to submit a listing of lay employees, both contract and non-contract each quarter. The reports are due on the same schedule as the IRS Form 941. The quarter ending dates are September 30, December 31, March 31 and June 30. The reports are due October 31, January 31, April 30, and July 31.

Instructions for completing the form are found on the back of the form. Completed forms should be sent to the Benefits Office at the Catholic Center.

The information from this report is used to generate the Lay Pension charge. Please see the "Parish Statement" section for more information.

Parish Budget Report

Parish _____ City _____

Fiscal Year July _____ to June _____ Prepared by _____

Operating Income	Total Budget Amount
Ordinary	
Total Offertory	_____
Total Donations	_____
Total Interest & Dividends	_____
Total Rents	_____
Total Sale of Literature & Goods	_____
Total Ordinary	_____
Non-Ordinary	
Total Bequests	_____
Total Special Collections	_____
Total Priest Welfare/Retirement	_____
Total BAA Rebate	_____
Total Grants & Subsidies	_____
Total Gain on Sale of Asset	_____
Total Non-Ordinary	_____
Total Fees	_____
Fund Raising	
Total Charity	_____
Total Special Projects	_____
Total Fundraising	_____
Total Operating Income	_____

Operating Expenses

Total Budget
Amount

Word

Total Evangelization _____
Total Vocations _____
Total Formation of Children _____
Total Formation of Youth _____
Total Formation of Young Adults _____
Total Formation of Adults _____
Total Family Based Formation _____
Total Committees & Commissions _____

Total Word _____

Worship

Total Music _____
Total Altar Servers _____
Total Parish Ministers _____
Total Liturgical Seasons _____
Total Sacraments _____
Total Committees & Commissions _____

Total Worship _____

Service

Total Assistance to Individuals _____
Total Committees & Commissions _____

Total Service _____

Administration

Total Personnel _____
Total Office _____
Total Plant _____
Total Assessments & Subsidies _____
Total Committees & Commissions _____
Total Special Projects _____
Total Contingency _____

Total Administration _____

Total Operating Expenses _____

Net Operating Total _____

Non-Operating Income

Total Budget
Amount

Total Transfer from Savings	_____
Total Loan Proceeds	_____
Total National Collections	_____
Total Capital Campaigns	_____
Total BAA Initial Gifts	_____
Total Sales Tax Refund	_____
Total Parish Affiliated Groups	_____
Total Exchange	_____

Total Non-Operating Income _____

Non-Operating Expenses

Total Transfers to Savings	_____
Total Capital	_____
Total National Collections	_____
Total Payroll Related Items	_____
Total BAA Initial Gifts	_____
Total Sales Tax Expense	_____
Total Parish Affiliated Groups	_____
Total Principal Repayment	_____
Total Exchange	_____

Total Non-Operating Expenses _____

Net Non-Operating Total _____

Parish Budget Summary

Total Budget
Amount

Total Operating Income	_____
Total Operating Expenses	_____
Net Operating Total	_____
Total Non-Operating Income	_____
Total Non-Operating Expenses	_____
Net Non-Operating Total	_____

Net Total _____

Parish Quarterly Financial Report

Parish _____ City _____

Quarter Ended _____ Prepared by _____

Operating Income

	Year to Date Actual	Total Annual Budget
Ordinary		
Total Offertory	_____	_____
Total Donations	_____	_____
Total Interest & Dividends	_____	_____
Total Rents	_____	_____
Total Sale of Literature & Goods	_____	_____
 Total Ordinary	 _____	 _____
Non-Ordinary		
Total Bequests	_____	_____
Total Special Collections	_____	_____
Total Priest Welfare/Retirement	_____	_____
Total BAA Rebate	_____	_____
Total Grants & Subsidies	_____	_____
Total Gain on Sale of Asset	_____	_____
 Total Non-Ordinary	 _____	 _____
 Total Fees	 _____	 _____
Fund Raising		
Total Charity	_____	_____
Total Special Projects	_____	_____
 Total Fundraising	 _____	 _____
 Total Operating Income	 _____	 _____

Operating Expenses

	Year to Date Actual	Total Annual Budget
Word		
Total Evangelization	_____	_____
Total Vocations	_____	_____
Total Formation of Children	_____	_____
Total Formation of Youth	_____	_____
Total Formation of Young Adults	_____	_____
Total Formation of Adults	_____	_____
Total Family Based Formation	_____	_____
Total Committees & Commissions	_____	_____
Total Word	_____	_____
Worship		
Total Music	_____	_____
Total Altar Servers	_____	_____
Total Parish Ministers	_____	_____
Total Liturgical Seasons	_____	_____
Total Sacraments	_____	_____
Total Committees & Commissions	_____	_____
Total Worship	_____	_____
Service		
Total Assistance to Individuals	_____	_____
Total Committees & Commissions	_____	_____
Total Service	_____	_____
Administration		
Total Personnel	_____	_____
Total Office	_____	_____
Total Plant	_____	_____
Total Assessments & Subsidies	_____	_____
Total Committees & Commissions	_____	_____
Total Special Projects	_____	_____
Total Contingency	_____	_____
Total Administration	_____	_____
Total Operating Expenses	_____	_____
Net Operating Total	_____	_____

Non-Operating Income

	Year to Date Actual	Total Annual Budget
Total Transfer from Savings	_____	_____
Total Loan Proceeds	_____	_____
Total National Collections	_____	_____
Total Capital Campaigns	_____	_____
Total BAA Initial Gifts	_____	_____
Total Sales Tax Refund	_____	_____
Total Parish Affiliated Groups	_____	_____
Total Exchange	_____	_____
 Total Non-Operating Income	 _____	 _____

Non-Operating Expenses

Total Transfers to Savings	_____	_____
Total Capital	_____	_____
Total National Collections	_____	_____
Total Payroll Related Items	_____	_____
Total BAA Initial Gifts	_____	_____
Total Sales Tax Expense	_____	_____
Total Parish Affiliated Groups	_____	_____
Total Principal Repayment	_____	_____
Total Exchange	_____	_____
 Total Non-Operating Expenses	 _____	 _____
 Net Non-Operating Total	 _____	 _____

Year to Date Actual	Total Annual Budget
------------------------	------------------------

Parish Quarterly Financial Summary


Total Operating Income	_____	_____
Total Operating Expenses	_____	_____
 Net Operating Total	 _____	 _____
 Total Non-Operating Income	 _____	 _____
Total Non-Operating Expenses	_____	_____
 Net Non-Operating Total	 _____	 _____
 Net Total	 _____	 _____



Internal Control Procedures for Parishes and Schools of the Diocese of Raleigh

Internal controls are the responsibility of any person or organization which has control of assets which are for the benefit of others. This responsibility is summed up in the word “stewardship”. In order to be good stewards, we in the Diocese of Raleigh are committed to sound, prudent internal controls. It is in fulfillment of this responsibility that these procedures are issued. It is understood that total implementation of all procedures in every location may not be practical. Where this is believed to be the case, the pastor or responsible person should contact the Diocesan Business Office to work out procedures which suit the realities of the situation.

Since there is no profit motive in the Church and the parish and school staffs are composed of a small number of people who are all honest, God-fearing people, there would seem to be little need for concern about internal controls. However, our fundamental stewardship responsibilities include ensuring the reliability of our financial records and the safeguarding of assets.




Internal control procedures provide important benefits. They improve the quality of financial information and reduce the possibility of error, mismanagement, and fraud. Internal controls are also important in promoting parishioner and public trust. Effective internal controls can also help diffuse charges of misappropriation of funds levied against loyal employees and volunteers.

While internal controls are most often associated with fraud detection and prevention, they are equally or more valuable in preventing and detecting management oversights or book-keeping errors. As a corporate citizen, each parish has duties and responsibilities to local, state and federal governments in addition to its responsibilities to the diocese. The civil penalties for failing to comply with governmental regulations can be costly.

In order for internal controls to be effective, an environment must be created which is receptive and supportive of the controls. This environment must be created by those at the top of an organizational structure. It must be clear from the attitude and posture of the pastor and finance council members that effective internal controls are a matter of priority.

The number of individuals needed to establish an effective system of internal controls is not great. Even the smallest parish, through the use of volunteers, can segregate duties and establish checks and balances that safe guard the Church’s assets.



On the following pages are the internal control procedures that have been adopted by the Priest Council and the Diocesan Finance Council for all parishes and schools in the Diocese of Raleigh. Pages 2 through 9 discuss the six areas of controls. Pages 10 through 18 organize the responsibilities from the various areas into lists of responsibilities for individuals or groups of individuals.

OFFERTORY & CASH CONTROLS

Purpose and Goal

Offertory, especially cash offerings, can easily be converted to personal use if adequate controls are not in place. The offertory should always be under dual control. At least two people are to be in charge of watching over the collection from the time it is taken up, while it is transported to the counting area, during the counting and recording process, until the funds are deposited in the bank. Proper segregation of duties requires a minimum of four individuals for these controls.

General Procedures

Members of the Parish Finance Council and parish staff may not be members of the count team.

The individual completing the deposit slip and taking the deposit to the bank may not be a member of the count team.

Deposits are to be made within one (1) day of the collection.

If a manual record keeping system is used, the year end parishioner statements are to be prepared by individuals who have no connection with the counting, depositing or recording of collections.

Responsibilities of Count Team Members

All checks are to be restrictively endorsed, "For Deposit Only," during the counting process.

Envelopes and checks are to be recorded by parishioner name.

A collection report including the total of all cash and checks must be compiled during the counting process and signed by all members of the count team.

A copy of the collection report is to be given to a member of the finance council. The copy can be produced by using a two part form or by photocopy.

The original collection report is given to the parish bookkeeper for recording.

Collection receipts are to be locked in the secure area designated by the finance council until deposited.

Responsibilities of the Finance Council

A secure area with restricted access must be provided. A safe would be an ideal secure area. An area that is locked, but to which a multitude of people have a key is not considered

a secure area. For these purposes, an area will be considered secure if no more than three people have access to it.

Count teams must have at least two unrelated individuals.

Count team members are to be rotated among different teams.

Count team members are to be provided with a job description which includes clearly defined duties and responsibilities.

An odd number of count teams are to be used to prevent rotation routine. In other words, the same team should not always count on the third Sunday of the month. This can be accomplished with as few as three teams.

A member of the Parish Finance Council is to compare the signed count sheets to the monthly bank statement.

Responsibilities of the Parish Bookkeeper

Offerory collections are to be deposited intact and not commingled with other parish funds or other collections.

Deposit slips are to be completed in duplicate with the copy maintained in the parish office.

Year end statements are to be prepared from data compiled from the signed collections reports.

All revenues must be posted to a standard account number from the approved diocesan chart of accounts.

DISBURSEMENT CONTROLS

Purpose and Goal

In order to ensure that funds are used for the intended purpose, adequate controls must be in place. Proper controls will reduce the possibility of misappropriated funds. Proper controls will also provide protection for parish personnel from false accusations. Proper segregation of duties requires a minimum of four individuals for these controls.

General Procedures

All disbursements are to be made by check, with the exception of minor petty cash items.

Only original documents are to be used as authorization to disburse funds. Payments should not be made from statements as this often leads to duplicate payments.

Checks may not be made payable to CASH.

Check signing machines must be under controlled access. Anyone with access to check stock should not also have access to the check signing machine.

Supporting documentation must be maintained for each disbursement.

Pre-numbered checks should be used and the sequential integrity of checks should be reviewed.

Responsibilities of the Pastor and the Finance Council

Establish clearly defined levels of authorization for approving disbursements. Disbursements over \$7,500 require diocesan approval.

Check signers listed on the checking account are to be the Bishop or his designate, the Pastor or Pastoral Administrator, the Associate Pastor and the Chair of the Parish Finance Council.

The amount line and pay to line of a check must be completed before the check is signed. Blank checks should never be pre-signed and left for later use.

Supporting documentation should be reviewed by the check signer for propriety. Bank account reconciliations should be prepared monthly by someone independent from the invoice approval and check signing functions.

Responsibilities of the Parish Bookkeeper

Bookkeepers may not be authorized check signers.

All disbursements must be properly approved for payment before the check is prepared.

The bookkeeper should not open bank statements.

Records should be maintained and IRS Form 1099 issued to any non-corporate vendor receiving more than \$600 in a calendar year.

All disbursements must be posted to a standard account number from the approved diocesan chart of accounts.

Invoices should be marked paid or in some way defaced so as to prevent reuse.

SCHOOL TUITION CONTROLS

Purpose and Goal

The proper control over the receipt of tuition and the associated record keeping will help protect the largest single source of income for a school. Segregation of duties will make it more difficult for an individual to manipulate the records for their personal gain. Proper segregation of duties requires a minimum of three individuals for these controls.

General Procedures

Tuition records should be maintained for each student.

At least two individuals each with separate responsibilities and a finance council or school board are required for adequate controls.

A school operating budget must be prepared.

Procedures for collection of delinquent tuition and fee payments are to be established and followed.

Responsibilities of School Person #1

Tuition payments are received and receipted.

Responsibilities of School Person #2

Maintain the records on the individual student accounts based on copies of the receipts given by person #1 and on enrollment information provided by the principal.

Responsibilities of the Finance Council or School Board

Review past due tuition and fee records as prepared by person #2.

Tuition revenue is to be compared with budgeted amounts and significant variances investigated.

Tuition revenue is to be compared with enrollment data provided by the principal.

Tuition adjustments or credits are to be approved by the finance council on the recommendation of the pastor and/or principal.

PERSONNEL CONTROLS

Purpose and Goal

The area of personnel management is complicated with rather severe penalties for non-compliance. Inadequate controls over payroll may invite abuses which go undetected. Proper segregation of duties requires a minimum of two individuals for these controls.

General Procedures

A separate file should be maintained for each employee including current tax withholding forms, immigration forms, and death benefit beneficiary forms.

Evidence of compliance with the mandatory sections of the diocesan employee handbook should be maintained.

All personnel are required to take vacations.

Responsibilities of the Pastor

All additions, deletions, and changes to payroll status are to be in written form.

Review of payroll after it has been prepared.

Review of time and attendance records including the number of hours worked.

All employees are to be paid in accordance with the wage and hour laws of the state of North Carolina. All employees are to be paid at least the required minimum hourly wage.

Responsibilities of the Parish Bookkeeper

The payroll register is to be presented with the checks to the check signer.

All required tax deposits are to be made timely.

All required tax return filings are to be done timely.

A copy of IRS form 941 is to be included when submitting the diocesan quarterly lay payroll report.

PETTY CASH CONTROLS

Purpose and Goal

Petty cash does not limit the loss potential to petty sums. Cash can easily be converted for personal use and inadequate controls may invite abuses which go undetected. All uses of petty cash should be examined for propriety. Proper segregation of duties requires a minimum of three individuals for these controls.

General Procedures

No more than one petty cash fund per parish and one petty cash fund per school may be established.

The responsibility for each petty cash fund should be vested in a single individual referred to as the petty cash custodian.

Responsibilities of the Pastor and the Finance Council

Petty cash transactions should be monitored and increased activity investigated.

Surprise counts of petty cash funds are to be made by an individual other than the custodian and the parish bookkeeper.

Responsibilities of the Petty Cash Custodian

Persons receiving cash are required to sign a petty cash voucher.

Requests for reimbursement are to be for the exact amount of receipts submitted.

Physical safeguards over petty cash are to be maintained.

The total of cash and receipts or vouchers are to equal the fund amount. That is, if petty cash is established at \$100, the total of the cash and receipts will always equal \$100.

Responsibilities of the Parish Bookkeeper

Receipts submitted by the custodian are to be marked paid or in some way defaced so as to prevent reuse.

Reimbursement is by check made payable to the petty cash custodian for the exact amount of receipts submitted.

ENVIRONMENTAL CONTROLS

Purpose and Goal

These controls are intended to help establish an environment which is supportive of internal controls. Also, the protection of records and the establishment of disaster plans are necessary for overall security of church assets and the fostering of trust among parishioners and the community at large.

Responsibilities of the Pastor and the Finance Council

Parish Finance Council members are to have clearly defined responsibilities. The Diocesan Norms for Parish Finance Councils establishes the minimum level of responsibility.

The Parish Finance Council is to meet regularly and no less frequently than once per quarter, as per the Diocesan Norms for Parish Finance Councils.

No more than one checking account per parish and one checking account per school may be established.

An annual accounting of parish revenues and expenditures is to be published and made available to all parishioners. A quarterly reporting is recommended.

Adequate physical security in case of accident, theft, or catastrophe must be provided for valuable documents including manual parish records and records kept on magnetic media. This should include adequate backup routines and off-site storage.

Budgets are to be prepared and deviations from the budget carefully investigated by the Parish Finance Council.

A detailed inventory list is to be maintained and updated annually. This is to include an annual comparison of the list with the actual physical assets.

All funds in excess of six weeks operating needs must be deposited in the Diocesan Deposit and Loan program. No savings or investment accounts may be established by a parish.

All gifts of stock must be immediately liquidated.

A disaster recovery plan should be developed.

Responsibilities of the Parish Bookkeeper

Management reports should be prepared regularly, timely, and in sufficient detail.

State of North Carolina sales tax refunds should be requested every six months by completing form E-585.

Access to computers is to be restricted by use of passwords and limited access menus. Passwords should also be changed on a regular basis.

Responsibilities of Count Team Members

OFFERTORY & CASH CONTROLS

All checks are to be restrictively endorsed, "For Deposit Only," during the counting process.

Envelopes and checks are to be recorded by parishioner name.

A collection report including the total of all cash and checks must be compiled during the counting process and signed by all members of the count team.

A copy of the collection report is to be given to a member of the finance council. The copy can be produced by using a two part form or by photocopy.

The original collection report is given to the parish bookkeeper for recording.

Collection receipts are to be locked in the secure area designated by the finance council until deposited.

Responsibilities of the Parish Finance Council

OFFERTORY & CASH CONTROLS

A secure area with restricted access must be provided. A safe would be an ideal secure area. An area that is locked but to which a multitude of people have a key is not considered a secure area. For these purposes, an area will be considered secure if no more than three people have access to it.

Count teams must have at least two unrelated individuals.

Count team members are to be rotated among different teams.

Count team members are to be provided with a job description which includes clearly defined duties and responsibilities.

An odd number of count teams are to be used to prevent rotation routine. In other words, the same team should not always count on the third Sunday of the month. This can be accomplished with as few as three teams.

A member of the Parish Finance Council is to compare the signed count sheets to the monthly bank statement.

DISBURSEMENT CONTROLS

Establish clearly defined levels of authorization for approving disbursements. Disbursements over \$7,500 require diocesan approval.

Check signers listed on the checking account are to be the Bishop or his designate, the Pastor or Pastoral Administrator, the Associate Pastor and the Chair of the Parish Finance Council.

The amount line and pay to line of a check must be completed before the check is signed. Blank checks should never be pre-signed and left for later use.

Supporting documentation should be reviewed by the check signer for propriety.

Bank account reconciliations should be prepared monthly by someone independent from the invoice approval and check signing functions.

SCHOOL TUITION CONTROLS

Review past due tuition and fee records as prepared by person #2.

Tuition revenue is to be compared with budgeted amounts and significant variances investigated.

Tuition revenue is to be compared with enrollment data provided by the principal.

Tuition adjustments or credits are to be approved by the finance council on the recommendation of the pastor and/or principal.

ENVIRONMENTAL CONTROLS

Parish Finance Council members are to have clearly defined responsibilities. The Diocesan Norms for Parish Finance Councils establishes the minimum level of responsibility.

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Budgets are to be prepared and deviations from the budget carefully investigated by the Parish Finance Council.

A detailed inventory list is to be maintained and updated annually. This is to include an annual comparison of the list with the actual physical assets.

All funds in excess of six weeks operating needs must be deposited in the Diocesan Deposit and Loan program. No savings or investment accounts may be established by a parish.

All gifts of stock must be immediately liquidated.

A disaster recovery plan should be developed.

Responsibilities of the Parish Bookkeeper

OFFERTORY & CASH CONTROLS

Offertory collections are to be deposited intact and not commingled with other parish funds or other collections.

Deposit slips are to be completed in duplicate with the copy maintained in the parish office.

Year end statements are to be prepared from data compiled from the signed collections reports.

All revenues must be posted to a standard account number from the approved diocesan chart of accounts.

DISBURSEMENT CONTROLS

Bookkeepers may not be authorized check signers.

All disbursements must be properly approved for payment before the check is prepared.

The bookkeeper should not open bank statements.

Records should be maintained and IRS Form 1099 issued to any non-corporate vendor receiving more than \$600 in a calendar year.

All disbursements must be posted to a standard account number from the approved diocesan chart of accounts.

Invoices should be marked paid or in some way defaced so as to prevent reuse.

PERSONNEL CONTROLS

The payroll register is to be presented with the checks to the check signer.

All required tax deposits are to be made timely.

All required tax return filings are to be done timely.

A copy of IRS form 941 is to be included when submitting the diocesan quarterly lay payroll report.

PETTY CASH CONTROLS

Receipts submitted by the custodian are to be marked paid or in some way defaced so as to prevent reuse.

Reimbursement is by check made payable to the petty cash custodian for the exact amount of receipts submitted.

ENVIRONMENTAL CONTROLS

Management reports should be prepared regularly, timely, and in sufficient detail.

State of North Carolina sales tax refunds should be requested every six months by completing form E-585.

Access to computers is to be restricted by use of passwords and limited access menus. Passwords should also be changed on a regular basis.

Responsibilities of the Pastor

DISBURSEMENT CONTROLS

Establish clearly defined levels of authorization for approving disbursements. Disbursements over \$7,500 require diocesan approval.

Check signers listed on the checking account are to be the Bishop or his designate, the Pastor or Pastoral Administrator, the Associate Pastor and the Chair of the Parish Finance Council.

The amount line and pay to line of a check must be completed before the check is signed. Blank checks should never be pre-signed and left for later use.

Supporting documentation should be reviewed by the check signer for propriety.

Bank account reconciliations should be prepared monthly by someone independent from the invoice approval and check signing functions.

PERSONNEL CONTROLS

All additions, deletions, and changes to payroll status are to be in written form.

Review of payroll after it has been prepared.

Review of time and attendance records including the number of hours worked.

All employees are to be paid in accordance with the wage and hour laws of the state of North Carolina. All employees are to be paid at least the required minimum hourly wage.

ENVIRONMENTAL CONTROLS

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All gifts of stock must be immediately liquidated.

A disaster recovery plan should be developed.

Responsibilities of School Person #1

SCHOOL TUITION CONTROLS

Tuition payments are received and receipted.

Responsibilities of School Person #2

SCHOOL TUITION CONTROLS

Maintain the records on the individual student accounts based on copies of the receipts given by person #1 and on enrollment information provided by the principal.

Responsibilities of the Petty Cash Custodian

PETTY CASH CONTROLS

Persons receiving cash are required to sign a petty cash voucher.

Requests for reimbursement are to be for the exact amount of receipts submitted.

Physical safeguards over petty cash are to be maintained.

The total of cash and receipts or vouchers are to equal the fund amount. That is, if petty cash is established at \$100, the total of the cash and receipts will always equal \$100.

Miscellaneous

Tax Exempt Status - In a ruling dated March 25, 1946 the Internal Revenue Service held that the agencies and instrumentalities and all educational, charitable and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in the Official Catholic Directory of 1946, are entitled to exemption from federal income tax under the provisions of section 101(6) of the Internal Revenue Code of 1939, which corresponds to section 501(c)(3) of the 1986 Code. This ruling has been updated annually to cover the activities added to or deleted from the Directory.

This means that all parishes and schools operated by the Catholic Diocese of Raleigh are exempt from federal income taxes. This exemption applies only to federal income tax and to no other type of tax.

Property Tax - Any property owned by a parish or school that is not used specifically for religious or educational purposes will be subject to property tax by the county and town that has jurisdiction over the property. For example, if St. Mary parish buys land to build a new church, St. Mary parish will have to pay property tax on that land until the new church is constructed. Since all property is titled in the name of the Bishop, the property bills are paid by the diocese and then billed to the parish or school on the monthly Statement of Accounts.

Sales Tax - Unlike many states, the state of North Carolina does not issue a tax exemption certificate for sales tax. The state of North Carolina requires that the sales tax be collected by anyone doing business in North Carolina and paid to the state. Certain organizations, such as parishes and schools, are eligible for a refund by filing a request.

Receipts should be kept that show the sales tax paid. Form E-585 is available from the North Carolina Department of Revenue. The form must be filed twice a year. It must be filed by October 15 for the period January through June. It must be filed by April 15 of the following year for the period July through December.

Property and Liability Insurance - All property and liability insurance is presently handled by the Moore and Johnson Insurance Agency of Raleigh. Their phone number is 781-0200. Any questions on filing claims or the nature of coverage should be directed to Moore and Johnson.

Tax ID Number - Like a social security number but for a business entity. The Internal Revenue Service issues tax ID numbers. Every parish should have its own tax ID number. Tax ID numbers have nothing to do with tax exemptions. It is strictly an identification number.

Form 1099-MISC - The Internal Revenue Service requires that a Form 1099-MISC be filed for each person, other than corporations, to whom you have paid: (1) at least \$10 in royalties or broker payments in lieu of dividends or in lieu of tax exempt interest, (2) at least \$600 in rents, services, prizes and awards, and other income payments, and medical and health care payments, or (3) fishing boat proceeds.

Some typical situations in parishes and schools that often require a Form 1099-MISC include:

- stipend paid for leading a retreat
- housekeeping or cleaning services that are not incorporated
- ground and landscaping services that are not incorporated
- payments to a law firm partnership that is not a corporation
- substitute teachers.