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# Accounting and Internal Control Procedures

The U.S. Conference of Catholic Bishops (USCCB) Committee on Budget and Finance, in their document entitled Diocesan Internal Controls: A Framework, states in their “*Executive Summary*” that Internal Control is a *process* designed to ensure that a diocese’s goals are met with respect to effective and efficient operations, reliable financial reporting, and compliance with laws and regulations.” The document also states that “All systems must contain certain basic elements to prevent or detect errors and omissions and to safeguard assets. There are also common business cycles that must be controlled with specific procedures. Controls for these business cycles will help prevent or detect common varieties of fraud. Dioceses must recognize that their organizations are different, and thus the suggestions included here must be tailored to meet their specific needs. After an internal control system is established, it must be periodically evaluated.

This manual, ***Accounting and Internal Control Procedures***, describes financial and accounting guidelines and procedures to account for parish operations. The procedures outlined are designed to meet the requirements of both the large and small parish. The purpose of the manual is to provide financial and accounting guidelines that will:

- Strengthen the parish internal control structure to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with the Most Reverend Bishop's authorization.
- Enable the parish to consistently classify financial transactions which will, in turn, provide the parish with comparative meaningful financial statements that can be used to both review the past and plan for the future.
- Provide a uniform method of accounting and reporting within the Diocese.
- Provide for continuity in the event of a change in the pastor.

In addition, any prior publications or norms of the Diocese of Providence contrary to the prescriptions of this manual are hereby abrogated.

## BUSINESS CONDUCT AND MANAGEMENT

Internal Controls are meant to provide reasonable assurance regarding the achievement of objectives on the following categories:

- *Effectiveness and efficiency of operations*
- *Reliability of financial reporting*
- *Compliance with applicable laws and regulations*

Fundamentally, internal control deals with the safeguarding of assets, both physical and monetary.

In the Diocese of Providence, parish internal controls may be enhanced by the services of the following offices of the Diocese of Providence.

- *Secretary for Planning & Financial Services*
- *Parish Financial Assistance*
- *Building Commission*
- *Fiscal Office*
- *Stewardship and Development*
- *Human Resources*
- *Management Information Technology*
- *Catholic Mutual Group*

Each parish pastor has a responsibility to his parishioners to administer the receipt and disbursal of parish funds in a prudent manner. Receipts of funds for church related activities should all be recorded on the accounting records. Funds should be disbursed for valid expenditures incurred as part of these activities. Prudent management of monies requires the fiduciary to safeguard monies received, conserve the assets of the parish, and expend funds within parish means. These activities are to be conducted in a manner that minimizes the potential for waste, fraud, or abuse, but more important, in a manner that establishes accountability for financial activities.

It is essential that pastors exercise good business sense in the financial affairs of the parish. A pastor must be aware of accepted business practices as well as laws related to business dealings, particularly legal requirements and legal forms). When a pastor is in doubt about the accepted business practice or legal ramifications of a given situation, he must consult the Secretary for Planning and Financial Services or Chief Financial Officer of the Diocese of Providence and seek counsel and advice of the Parish Finance Council.

The Parish Finance Council is a consultative body of lay persons established to advise the pastor in matters pertaining to the financial affairs of the parish. Refer to the section in this manual relating to Finance Councils for more information.

Remember that a pastor in the Diocese of Providence acts as an administrator of parish finances on behalf of the Most Reverend Bishop. Compliance with the matters discussed in this manual can significantly reduce parish and diocesan exposure to liability.

Accepted business practices and sound management controls that a pastor should employ is the primary purpose of this manual. The areas covered are reflected in the table of contents located at the front of this manual.

## **Pertinent Excerpts from the 4<sup>th</sup> Synod**

### **369**

The Diocesan Bishop has the right and the duty of carefully watching over the administration of all Church property in his territory which comes under his jurisdiction.

### **370 (MOD)**

1. The pastor and other administrators of Church property are to provide careful and responsible administration of properties and monies entrusted them in accord with the general norms of the Code of Canon Law, instructions given by the Bishop, directives from the Secretary for Planning and Financial Services and applicable provisions of the civil law.
2. Every pastor is bound by his office to maintain, and if possible, improve the physical condition of the parish plant, not allow it to fall into disrepair.
3. The pastor is to report immediately to the Chancery office the theft of a sacred article, the desecration of a sacred place or item, an act of vandalism against Church property, an attempted or successful theft of Church monies, and an act of physical violence perpetrated against a clergyman or religious.

### **382, 388 & 390 (MOD)**

1. No priest, deacon or lay person, or groups of either, are to hold church properties or monies in their private name(s).
2. No priest is to deposit in a bank, or retain in a safe deposit vault, or otherwise hold or retain, in his own name or the name of anyone other than the parish, any revenue, funds, securities or other valuables belonging to the parish corporation.

### **386 (MOD)**

1. The ownership of all property, assets and goods of any parish, must be registered in the name of the parish corporation.
2. In all parishes whose direction is entrusted to a religious institute, the church, school, rectory and other property, and all gifts and offerings of the faithful, belong to the parish, unless in individual cases it is proven beyond doubt they were given for the use of the religious institute.

### **372 (MOD)**

Priests are not considered employees of the Bishop or of the parish. Therefore, they receive not wages, but compensation sufficient to meet their personal needs.

### **373 & 401 (MOD)**

1. It is the obligation of the parish to furnish food and lodging for the pastor and his assistants, or the administrator, or the substitute, who are legitimately appointed.
2. All expenses of the rectory must be paid from the parish funds.

### **374, 376, 377 & 400 (Mod)**

1. Pastors, assistants, administrators, deacons, and religious receive the appropriate compensation as stipulated by diocesan guidelines.
2. The source(s) of compensation of those who are in special assignments will be determined in each case by the Bishop.
3. Whoever neglects to take or demand his compensation within a year from the date on which it should have been paid, automatically renounces his right to it unless the Bishop had been informed of the matter within that year's time.
4. The Bishop will determine in what manner a suitable income should be provided for those prevented from exercising their ministry.

### **378**

During vacation period, the compensation for clergy will be paid from the account of the church or institution to which they are attached.

### **379 (MOD)**

Non-residential priests and deacons who assist at parish liturgies will receive suitable compensation as stipulated by diocesan guidelines.

### **381 (MOD)**

1. The distribution of Mass stipends on the occasion of marriages and funerals is determined by diocesan guidelines.
2. A stipend greater than the amount fixed by diocesan guidelines may not be requested or exacted.
3. The stipend indicated for the celebrant by diocesan guidelines must be given to the priest without any for any reason whatsoever.

### **387**

1. Upon taking office, pastors and other administrators of ecclesiastical property must draw up an accurate inventory of the goods committed to their care, that is, of all property, movable or immovable, with a description and evaluation of each item.
2. In addition to the inventory of his own personal possessions, the pastor must submit an inventory of all personal possessions kept in the rectory by his assistants and domestics.
3. One copy of these inventories is to be kept in the parish archives, and another is to be filed in the Chancery, and any change must be noted each year in both copies.

### **389**

Neither the diocese nor any parish shall be liable for the personal debts contracted by any priest.

### **391**

The combination of the parish safe must be placed on file in the Chancery office.

### **384 (MOD)**

The annual diocesan assessments for the support of the diocesan offices and Catholic education are to be forwarded as stipulated by the Bishop.

### **410 (MOD)**

1. Whenever a pastor, administrator, or director of a diocesan institution receives notice that a bequest has been made to the parish or institution, he is to notify the Bishop immediately and refrain from signing any legal document concerning the bequest.
2. The same action is to be taken when a significant donation has been made for designated purposes or when these same persons have been named as a trustee for a pious cause.

### **396 (MOD)**

1. The by-laws for Parish Corporations within the Diocese of Providence are to be carefully followed in the matters of Bishop's authorization, parish trustees, auditors and both formal and special meetings of the parish corporation.
2. Written permission from the Bishop is required for a formal meeting of the corporation, and notification of a formal meeting should be forwarded to both the Bishop and the Vicar General. Such notification is identified as a "Call."
3. Whenever a meeting of the corporation is held, written notices must be sent beforehand to every member of the parish corporation.

**403 (MOD)**

1. By the date announced annually by the Office of the Secretary for Planning and Financial Services, all pastors and administrators are required to send to the Office a written financial report, using the appropriate form as so designated by the Secretary for Planning and Financial Services and signed by the pastor, trustees and auditors.
2. The pastor and other administrators are to render an account to the faithful concerning the administration of the goods offered by them to the church. This is to be done through an annual report to their people in accord with the norms determined by the Secretary for Planning and Financial Services under the approval of the Bishop.

**397 (MOD)**

A copy of the deed to all ecclesiastical property must be on file in the Chancery.

**398**

All debts must be paid as soon as possible after the legitimate presentation of the statement of the creditor.

**412, 413, 415, 419 & 420 (MOD)**

1. All collections taken up in church are to be regarded as the income of the parish, unless provision to the contrary has been made by the Bishop.
2. During the celebration of Mass, there should be no more than two collections.
3. When a collection for a particular purpose has been authorized by the Bishop, this collection must be taken up as a special collection.
  - a. Such a collection must be taken up on the day appointed and must be sent to the Chancery in the manner.
4. Collections for non-parochial purposes are not allowed in any parish without the written permission of the Bishop.
5. All collections are to be taken up by lay persons only.

**421**

1. Without the written authorization of the Bishop and the written permission of the local pastor, it is forbidden:
  - a. To collect for any pious case or for an institution whether at the door or the church, on church property or among the people.

- b. To canvass a parish for subscriptions to Catholic publications or to sell religious goods.
- 2. Those who participate in the Missionary Cooperative Plan of the Diocese should make early application to the Director of the Society for the Propagation of the Faith, Diocese of Providence.

#### **414**

In every parish, the Catholic Charity Fund Appeal will be conducted each year in the manner specified by the Bishop.

#### **407 (MOD)**

All employees of the parish must be given a just wage and receive benefits stipulated by diocesan guidelines.

#### **404 (MOD)**

In view of the Church's legitimate right to promote certain objective moral responses in the face of critical life-threatening issues of our day, and given the need for the Catholic Community of Rhode Island to demonstrate a consistency in its teachings and public witness with regard to these issues, and acknowledging the legal consequences of incorporation under the "Roman Catholic Bishop," approval for the use of parish or diocesan properties should **NOT** be given by the pastor or administrator when such use would serve either the purpose of political candidates espousing their own cause, or that of groups whose stated purpose is contrary to the ethical teachings of the Church.

- a. The prior approval of the Bishop is to be sought by the pastor or administrator when the use of parish or diocesan properties is requested by persons or groups representing interests that might be questionable.
- b. The written request for the Bishop's approval should identify the sponsoring organization(s), the proposed speaker(s), the topic(s), and program format; also list the date requested, time and place.



# Parish Finance Council

The Parish Finance Council is a consultative body of lay persons established to advise the Pastor in matters pertaining to the financial affairs of the parish. The relationship between the pastor and the council is one of support and collaboration. The authority of the pastor, as defined by Canon Law, to act and decide on behalf of the parish, is not lessened by the establishment of the Finance Council.

In fulfilling its responsibilities, the Parish Finance Council must be directed by the values of the Gospel as well as good business practices. Efficient and effective use, and management of parish resources must be measured as much by their contribution to the parish's mission and ministry as by commonly accepted business standards.

The remainder of this section provides guidelines relating to the structure and functions of the Finance Council.

## **STRUCTURE**

The Pastor should assemble a council to assist him to direct and monitor the financial affairs of the parish. The pastor should preside as president of the council.

The pastor may appoint a member to assist him in planning and coordinating the work of the council. The Finance Council shall also choose one of its members to be the recording secretary responsible for keeping minutes of the deliberations of the Finance Council.

The Finance Council should be, at least partially, comprised of individuals with backgrounds and/or knowledge of managing an institution's financial affairs. The following is a partial list of suggested occupations of members:

*Accountant*

*Management Executive*

*Pastoral Person*

*Purchasing Agent*

*Banker with Investment Experience*

*Human Resources/Personnel Executive*

*Lawyer*

*Engineer or Construction/Property Manager*

*Non Academic, Good Common Sense Person*

*Insurance Agent*

The following matters should be considered when determining membership of the Finance Council:

- Members of the Finance Council must be active members of the parish, knowledgeable in the scope of parish programs and services.
- The Finance Council shall have the number of members suitable for the population of the parish and shall consist of no less than five members and no more than nine members. The Finance Council must include the pastor/administrator, the parish accountant/bookkeeper and at least one trustee.
- The Finance Council shall not include persons related to the pastor or staff members (except accountant/bookkeeper) and auditors of the parish.
- Names and home addresses of Finance Council members are to be forwarded to the Office of the Secretary for Planning and Financial Services.
- Members of the Finance Council are to be named for a five-year term, which can be renewed. All five year term dates, even though sometimes staggered, start at an initial date set by the Norms for Parish Finance Councils in the Diocese of Providence.

Minutes of the meetings of the Finance Council should be prepared to outline the significant actions taken at each meeting. The minutes should be maintained by the Recording Secretary of the Council. A copy of all Finance Council Minutes should be kept on file at the parish.

The pastor has authority to decide and act on behalf of the parish. The Finance Council is advisory to the pastor and its decisions/recommendations are valid only when accepted and ratified by the pastor. It is important, therefore, that the pastor be central to the deliberations and the functioning of the Finance Council. The relationship between the council and the pastor is supportive and by no means adversarial.

Finally, if the pastor in good conscience feels he cannot accept the recommendations of the council, he shall fully and frankly communicate this reservation to the council's membership.

## **FUNCTIONS**

The Finance Council should meet at least quarterly, preferably monthly, to review the financial condition of the parish, including available cash funds, outstanding liabilities, actual vs. budgeted revenue and expenditures, and/or recently completed and future events or transactions affecting the finances of the parish. The ability of the council to review such information will depend greatly on financial information being available for Finance Council meetings. A timely and accurate financial report should be given to the Finance Council at each of their regular meetings. If a special meeting is scheduled for a non-financial designated purpose a financial report does not need to be prepared.

The Finance Council should **assist** the pastor in the following areas:

- Assist with the preparation of the parish's annual financial budget.
- Review of the monthly/quarterly financial reports and the parish's adherence to the approved budget.
- Assist with coordinating all fundraising activities with specific emphasis in the implementation of strong internal controls over such activities.
- Assist with providing guidance in the financial management of the parish (i.e., investment options, purchasing decisions, stewardship and giving issues, and personnel matters).
- Assist in the area of facilities management (i.e., preventive maintenance, compliance with inspection reports, and capital expenditures).
- Assist with the implementation and maintenance of a solid system of internal financial controls.
- Provide guidance to insure the parish meets all requirements of federal and state tax laws and maintains an accurate record of related reporting and payments.
- Provide direction to insure the safeguarding of parish assets from loss or damage through cooperation and consultation with the Building Commission and Insurance Risk Manager.
- Assist with implementing all diocesan policies relative to financial matters.
- Assist with developing and adhering to long-range financial and administrative planning efforts for the parish.
- Assist with developing a capitalization policy as well as the proper recording of capital expenditures and related depreciation expense in the accounting records of the parish.

Designated members of the Finance Council should evaluate the results of the review of the parish's annual report, performed by the parish's Auditors, before being presented to the Finance Council for final approval. Based upon the results of this review, the Finance Council should consider the need to have the Annual Report reviewed or audited by an outside/independent accountant. The decision to seek an independent review would be necessary should the parish Auditors identify unresolved variances or fluctuations in the parish's financial records. The Secretary for Planning and Financial Services should be notified of any such decision prior to a review or audit being arranged.

As noted above, the Finance Council must review the results of the parish Auditors' review and approve the parish's Annual Report before the report is submitted to the Diocesan Fiscal Office (see **Exhibit 1** for the **Auditor Checklist**). The Finance Council should review and assure that a Financial Report is issued each year to the parishioners and properly discussed one weekend a year. See **Exhibits 21 and 22** for examples of **Parishioner Reports**.

# Appointment of Trustees

## I. The Parish As A Corporation

Each Parish of the Diocese is a five-member corporation. The members of the Corporation are as follows:

*President*                      *Most Reverend Bishop*

*Vice President*              *Vicar General*

*Treasurer*                    *Pastor*

*Two Lay Trustees*

The Secretary of the corporation is elected annually and may be the Pastor or one of the Lay Trustees.

## II. Recommendations Regarding The Appointment Of Lay Trustees

### 1. Annual Nomination and Appointment

Lay Trustees are appointed on an **annual** basis. The procedure of appointment is that the Pastor nominates the Trustees annually and the Bishop appoints the Trustees. Only the Pastor may nominate and only the Bishop may appoint. The Parish and Finance Councils may be consulted for nominations for Trustees, but do not have the authority to either nominate or elect. The same person may **not** act as both an Auditor and Trustee.

### 2. One Year Term of Office

Trustees do not serve terms of office; e.g., two years, three years, four years. Trustees serve on a one-year basis. No Trustee should be informed that she/he is serving a term beyond one year.

### 3. Consecutive Annual Appointments

For the sake of continuity, a Trustee may serve additional one-year terms. The suggested number of consecutive annual appointments is not more than ten.

#### **4. Nomination of Trustees**

Trustees should not be changed arbitrarily. In the event that a Pastor recommends that a Trustee be changed, the Pastor must indicate in writing to the Most Reverend Bishop the reason for the change.

#### **5. Qualifications for Trustees**

Refer to Parish By-Laws (**Exhibit 9**)

### **CHURCH OFFICERS - ADDITIONAL GUIDELINES**

Per the Diocese of Providence's Parish By Laws, three members of the corporation (parish) constitute a quorum for the transaction of its business, provided that one member of the quorum is a layman. It is presumed that the lay trustees shall receive no compensation and, as such, are volunteers, (see below for further discussion). The trustees shall continue in service until their successors are appointed. They shall not be removed during their terms except for a serious reason which the Pastor and/or Trustee must indicate in writing to the Bishop.

The Rules and By-Laws along with the general provisions of Canon Law state that only the Most Reverend Bishop may appoint pastors and assistants. Lay members are obliged to accept the Most Reverend Bishop's decisions on these appointments. For reasons stated below, the laymen (both as members and as trustees) have neither authority nor liability for misconduct connected with clerical responsibilities.

The lay members are to exercise independent judgment with respect to the management of all secular matters. They must defer to the judgment of the ex-officio members in matters relating to "the doctrine, discipline and ritual of the Roman Catholic Church." Lay members have the right to be frank, and should be given complete disclosure of all material facts, including financial data, in exercising independent judgment.

Each Trustee is to receive separate written notice (Call) of a Corporation Meeting. Trustees must be the subject of notice for all meetings as specified in the by-laws. This notice can be made through the Call. A meeting may be convened without the required notice, provided that the parties entitled to notice submit written waiver of such notice. Nonetheless, a lay member objecting to the proposed business of a corporation meeting could insist upon the minimum ten-day notice.

As mentioned above, lay trustees are presumed to receive no compensation and, as such, are volunteers. Volunteers are partially exempt from liability. Section 7-6-9 of the RI Nonprofit Act provides that no volunteer trustee "shall be liable to any person based solely in his or her conduct in the execution of such office or duty unless the conduct of such trustee with respect to the person asserting such liability constitutes a malicious, willful or wanton misconduct." In other words, mere negligence in carrying out duties as corporation members or as trustees is insufficient to support a finding of liability.

Section 7-6-6 of the RI Nonprofit Act provides for indemnification of parish trustees, both lay and clerical. A corporation may indemnify any person with respect to his liability as a trustee or corporation member provided he conducts himself in good faith, reasonably believes that his conduct is in the best interest of the corporation and certainly not opposed to its best interest, and that he has reasonable cause to believe that his conduct was not criminal. Another section states that a trustee "...who has been wholly successful, on the merits or otherwise, in the defense of any proceedings... shall be indemnified against reasonable expenses...". This second indemnification provision is mandatory. The distinction between the two sections appears to be that, under the first, the defense need not be wholly successful; under the second, it must be wholly successful.

The practical consequences of these provisions of the RI Nonprofit Act are that lay trustees ought not to be held legally liable for any claims, including claims arising from misconduct by employees or agents of the parish corporations, unless the lay trustees have been wanton or willfully negligent. Like all citizens, the laymen are obligated to report violations of criminal law. Also, it is expected that lay trustees would report any perceived malfeasance or misfeasance to the Secretary for Planning and Financial Services. In addition, on May 21, 1998 a document entitled "Guidelines for Pastors, Parish Administrators, School Principals and Agency Directors and Their Employees Who Suspect Possible Embezzlement or Other Financial Wrongdoings" was issued (see "Embezzlement" section, **Page 46**). This document was prepared as a follow up to the U.S. Bishops' recent study and paper entitled "A Framework for Diocesan Internal Controls."

Trustees of a parish are important in order to have an effective secular management. A trustee needs to be sympathetic but also firm, they must care deeply for the parish so that the appropriate message is sent to its parishioners. The trustee must be a person of stature, and must be perceived as having a concern for their reputation. This will give credibility to the parishioners. A trustee must contribute money if they can afford to, as well as ideas, advice, and critical judgment. The trustee must see that the will to manage is exercised, and that secular management principles are actually applied. They must be prepared and willing to be discerning and perhaps answer awkward questions from parishioners. They may need to challenge to be effective stewards in a way that other parishioners may consider inappropriate. The trustee has the responsibility of maintaining a proper balance among the interests of clergy, staff and parishioners.

## **RECOMMENDATIONS REGARDING DUTIES OF TRUSTEES**

- Refer to Parish By-Laws (**Exhibit 9**)
- Refer to Parish Activities requiring a formal vote of the corporation (**Exhibit 8**).
- The trustee shall be kept informed on the parish's performance in all secular areas.
- Since all management responsibilities concerning secular activities are shared by all trustees, lay trustees have the right to vote upon secular activities which the Pastor deems necessary after consultation with the lay trustees. These include the

adoption of personnel, financial and accounting policies, and the use of parish property.

- To the extent that uniform policies are promoted within the diocese, the trustees should consider and, if deemed appropriate, adopt resolutions approving such policies.
- Regular monthly, or at the minimum quarterly, meetings held by the Parish Finance Council; present legislation requires only one Trustee serve on the Finance Council.
- The Trustee must keep the pastor aware of all important happenings of the parish affairs when the pastor is unable to attend meetings or if meetings commence without participation of the pastor.
- The Trustee must be cognizant of the administrative staff to insure they are competent, motivated individuals.
- The Trustee must review, approve and sign the Annual Parish Finance Report.
- The Trustee must be in attendance at the annual corporation meeting.
- The Trustee shall verify to insure that all required RI State reports are appropriately completed and filed.
- When applicable, the Trustee must vote on required banking resolutions (i.e. change in authorized signature on parish accounts).
- The Trustee must assist with developing policies and monitoring results and devising long term strategies to insure the financial stability of the parish.
- If applicable, the Trustee will assist with developing strategies to accelerate repayment of parish debt.
- The Trustee will assist with developing policies to insure maintenance of parish facilities.
- The Trustee will assist with developing policies that produce proper insurance risk management control for protection of parish buildings and properties and to minimize liability insurance claims.

## Parish Auditors

Parish by-laws stipulate that "two adult members of the parish, active in parish life, in good standing, and having prudence and upright character, and skilled in business affairs and in accounting shall be chosen each year by the Pastor or Administrator of the parish, and approved by the Most Reverend Bishop and by the Vicar General to act as auditors of the parish to examine and approve the annual financial report. **The same person may not act as both auditor and as trustee.** Neither the trustees nor the auditors may be changed without first having obtained permission of the Most Reverend Bishop and of the Vicar General." Parish auditors should **not** be members of the Finance Council nor should they attend Finance Council Meetings in order to avoid any question of conflict of interest in the deliberations of the Council.

Prior to the approval of the parish's Annual Report by the pastor, lay trustees and finance council, the parish auditors should perform a detailed review of the report utilizing the checklist provided in **Exhibit 1**. Problems noted should be brought to the immediate attention of the pastor and finance council and should be resolved to a satisfactory resolution. Upon completion of their review, the parish auditors must sign the Annual Report, as provided, to indicate they are satisfied with the complete and accurate preparation of the report.

If the auditors, after consultation, disagree with the Annual Report, they are to advise the Secretary for Planning and Financial Services; the grounds thereof should be communicated in writing.



# Bank Accounts

The increasing financial pressures facing today's parishes require that control over cash balances, receipts and disbursements be maintained. Cash management is a tool to improve the liquidity necessary to meet a parish's day-to-day financial needs as well as a way to maximize the return on investment of parish cash reserves. This section provides guidelines relating to the proper accounting and control over cash balances.

## SEGREGATION OF DUTIES

When addressing the area of cash, all control conscious institutions focus greatly on having an adequate “Segregation of Duties” in place.

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

- **Authorization:** The pastor/administrator has the final responsibility of committing parish resources; he should be the only authorized signer on all parish bank accounts.
- **Custodial:** Parish funds should be maintained in adequately protected bank accounts and limited individuals should have access to cash and cash equivalents (i.e., blank checks).
- **Recording:** Transactions should be recorded by a competent accountant/bookkeeper.
- **Reconciliation:** Reconciliation of account balances should be performed by the accountant/bookkeeper and reviewed and initialed by the pastor/administrator or by a competent member of the Finance Council.

## BANK ACCOUNTS

Each parish should maintain only one checking account from which all check disbursements are to be made unless the need for an additional account is mandated by law (i.e. bingo, games of chance, etc.). The U.S. Conference of Catholic Bishops (USCCB) Committee on Budget and Finance, in their document, Diocesan Internal Controls: A Framework state in their Cash Management Cycle section that “The number of bank accounts should be strictly limited to those absolutely required. Obviously, the fewer accounts, the greater the control and the smaller the opportunity for errors or wrongdoing.” They further state that “All accounts should be opened in the name of the entity, never an individual. The mailing address should not be a private residence...”

In those rare, unusual circumstances where the parish may have more than one checking or savings account, the Pastor should be the authorized signer on all accounts and these accounts should be included in the financial reports of the parish. This holds true for any of the fundraising committees or other parish groups operating in the parish name or utilizing the parish Federal and/or State ID number. Furthermore, all related receipt and disbursement activity should be entered in detail in the parish accounting records. All related accounts should be reconciled regularly and all related records should be kept on the parish premises.

The parish may also maintain a separate checking account for St. Vincent de Paul activities provided the Society is not a separate corporation. Parish St. Vincent de Paul accounts should utilize the parish federal identification number. Cash balances, as well as related revenue and expenditures, should be included in the parish financial accounting records and annual financial report. As with all other cash accounts, the pastor must be the authorized signer on the St. Vincent de Paul account. Additionally, the pastor may use his discretion as to the manner in which St. Vincent de Paul funds are disbursed.

Parishes are not to maintain accounts outside of the State of Rhode Island unless authorized by the Secretary for Planning and Financial Services.

Each parish should utilize government-insured, interest-bearing accounts/instruments to maximize the earning power of available cash balances. The following is a partial list of allowable investment instruments:

- Certificates of Deposit
- U.S. Government Instruments
- State Government/Municipal Instruments
- Money Market Funds
- Government Agency Instruments
- See also the *Parish Investment Policy* for additional investment options (**Page 20**).

All cash accounts and investments must be listed on the annual report.

The parish may improve the management of cash balances by making deposits directly to an interest bearing account with periodic transfers to the parishes' checking account to cover planned disbursements. (**Note:** The need to transfer funds could be eliminated if an interest-bearing checking account were obtained.)

**Important:** As of September 20, 2000 Bishop Mulvey approved a *New Parish Investment Policy*. See **Page 20** for the guidelines established in order for a parish to utilize the new policy. For parishes who do not meet the guidelines, the parish should utilize government-insured instruments as noted above. This policy will be revisited every one to two years in the hope of easing Item Number 2 of the *Parish Investment Policy*.

## **SAVINGS AND CERTIFICATES OF DEPOSIT IN FINANCIAL INSTITUTIONS**

Parishes with cash reserves should not have more than \$100,000 of total deposits in one bank. Also, the financial institution should be F.D.I.C. or N.C.U.A. insured.

## **BANK RECONCILIATIONS**

The pastor should be the first person to receive the unopened bank statements and review deposit activity and canceled checks for obvious inconsistencies prior to forwarding the statements to the individual responsible for the preparation of the bank reconciliations.

The parish checking account should be reconciled monthly to the general ledger and/or checkbook.

The reconciliation process should be adequately documented. Most computerized accounting programs employ features that permit the user to easily reconcile the monthly bank statement. The user may then print a detailed bank reconciliation to keep on file. For those parishes who maintain a manual set of accounting records, the back of most bank statements provides an acceptable format for reconciling the account(s).

Once completed, the bank reconciliation should be forwarded to the pastor or a competent finance council member for review and approval. Once initialed by the reviewer, the reconciliation may be filed.

# PARISH INVESTMENT POLICY

PARISH INVESTMENT GROUP, INC.  
(ESTABLISHED DECEMBER, 2000)

*The following are guidelines for a parish to be eligible to participate in the PARISH INVESTMENT FUND:*

1. Parishes will be able to invest in equity investments through a separate corporation, established by the Church of Providence, which will be established to protect and account for parish funds on a parish-by-parish basis. The Parish Investment Group, Inc. will participate and mirror investment vehicles utilized by other investment funds in the Catholic Investment Trust and will be reviewed on a quarterly basis by our Investment Advisory Committee in the same manner as our current investment portfolios. The investment mix for this corporation, identical to the Catholic Investment Trust, is presently 65% equities and 35% bonds.
2. To be eligible a parish must first have cash reserves invested in the Inter-parish Loan Fund equal to one year's amount of their previous year's operating expenditures. (See exception listed in #6 below)
3. Earnings on the funds in the Inter-parish Loan Fund are not subject to the parish and school assessment tax.
4. Funds invested in the new parish investment corporation will be subject to parish and school assessment tax. Both interest and dividend income, as well as realized gains on investments, will be considered assessable income.
5. Quarterly interest checks will continue to be issued from the Inter-parish Loan Fund. With respect to the new parish investment fund, a quarterly report will be issued to each parish and a yearly distribution check will be forwarded to the respective parish. The distribution check may be reinvested if desired by the parish.
6. The Stewardship and Development Office will continue to promote the establishment of permanent endowment funds for parishes with significant reserves. These funds will become part of the Catholic Foundation and will not be subject to the parish and school assessment tax. If a parish chooses to invest directly into a permanent endowment fund and/or receives a gift that is permanently restricted, they are not required to meet the guidelines established in item 2) above.
7. If a parish does not elect to invest within the parameters above, they will adhere to the current policy of investment vehicles (cf. **Page 18** in the Accounting and Internal Control Procedures Manual for the Church of Providence.) As part of the ongoing parish reviews conducted by the Parish Financial Assistance Office, adherence to this policy will be monitored.
8. Note: One concern which arose from input received from the Diocesan Investment Advisory Committee was that not all parishes could participate in equity markets due to the restrictions set by item 2) above. This criteria was established to keep the integrity of the Inter-parish Loan Fund intact. This policy continues to be reviewed. Consideration should be given to those parishes that are unable to meet the requirements of item #2 but wish to invest in the equity markets.

# Cash Receipts

This section provides guidelines for recording and safeguarding parish cash receipts.

## COLLECTIONS/OFFERTORY

For parishes where the basket is passed during the offertory, there should be at least two collectors at each Mass. Once the collection has been completed, the funds should be combined and sealed in a pre-numbered tamper-evident bag in the presence of at least two people. The sealed bag should then be brought by two individuals to the counting team for counting, preparation of the tally sheet and deposit slip, and for making the bank deposit. The following paragraphs offer specific details on how each of the above items should be completed. These guidelines are designed to insure strong internal controls over cash receipts.

## TAMPER-EVIDENT BAGS

**Diocesan Guidelines mandate the use of tamper-evident bags. When utilizing this method, a pre-numbered bag is assigned for each collection with a designated individual responsible for the bag (via signature on a control sheet). All offertory money, once collected, is emptied into the bag and sealed in the presence of at least two individuals. Once secured, the bag(s) are brought to a secure location until such time as they are opened by the counting team where the team verifies the bag number to the bag number issued and verifies that the bag has not been tampered with. It is important to note that Catholic Mutual will not cover losses related to collections in those parishes where tamper-evident bags are not properly used.**

Weekly collections should be counted by no less than two parishioners and should be counted after each Mass, but no later than the following Monday morning. These parishioners should supervise the actual offertory collection and take possession of the offertory immediately after Mass or after collection if offertory is not placed at the altar. The use of multiple counting teams, consisting of at least two unrelated individuals which rotate weekly is strongly recommended. In order to insure strong internal controls at the parish (as outlined at the introduction of this manual), individuals appointed/selected to count collections should be independent of the accounting/bookkeeping process. Once the collections are brought to the counting team, the team should verify the tamper-evident bag number to insure it agrees with the number of the bag issued; the bag should also show no evidence of having been opened.

All checks received by the parish should be restrictively endorsed immediately upon receipt to prevent the unauthorized cashing of such checks (e.g. "*for deposit only*" to the parish's account). Published bank guidelines require the endorsement to be placed in the top one and one-half inches of the back of the check.

The counting of collections should be documented using a tally sheet (see **Exhibit 2B**). A separate tally sheet should be prepared for each individual Mass collection (i.e. weekly collection, special collection, national collection, etc.) and should include a breakdown of receipts.

A re-verification of the count should be performed by the parishioners responsible for the count. **The tally sheet should be signed by the counting team.**

The parishioners responsible for counting the collections should prepare the deposit form (see **Exhibit 2A**) and deposit slip(s), in duplicate, for each Mass immediately after the count is completed. The original deposit slip goes to the bank with the deposit and a copy to the bookkeeper for recording the deposit. **Exhibit 2A** becomes a summary of tally sheet(s) (**Exhibit 2B**) for each Mass.

After counting, the collection should be kept in a locked bank bag or tamper evident bag for deposit.

The deposit form, tally sheet(s), and deposit slip(s) are attached together and given to the pastor/clergy to be forwarded to the parish's bookkeeper.

Parishioner contribution records should be completed promptly. The amount of the offering should be indicated on outside of envelope during counting to facilitate updating of contribution records. Loose Checks should be listed individually for subsequent posting to parishioner's statements.

## **DEPOSITS**

All cash and checks collected should be included for deposit (i.e. under no circumstances should funds be disbursed directly from the collections). The depositing of collections and miscellaneous receipts should be made as follows:

- **Offertory Collections**
  - **Weekday Collection** - Immediately after Mass; no later than next morning.
  - **Weekend Collection** - Immediately after last Mass on Sunday, but no later than the following Monday.
- **Miscellaneous Receipts** - Immediately after receipt; no later than next morning.

**Notice:** If cash is received during the week, the funds should be counted in front of the donor and a pre-numbered, duplicate copy, cash receipt book should be utilized; a copy should be given to the donor.

**Important:** Monies not immediately deposited should be adequately safeguarded. The use of a safe or locked file cabinet is strongly suggested. Additionally, there should be a very limited number of individuals who have access to the parish safe combination as well as other mechanisms used for securing parish resources.

Each individual deposit should be supported by a deposit form (see **Exhibit 2A**) and validated deposit slip. The deposit form in **Exhibit 2A** should also be used to document the transfer of funds between bank accounts.

Two individuals should be responsible for depositing all cash receipts, particularly for parishes making "**night**" deposits on Saturday, Sunday or after weekday banking hours.

The actual time of depositing weekend collections at the bank should be varied/changed periodically to avoid an observable routine.

Parishes with significant weekend collection deposits should consider utilizing collection services which negate the need for the pastor and/or parishioners to transport the collections to the bank.

Validated deposit slips should be retained and returned to the parish bookkeeper to support the recording of receipt activity in the parish's financial records.

## **RECORDING**

All cash receipts' activity must be recorded in the parish's cash receipts' journals/accounting system in a timely manner, preferably daily, at least weekly, to ensure the accuracy of interim and year end financial data. Prior to recording cash receipts, the parish bookkeeper should agree totals from the validated bank deposit slips to the totals of the tally sheet(s) (**Exhibit 2B**)

## **PARISHIONERS' STATEMENTS**

A record of each parishioner's contribution should be kept by someone not having responsibility for counting collections or handling mail receipts.

Statements should be pre-printed with the following confirmation request: *"This statement is for your records. Please examine it carefully. If it does not agree with your records, please communicate directly to the Pastor."* These statements should be mailed at least annually to parishioners.

The total of the weekly postings to the parishioners' accounts should be agreed to the budget income totals on the weekly tally sheets (**Exhibit 2B**).

## **MASS STIPENDS AND RELATED OFFERINGS**

Mass stipends, memorials and related offerings should be deposited directly to the parish's bank account using the deposit form (**Exhibit 2A**).

## **NATIONAL AND DIOCESAN COLLECTIONS**

Receipts of National and Diocesan Collections should be identified separately on the weekly tally sheet and should be remitted to the Diocesan Fiscal Office within 30 days after the collection is taken. The amount remitted should equal the amount reflected on the supporting tally sheet.

For approved special second collections (i.e. visiting missionaries, Little Flower Home, etc.), the collection is to be deposited into the parish checking account and a check should be issued promptly to the particular agency.

## Cash Disbursements

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

The check signing authority is to rest **only** with the pastor or Parish Administrator.

All disbursements should be approved by the pastor; and the pastor (or a designated member of the finance council) should periodically review the distribution of expenses to account classifications and, if applicable, the allocation between church and school records.

The use of a rubber signature stamp is not encouraged and should be restricted to a designated individual only when the pastor is away for an extended period. Its use should be monitored. If a rubber signature stamp is used, the stamp should remain in a locked, secure location at all times, accessible only to the pastor.

Blank checks should **never** be pre-signed.

Clergy should be paid stipends by check to facilitate the required Form 1099 reporting.

The use of parish credit cards is also not encouraged. However, like the rubber signature stamp if utilized, there should be only one printed card and should remain in the pastor's custody at all times. Debit cards should not be used at the parish; rather, all disbursements for expenses should be made by check.

Expenditures that exceed \$2,500 (except for utilities, diocesan obligations, clergy/religious compensation, and payroll expenses) should be reported to the Finance Council at their next meeting.

Expenditures expected to exceed \$25,000 require prior approval from the Most Reverend Bishop.

All parish disbursements should be made by check except if from petty cash. Under no circumstances should disbursements be made from undeposited funds.

All check disbursements should be made out to a specific party. Under no circumstances should a check be made out to "Cash."

All withdrawals from savings accounts/instruments must be deposited first in the parish's checking account before disbursal.



Cash disbursement activity should be recorded in the parish's financial records at least weekly, preferably daily. The disbursement should be recorded to the appropriate general ledger account.

All disbursements must be supported by appropriate documentation (i.e. invoices and receipts).

The disbursement of Christmas bonuses is under the discretion of the pastor and should be reported to the Finance Council for their input (See **Exhibit 23** for guidelines to follow).

**Note:** St. Vincent de Paul organizations that utilize a Parish Federal ID Number must account for all cash receipts and expenditures through the parish bank accounts. (See also “Bank Accounts” section for additional notes related to parish St. Vincent de Paul activities.)

### **PETTY CASH FUND**

A petty cash fund should not be maintained at a level above \$100.

Petty cash disbursements should not individually exceed \$25; large disbursements should be made by check.

Petty cash disbursements should be supported by a purchase receipt or petty cash voucher that should be initialed by the custodian of the petty cash fund.

Access to the petty cash fund should be restricted to no more than two individuals at any one time (i.e. the pastor and the custodian, if not the pastor).

Replenishment of the petty cash fund should be done on an as-needed basis, at least monthly, but never above the predetermined level (not to exceed \$100).

Replenishment of the petty cash fund should be done by check in the name of the church Petty Cash Fund.

## Accounts Payable

Recording and monitoring parish obligation is critical to ensure that a complete and proper recognition of parish expenses occurs and that a proper matching of expenses with revenue takes place in each accounting cycle. For this reason, each parish should employ the accrual method of accounting. (Refer to the opening paragraphs of the Financial Reporting and Budgeting Section on page **27** of this manual for a discussion of the accrual method of accounting.) This section provides guidelines to improve the accounting practices for recording and reporting parish obligations.

- All bills should be recorded as payables when they are received unless they are paid on the same day they are received.
- Items, quantities, and prices on bills should be matched with purchase orders if applicable. The delivery of goods or services should be verified before authorizing payment.
- The timing of payment of vendor bills should be based on 1) taking advantage of purchase discounts, 2) the terms of payment, and 3) the availability of funds.
- Each month or quarter, a detailed listing of unpaid bills should be prepared for the Finance Council's review. The total of the unpaid bills list should coincide with the total listed on the Balance Sheet supplied to the Finance Council.
- When selected for payment, bills should be canceled via the use of a "paid" stamp. The bookkeeper should also document the date paid and respective check number on the invoice. The invoice and related check should then be forwarded to the pastor for check signing.
- Once paid, invoices should be filed separately in alphabetical order by fiscal year.

# Financial Reporting and Budgeting

There are two general methods of recording transactions. One is the cash basis, the other the accrual basis. The following is a brief description of each basis of accounting:

- The **Cash Basis** is the basis of recording transactions at the time cash is either received or disbursed.
- The **Accrual Basis** is the basis of recording transactions when the activity or benefit accrues, that is when the goods are used or the services are performed regardless of when the cash payment or receipt is made.

Parishes in the Diocese of Providence should employ the accrual method of accounting. Accrual basis financial statements should be prepared on a monthly, quarterly and annual basis for preparation of the parish annual report. For parishes with computerized accounting programs, bills should be entered in the system as received to ensure that daily activity is being properly recorded on the accrual basis.

The rest of this section provides guidelines to improve the financial reporting and budgeting process of the parish.

## FINANCIAL RECORD KEEPING

Each parish's chart of accounts should conform to the account identification system recommended by the Diocesan Fiscal Office. Journals of original entry should include: (1) general journal or account summary journal; (2) cash receipts' journal; and (3) cash disbursements' journal.

The parish's bookkeeping responsibilities should be performed by a person with a proven ability to maintain financial records. The pastor's primary responsibility will be to review and approve financial activity; the pastor should not perform record keeping functions.

For parishes using a manual accounting system, the totals from the cash receipts' and cash disbursements' journals should be posted to the general ledger on a monthly basis. For parishes utilizing the QuickBooks or Macola software packages, this process is automatically done by the accounting program.

Accounting records and source documentation are to be kept on the parish premises at all times. In addition, the bookkeeping function is to be performed at the Parish. All records are the property of the parish corporation.

## REPORTING

The annual report should conform to the format established by the Diocese's Fiscal Office. Blank forms may be obtained for the parish corporation, parish cemetery and parish school; many of these forms are available online on the Diocesan Bulletin Board at <http://web.dioceseofprovidence.org>. The Diocesan Fiscal Office also accepts QuickBooks/Macola produced financial reports provided the standard chart of accounts is used. The Diocesan Office for Parish Financial Assistance will assist the parish in establishing/downloading on to the parish computer a standard chart of accounts; no

modifications are to be made to these accounts. Updates to the standard chart of accounts are done by the Fiscal Office, approved by the Secretary for Planning and Financial Services and then made available to the parishes. No parish is to add/delete accounts without prior written approval from the Secretary for Planning and Financial Services.

The annual report should be accompanied by a schedule to reconcile parish residual account (see **Exhibit 3** for format).

In addition to the above, quarterly interim financial reports prepared under the accrual basis of accounting, including, at a minimum, a balance sheet and detailed statement of revenue and expenditures, should be prepared from Quickbooks, or the account summary journal for those parishes with a manual set of accounting records. (**Note:** Parishes which have their finance council meet on a monthly basis may wish to have monthly financial statements available for review.)

The detailed statement of revenues and expenditures should be presented with comparative budgeted figures.

Each parish must file the Rhode Island Annual Report Form with the Secretary of the State's Office to maintain its Charter. This report must be submitted by June 30th of each year, see **Exhibit 24**. Yearly each parish should also file an Annual Financial Report for the parishioners. See **Exhibits 21 and 22** for examples.

## **BUDGETING**

The pastor and parish bookkeeper/accountant, with the assistance of the finance council, should prepare a financial budget prior to the commencement of each fiscal year. Ideally, the final budget should be complete by May 31st. The annual financial budget should conform to the format established by the Diocesan Fiscal Office. Blank forms can be obtained for the parish corporation, parish cemetery, and parish school. As noted earlier, all of these forms may be obtained by visiting the Diocesan Bulletin Board at <http://web.dioceseofprovidence.org>, under *Fiscal Office*. Also available on the Bulletin Board, are other budget materials to simplify and expedite the annual budget process. As with the Annual Financial Report of the Parish Corporation, the Parish may submit their Budget through the QuickBooks/Macola software provided the standard chart of accounts is used (refer to "Reporting" Section above).

The budget preparation process should focus on three areas: revenues, operating expenditures, and capital expenditures. A line item budget should be prepared for each cost center of the parish detailing specific sources of revenue and uses for expenditures. Refer to the Diocesan Controller's annual memorandum (issued in February/March) for discussion on the preparation of a budget. Changes to the original fiscal year's budget should be reviewed by the finance committee; such changes and review should be adequately documented.

Each quarter a report should be prepared comparing budgeted amounts to actual amounts, particularly for revenues and operating expenditures. Any unexpected and/or significant fluctuations should be reviewed and resolved by the finance council. A formal budget vs. actual report should be prepared (annually) and announced to parishioners for public inspection. Another option is to provide a simplified version of the Annual Report of the Parish Corporation for inclusion with the bulletin.

# **PERSONNEL AND PAYROLL REPORTING GUIDELINES**

## **PERSONNEL**

Parishes are urged to adopt the Parish Lay Employee Manual recommended by the Diocesan Central Administration. The policies are consistent with Christian social teachings and have been designed so that employees are treated equitably; they have also been thoroughly reviewed by legal counsel. The formal adoption of the Diocese of Providence Parish Lay Personnel Policies requires a vote by the parish corporation. An agenda of the Parish Corporation Meeting must be prepared and submitted to the Bishop for his approval prior to the Parish Corporation Meeting and Vote. Once voted on, the results of the vote, as well as any other significant meeting details, should be documented in the Parish Corporation Minutes. The results of the vote should be communicated to the Bishop, Director of Human Resources, Controller and Secretary for Planning and Financial Services of the Diocese of Providence. Employees should complete (sign) a form as evidence they are in receipt of the Parish's Personnel Policies and Procedures Manual and understand it. This form should be kept in the employee's personnel file.

Parish schools are directed to follow and adhere to the guidelines in the Diocesan School Manual with respect to employees.

Parishes are directed to follow and adhere to the guidelines published by the Office of Religious Education, in conjunction with the Lay Personnel Policy Manual for Parish Employees, with respect to employees in parish operated religious education programs.

Parishes are urged to prepare written descriptions of job responsibilities and lines of authority to assure clear understanding of authority and responsibilities in various positions.

Parishes are expected to use reasonable care in selecting individuals for employment in various positions within the parish, in checking references and qualifications, and in monitoring and evaluating job performance.

All employees are required to complete the Lay Employee Communication Information Questionnaire at the time of hire for submission to the Fiscal Office for the Diocese of Providence.

In the event of any threatened or actual dispute between a parish and a person respecting employment, scope of responsibilities, advancement, termination, discipline, or failure to hire, the parish is to immediately notify the Diocesan Office of Human Resources.

## **PRIEST COMPENSATION**

Compensation paid to priests; specifically base stipend, vehicle insurance allowance; leadership allowance; elementary school leadership allowance; 50% reimbursed portion of Social Security Tax paid; supplemental municipality tax allowance; Medicare reimbursement allowance; and housing/food allowance, if applicable, should be in the amounts predetermined by diocesan policies.

## RELIGIOUS COMPENSATION

The base compensation amount is equal to that paid to a similarly qualified lay employee in an equivalent Church position. Religious Sisters or Brothers do not participate in lay benefit plans or programs, but whose Institutes/Orders are paid the benefit equivalency.

## DIOCESAN BENEFITS PROGRAM

All lay individuals who are considered employees of the parish and meet the eligibility requirements, are to be enrolled in the group and should receive available Diocesan benefits.

Diocesan Group Sponsored Benefit Programs are controlled by contract terms and conditions with group carriers. Eligibility requirements for these group programs are defined. Carriers may void coverage if employee has not met eligibility and is subsequently enrolled.

The Diocesan Fiscal Office must be notified of all terminations in order to maintain the Lay Employee Communication and Information System Database.

## PAYROLL REPORTING GUIDELINES

The proper recording and maintenance of payroll records is not only essential in determining the results of parish operations but also for federal and state tax purposes. The Internal Revenue Service (IRS) and state authorities require that records be maintained that reflect the remuneration paid to each employee performing service for the parish. They also require numerous reports relating to payroll that must be prepared and submitted in accordance with specified due dates. Information regarding employee sick days taken along with work related injuries would also be required for OSHA and RI Workers' Compensation Programs.

This section is intended to supplement the various forms and instructions provided by the taxing authorities and to show how the required information can be obtained from this system. The information required for filing tax returns can be readily compiled through the use of individual earnings records.

Any payroll system, whether internally prepared or processed by an outside payroll service, should provide, at a minimum:

- current period earnings, by employee
- quarterly and annual earnings, by employee
- current, quarterly, and annual totals for taxes withheld from all employees
- distribution of these expenditures to the appropriate accounts/cost centers
- accumulation of employee benefit obligations (i.e., tax shelter annuities, reimbursement accounts, health care benefits, etc.)
- 

The payment of wages in the form of **cash** is expressly **prohibited**. All wages/compensation will be paid by check only. In addition, all compensation paid to employees or contractors (see below) will be recorded in the financial records of the parish and will be reported via the proper government filing (i.e., Form W-2 or Form 1099). The Federal and State governments impose serious financial penalties for failure to comply with the guidelines stipulated in this section.

An employee is defined as *"anyone who performs services subject to the will and control of the employer both as to what shall be done and how it shall be done"* and receives remuneration for such services. The parish will generally employ three types of individuals: clergy, religious and lay employees. Generally, priest compensation is not subject to employer FICA tax, federal

unemployment tax, and federal and state withholding, as well as state unemployment and disability insurance in the State of Rhode Island. Lay employees, generally, will be subject to all such taxes except federal unemployment tax. Note that wages paid by religious organizations that are exempt from federal income taxes under Internal Revenue Code §501(c)(3) are not subject to the federal unemployment tax.

Generally, individuals who are **not** "*subject to the will and control of the employer both as to what shall be done and how it shall be done*" and receive remuneration for such services will be considered independent contractors. For example, parish priests generally are receiving compensation as independent contractors. However, IRS regulations require them to receive a Form W-2. Other employees, such as the parish organist or part-time housekeeper/janitor, should be treated as employees if they are subject to the will and control of the pastor. Compensation paid to an independent contractor, other than priests, is reported on Form 1099 explained later in this section. In addition, the parish is required to withhold and remit federal taxes equal to 20% of the amount earned if the independent contractor does not supply the parish with their federal identification number (a social security number for an individual).

**Note:** Self employed priests are entitled to receive one-half of the individual priest's total FICA tax paid on their most current tax return. This is to offset the double burden of social security taxes levied on priests.

Lay independent contractors are **not** eligible for Diocesan benefits.

The remaining portion of this section addresses the various federal and state-reporting and payment requirements applicable to each parish.

## **FEDERAL PAYROLL REQUIREMENTS**

**FRINGE BENEFITS – TAXABLE AND NON-TAXABLE** – *Employers Tax Guide to Fringe Benefits*-IRS Publication 15B, can be located at <http://www.irs.gov/publications/P15B>.

## **FEDERAL INCOME TAX WITHHOLDINGS**

All employers having employees subject to federal income tax withholding (or FICA withholding) must have an employer's federal identification number. Application is made on Federal Form SS-4.

An employer is obligated to withhold and remit federal income tax whenever wages are paid, actually or constructively.

An employer must ask each employee to file form W-4, ***Employees' Withholding Allowance Certificate*** indicating marital status and number of exemption allowances.

Wage-bracket withholding tables are available from the IRS.

The task of transmitting withheld taxes to the government is accomplished in essentially two ways. The tax may be either deposited periodically with an authorized depository (i.e., usually your local bank), or sent directly to the IRS.

Every employer required to withhold federal income tax must make payment to the government either monthly or quarterly depending upon the amount of taxes withheld during a monthly period.

**Monthly** - Employers who withhold \$50,000 or less of taxes (based on the previous fiscal year withholdings) must make monthly deposits by the 15th day of the following month.

**Semiweekly** - Employers withholding more than \$50,000 of taxes (based on the previous fiscal year withholdings) must deposit semiweekly. If the payday falls on a Wednesday, Thursday and/or Friday deposit taxes by the following Wednesday. If the payday falls on a Saturday, Sunday, Monday and/or Tuesday deposit taxes by the following Friday.

Every employer liable for Federal income tax must make a quarterly return with the IRS on Form 941 due by the last day of the month following the quarter. This can be located at <http://www.irs.gov/publications/P15A/>

## **SOCIAL SECURITY (FICA) TAX**

The Federal Insurance Contributions Act (FICA) imposes a tax on both the employer and employee.

The employers' duties for the FICA tax are twofold. First, the employer must withhold the employee portion from each payment of wages based on a flat percentage of taxable wages (see below). Employees who earn compensation of \$100 or more in a calendar year are subject to Social Security taxes. Second, the employer must pay the employer portion of the tax, the amount of which is the same as the amount withheld from employee wages.

The FICA tax rate has been increasing almost every year, as has the base of taxable wages. The FICA rate in effect for any given year can be obtained from *Circular E*, a federal publication issued to employers annually. This can be located at <http://www.irs.gov/publications/P15A/>

The guidelines for remitting the FICA tax to the IRS are similar to those used for federal income tax withholding described above.

Every employer liable for the FICA tax must make a quarterly return with the IRS on Form 941 due by the last day of the month following the quarter.

The following summarizes Social Security coverage:

- **Priests** - Generally, the clergy performing the services of the ministry are exempt from employer Social Security taxes. However, priests are subject to self-employment taxes.
- **Other** - Generally, all other parish employees are covered by the FICA tax.

## **FEDERAL UNEMPLOYMENT TAX ACT (FUTA)**

Generally, neither priests nor lay employees' wages are subject to the federal unemployment tax.

## **STATE OF RHODE ISLAND PAYROLL REQUIREMENTS**

### **STATE INCOME TAX WITHHOLDING**

#### **GENERAL INFORMATION**

An employer required to withhold RI income tax is generally any employer required to withhold Federal income tax under the provisions of the Internal Revenue Code.



Generally, a covered lay employee is any resident performing services within or outside Rhode Island, or any nonresident performing services in Rhode Island. Residents subject to the tax of another state will receive credit against their Rhode Island tax for the amount of tax paid to other states when they file their annual Rhode Island Income Tax Return.

Wage-bracket withholding tables are available from the RI Division of Taxation.

Employers are not required to register for state withholding purposes. For identification purposes, an employer should use their federal identification number.

## **RETURNS AND PAYMENT**

Every employer required to withhold state income tax must file returns and make payment to the Division of Taxation either quarter-monthly, quarterly, or annually depending upon the amount of taxes withheld during a monthly period.

***Quarter-Monthly Returns*** - If an employer withholds \$600 or more for a calendar month, they must report and remit the tax withheld on a quarter-monthly basis due 3 banking days after the last day of the quarter-monthly period. Quarter-monthly periods are the first 7 days of a month, the 8th through 15th day of the month, the 16th through the 22nd day of the month, and the 23rd through the last day of the month.

***Monthly Returns*** - If an employer withholds \$50 or more but less than \$600 during a month, they must report and remit the tax withheld for the entire month within 20 days of the following month except for March, June, September and December which are due by the last day of the following month.

***Quarterly Returns*** - An employer must report and remit the tax withheld for an entire quarter by the last day of the month following the end of the quarter if the employer withholds less than \$50 during a month.

***Annual Returns*** - If an employer does not pay wages sufficient to require withholding, they must file an annual return by January 31st following the end of the year. This return may accompany the transmittal of state copies of the W-2 forms.

On or before February 28th of each year, employers must file a RI reconciliation return (Form W-3-RI) showing a reconciliation of all returns and payments of income tax withheld with the total withheld per all individual W-2 forms.

**STATE OF RHODE ISLAND - OTHER TAXES** (refer to <http://www.uitax.ri.gov/>)

## **TEMPORARY DISABILITY INSURANCE**

Employers, who employ one or more individuals for some portion of a day during the year, are required to withhold the contribution of covered employees for the Disability Insurance Fund.

The withholding rate is communicated annually to all registered employers by the RI Department of Employment Security.

A contribution report on Form DES-TX-17 is due on the last day of the month following the close of each calendar quarter.

## UNEMPLOYMENT INSURANCE

Employers, who employ one or more individuals for some portion of a day during the year, are subject to the State Unemployment Tax Act (SUTA).

Parishes in the State of Rhode Island should utilize the "*Reimbursement Method*" to fulfill their obligation under the State Unemployment Tax Act. Under the reimbursement method a parish reimburses the State for actual benefits paid to terminated employees. Successful unemployment claims can be avoided by obtaining letters of resignation from any employee who voluntarily leaves. The reimbursement method could result in significant tax savings should no layoffs be projected for an upcoming calendar year. If a parish is not on the reimbursement method and deems this method beneficial, an election should be made with the Department of Employment Security before December 1st preceding the year for which the election will be effective. The "*contribution method*" should be considered if high layoffs and/or turnover is anticipated, and/or if the parish has a school it owns and operates.

For parishes on the reimbursement method, the state will bill the required amount due quarterly. For parishes on the contribution method, a contribution report on Form DES-TX-17 is due on the last day of the month following the close of each calendar quarter.

## FEDERAL AND STATE PAYROLL TAX RECORDS

The IRS requires the parish, as an employer, to maintain, for at least four years, the following payroll records:

- The name, address, and social security number of each current and former employee.
- The period of employment.
- The total amount and date of each payment or remuneration and the period of service covered by the payment.
- The amount of tax collected with respect to each payment and the date collected.
- The withholding exemption certificates (i.e., Form W-4 or W-4E) filed by each employee with the parish.
- The total amount paid to the employee during the calendar year.
- Copies of the payroll tax returns filed with the federal and state authorities, as well as the dates and amounts of the deposits made with the tax depositories.
- 

## FORM W-2

**IRS Instructions for Forms W-2 and W-3 can be located at**  
**<http://www.irs.gov/publications/irs-pdf/iw2w3.pdf>**

Employers must file Form W-2 for wages paid to each employee from whom (1) income, social security, or Medicare tax was withheld, or (2) income tax would have been withheld if the employee had claimed no more than one withholding allowance or had not claimed exemption from withholding on Form W-4, *Employee's Withholding Allowance Certificate*.

Also, every employer engaged in a trade or business who pays remuneration for services performed by an employee, including noncash payments, must furnish a Form W-2 to each employee even if the employee is related to the employer.

The statements, which also are used to report the amount of FICA tax withheld, must be furnished to the employee by January 31st of the year following the year to which the form relates. If an employee is terminated before the end of the year, the employer is still obligated to furnish the employee with a W-2 form.

**Clergy compensation (i.e., base stipend, vehicle insurance allowance, leadership allowance, elementary school leadership allowance, Mass stipends, Medicare reimbursement allowance, 50% reimbursed portion of Social Security tax, supplementary municipality tax allowance, and housing/food allowance) is subject to the filing requirements for Form W2.**

Copies of the Form W-2 must be submitted to the Social Security Administration with a transmittal form (Form W-3) by February 28th of the year following the year to which the form relates. The transmittal form summarizes total wages, taxable FICA wages, federal income tax withholdings, and FICA withholding of all Form W-2's transmitted.

Refer to the last paragraph of "*Returns and Payments*" in State of RI Income Tax section for state transmittal requirements.

### **FORM 1099's**

Every organization that makes payments of \$600 or more to independent contractors must file information returns on IRS Form 1099 for the payments made. Specifically, a 1099 is required for:

- Dividends or interest of \$10 or more.
- Compensation of \$600 or more to all independent contractors (except individuals who receive a W-2 form).
- Rents of \$600 or more.

Generally, you need not file a 1099 for payments for services, rents, etc., made to a corporation.

If you employ an independent contractor, the best approach is to request their Tax ID # before paying them, utilizing the IRS Form W-9 to obtain the ID#. (Note: If you are unable to obtain a tax ID #, you will be required to withhold 20% of the amount earned for federal taxes.)

You are liable for penalties if you fail to file 1099's, if you file incomplete 1099's, or if you file the forms late.

1099's are required to be filed with the IRS by February 28th and are required to be given to the recipient by January 31st.

Consult the Diocesan Controller if you have a special situation not addressed above.

### **I-9's**

Federal law requires employers to verify the employment eligibility within the United States of all new employees hired after November 6, 1986. In fulfilling this requirement, all employees hired after this date are required to complete Form I-9, Employment Eligibility Verification. This form is to be certified by the employer and retained by the employer for three years after hiring or one year after termination, whichever is later (go to [www.fedforms.gov](http://www.fedforms.gov) to download form I-9).

The filing of this form requires one or two (depending on type of identification) proofs of identity. Refer to form for specific requirements. Diocesan policy requires that copies of the proof(s) of identity be attached to the Form I-9.

## Fixed Assets

In addition to accounting for cash receipts and cash disbursements, a parish must account for the fixed assets used in its operations. Fixed assets, sometimes referred to as long-term assets, capital assets, or plant and equipment, represent assets that are generally held for several accounting periods. Examples of such assets include land, land improvements, building and related improvements, equipment, furniture, fixtures, vehicles, etc.

Proper accounting requires capitalization of items purchased that are expected to have an estimated useful life of greater than one year. The amount to be capitalized should be the total cost to acquire the asset. **Refer to Exhibit 4.**

Proper reporting requires the parishes to segregate the assets and liabilities that relate to the parish's physical plant (fixed assets) into separate balancing accounts collectively referred to as the Plant Fund. Specifically, the total cost of the parish's capital assets will be balanced with any related debt used to finance the asset acquisition plus the parish's equity in those assets. All of these balances will be presented in the Plant Fund section of the annual report.

Every parish must maintain permanent records of all fixed assets. Each asset record should detail the following information:

- asset description
- serial number
- purchase date
- vendor or party purchased from
- purchase price (cost only)
- physical location
- person responsible for asset
- general ledger account charges
- disposal date, when applicable

A fixed asset purchase requiring several disbursements to fully satisfy obligation need only be documented on one asset record. Refer to **Exhibit 4** for an example of an asset record.

As a general rule, an asset record should be established for all "asset" purchases even if charged to expense.

The consideration received for asset disposals should represent market price (fair market value) on the date of disposal.

## Depreciation of Fixed Assets

The Financial Accounting Standard Board (FASB) with the issuance of FASB-93 supersedes prior AICPA Statement of Position 78-10 rulings that Churches need not be depreciated. **Church buildings are to be depreciated along with other church corporation assets.** Depreciation of fixed assets are required in order for your financial statement to be in compliance with Generally Accepted Accounting Principles (GAAP). Procedures on "how to" would be covered in the *Diocese of Providence Fixed Asset and Depreciation Seminar Manual* provided through the Office of the Parish Financial Assistance Coordinator. To keep the depreciation method simple use "straight line" with 1/2 year in the first and last year. The following are general guidelines for estimated useful lives of various asset types:

- |                           |                |
|---------------------------|----------------|
| • Buildings               | 40 years       |
| • Building improvements   | 20 years       |
| • Land improvements       | 20 years       |
| • Equipment and furniture | 5, 7, 10 years |
| • Vehicles                | 5 years        |
| • Computer/software       | 3 years        |
| • Computer/hardware       | 3 years        |

Please note these depreciation years are not to be used for a "tax depreciation basis."

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## COMPLIANCE WITH IRS REGULATIONS REGARDING CHARITABLE GIFTS

Per IRS Regulations all not for profit 501(c)3 organizations need to provide donors who make gifts of \$250 or more with a donor acknowledgement letter, see **Exhibit 6**.

## DONATIONS OF NON-MONETARY ASSETS

Donations of securities, materials, and other non-monetary items received generally are recorded at fair value when received, if the organization has a clearly measurable and objective basis for determining the value. If values are not reasonably determinable, the donations are not recorded. A concerted effort should be made to value all significant donations. Refer to *Contributions/Donations* in General Practices section.

# REQUIREMENTS FOR PARISH CAPITAL PROJECTS

## Mission of the Diocesan Office of the Building Commission

The mission of the Office of the Building Commission is to provide advice, service and assistance to the parishes, schools, cemeteries and agencies of the Diocese for environmental, maintenance and construction projects. The Pastor should contact the Director of Facilities to initiate the utilization of the services of the Office of the Building Commission. The Office of the Building Commission will assist the Pastor in:

- a. selection of an Architect/Engineer or Contractor*
- b. methods and materials of construction*
- c. scope of work, bid packages and specifications*
- d. recommended list of qualified bidders*
- e. procedures for bid receipt, evaluation, review and award*
- f. administration of the contract*

### Standard Requirements for all Capital Projects:

- All contractors performing work on parish property or property owned by diocesan corporations must maintain a minimum coverage of liability of two million dollars (\$2,000,000), unless otherwise specified at the discretion of the Diocesan Facilities Director and Diocesan Insurance Representative. All architects and engineers providing design services must maintain a minimum coverage of liability of one million dollars (\$1,000,000). Insurance certificates must be submitted to the Parish, Office of the Building Commission and to Catholic Mutual Insurance prior to commencing work at the parish.
- All architectural/engineering service contracts must be reviewed by the Office of the Building Commission prior to signing.
- A minimum of 3 competitive bids from pre-qualified, insured contractors for all expenditures in excess of \$500 must be obtained. All projects with an estimated cost above \$25,000 are to have sealed bids sent directly to the Office of the Building Commission for coordination of evaluation, review and approval with the parish. Every effort will be made to accommodate the bid openings at the parish.

The drawings, specifications and scope of work for each request for bids are to be reviewed by the Office of the Building Commission prior to distribution.

The architect/engineer (if required) should prepare and issue the Request for Bids. In the event an architect/engineer is not required, the Parish can issue the Request for Bids. The Office of the Building Commission will provide guidance. Bids will be opened privately in the presence of the Pastor, parish representatives, architect/engineer and be a member of the Office of the Building Commission.

- Notification to the "Building Trades" of pending projects in excess of \$250,000 must take place as agreed upon. This notification will be communicated through the Office of the Building Commission.

- Prior to any construction, a licensed Asbestos Inspector must inspect all areas where work will take place. Contact the Office of the Building Commission for recommended consultants.
- All environmental projects regardless of the estimated value must be coordinated through the Office of the Building Commission. This would include roof renovations, floor covering replacement, and the traditional heating system renovations.

**Steps for the completion of a Minor Project:**

**Projects with an estimated cost of \$25,000 to \$100,000**

1. Any capital project in excess of \$25,000 must be referred to the Office of the Building Commission.
2. Conduct selection of architectural/engineering services. Note: Life Safety projects (fire alarm, sprinkler and code compliance) must be designed by a licensed engineering professional.
3. Complete bid process as outlined in standard procedures above.
4. The approval of the award of each bid contract is obtained by completing a ***Request for Parish Construction/Maintenance Project Form and Financial Review Form*** (see **Exhibits 25 and 26**) and submitted to the Director of Facilities for approval.
5. Upon approval by the Office of the Building Commission, the Vicar for Planning and Finance submits his recommendations for the ***Request for Parish Construction/Maintenance Project Form and Project Financial Form*** to the Bishop for his final approval.
6. The Bishop's decision and approval to call a meeting of the Parish Corporation to vote formal approval of the expenditure and project will be forwarded to the Pastor by the Vicar for Planning and Finance.
7. A formal vote of the Parish Corporation, and its approval to spend the proposed funds on this particular capital project must be obtained by a meeting and vote of the Parish Corporation.
8. Changes in the scope of work and payment requests from vendors should be reviewed and approved by the Office of the Building Commission prior to processing.

Upon completion of the project, the Pastor is to forward a written report to the Vicar for Planning and Finance with a copy to the Office of the Building Commission. This report should include the date of completion and total cost of the project and final project summary.

**Steps for the completion of a Major Project:**

**Projects with an estimated cost of \$100,000+**

1. The pastor should contact the Vicar for Planning and Finance for initial review of the project. The Vicar for Planning and Finance will then notify the Director of Facilities and Director of Stewardship and Development of the pending project in order to start initial meetings.
2. Conduct selection of architectural/engineering services.

3. The Parish will obtain a cost quote from the architect/engineer for services to complete schematic drawings and an estimated cost of the total project.
4. The Parish will obtain a cost quote from the fund-raising consultant that the parish has selected. See **Exhibit 27** for additional guidelines to follow in obtaining a fund-raising consultant.
5. Submit in writing to the Vicar for Planning and Finance to obtain his recommendation and to forward to the Office of the Bishop for his approval and authorization to engage both the architect and fund-raising consultant for a certain fixed amount of dollars.
6. Upon the Bishops approval, the parish is to call the Office of the Vicar for Planning and Finance to set up an appointment for you, your trustees, representative of the Finance Council and the architect/engineer to meet with the Parish Capital Evaluation Committee.
7. The Capital Evaluation Committee members need to receive the following items from you at least 7 days in advance. Please mail/deliver 12 copies to the Vicar for Planning and Finance Office for distribution to the Committee members:
  - Cover letter from the Pastor, summarizing the proposed project and funding plan.
  - Preliminary Request for Construction/Maintenance Project Form 101A (**Exhibit 25**) - this first draft of the form should not include the bidding information, it should include only the architect/engineer estimates of the total project costs.
  - Completion of Project Financial Form 101B (**Exhibit 26**).
  - Historical review, if pertinent, map of parish property, sketch of proposed project.
  - Case statement in support of the need for the proposed project, including efforts to receive input of parishioners and parishioners' support, and projected diocesan or parishioner loans, anticipated debt repayment schedule, alternative ways to achieve desired goals.
  - Current condition of parish buildings and anticipated additional capital repair/improvement needs over the next 3 to 5 years.
8. Once the project is approved, the Bishop's authorization to proceed will be forwarded to the Pastor. A formal vote of the Parish Corporation should be held in order to proceed with the capital project.
9. Obtain project bids as stated in standard requirements above.
10. The approval of the award of each bid contract is obtained by completing a final **Request for Construction/Maintenance Project form, and Financial Review Form**, which is to be submitted to the Director of Facilities for approval. (If authorization according to Statute 393 was not received following the Capital Evaluation and Review Committee meeting, it will be forwarded to the Vicar for Planning and Finance for his recommendations and then to the Bishop for his authorization and approval.)
11. Changes in the scope of work and payment requests from vendors should be reviewed and approved by the Office of the Building Commission prior to processing.
12. Upon completion of the project, the Pastor is to forward a report in letter form, to the Vicar for Planning and Finance with a copy to the Office of the Building Commission. This report should include the date of completion and total cost of the project and final project summary.



13. Once the project commences, if it is forecasted to go over budget, the Pastor needs to call the Vicar for Planning and Finance for consultation and approval to continue on.

A reminder that diocesan guidelines require 50% of the project cost to be on hand in cash before the project is commenced and the remaining 50% could be funded by a loan from the Inter-Parish Loan Fund, Inc. provided this loan is secured by capital campaign pledges.

A request for a loan from the Inter-Parish Loan Fund, Inc. will need to be reviewed by the Diocesan Loan Review Committee and recommendations from that Committee will be forwarded to the Bishop. This will be coordinated from within the Diocese. Borrowing funds for capital projects requires a separate vote of the Parish Corporation.

## Special Fund-Raising Events

Special fundraising events will be defined as bingos, annual festivals or feasts, auctions, sale of food or merchandise certificates, and/or major dinner/dances. Many parishes rely on special fundraising events to supplement the weekly offertory as a source of revenue. These events can generate a significant amount of additional funds needed by the parish to meet their financial needs. As such, it is important that each parish take special care to ensure the adequate safeguarding and monitoring of these funds. This section provides specific guidelines to assist in accounting for the financial activity of these events.

Certain fundraising events may require prior approval of licensing with a state or local agency (e.g., raffles, bingo, games of chance). In addition, certain events may require the submission of activity reports with state and/or local agencies. The parish should consult with state and local licensing agencies before holding such events.

The financial activity for "special events" should be monitored separately, but be included as part of the overall financial statements of the parish. Receipt and disbursement activity should have its own designated account code when recorded in the cash receipt and disbursement journal.

Each event should be coordinated by an appointed committee of reputable and practicing members of the parish. The pastor may or may not be a member of the committee, but should monitor its activities.

All monies collected from the event should be deposited in the parish bank accounts. Unless special permission is obtained in writing from the Secretary for Planning and Financial Services, or required by law (i.e., bingo), a separate bank account for the event ***is not to be opened***. Under no circumstances should monies be taken before deposited to pay event-related obligations.

Deposits should be documented via the use of the parish deposit form. Refer to Cash Receipts section of this manual.

Where a separate bank account is used (i.e., bingo), net proceeds from the fund raising event should be transferred to the parish's main account as soon as practically possible.

All disbursements relating to the event should be made through the parish checking account; cash disbursements should be prohibited. Control over cash disbursements relating to the event should conform to those identified in the Cash Disbursement section of this manual.

A report of the financial results of the special event (i.e., revenues less expenditures equal net proceeds) should be prepared in a timely manner after the event and its financial activity has been completed. This report should be reviewed and approved at the next meeting of the finance council. This report should be prepared in accordance with prescribed Diocesan format and submitted as a separate schedule to the parish's annual report.

# **General Practices**

Listed below are miscellaneous accepted business practices and management controls not listed elsewhere in the manual that should be employed in conducting the financial affairs of the parish.

## **PARISH BY-LAWS**

Each Parish Corporation has adopted a governing set of by-laws similar to those shown in **Exhibit 9**.

## **PARISHIONER INVOLVEMENT**

Parishioners selected to participate in the financial affairs and financial reporting of the parish should possess the personal attributes needed to effectively and competently perform their responsibilities in a trustworthy manner for the full benefit of the parish.

## **CONTRIBUTIONS/DONATIONS**

Individual contributions over \$250 should be supported by a form identifying the donor, amount donated, and if available, some background information relating to the donation (see **Exhibit 5**). The form will be maintained confidentially by the pastor.

Individual contributions over \$10,000 must be reported to the Secretary for Planning and Financial Services. (Also **Exhibit 5**)

Also see acknowledgement letter to contributor (**Exhibit 6**).

## **INDEBTEDNESS**

Under no circumstances is a parish to obtain indebtedness (including lease financing) from an outside party (i.e., banking institutions, private loans). Borrowing is permitted from the Diocesan Inter-Parish Loan Review Fund, Inc., subject to review by the Diocesan Loan Committee and the prior approval from the Bishop.

## **RECORD RETENTION**

Financial records should be maintained in accordance with the guidelines set forth in **Exhibit 7**.

Financial records should be physically protected against risk of destruction (i.e., fire and/or water damage) by utilizing fireproof cabinets, strong boxes, safes, etc.

## **PARISH ENDOWMENTS**

A parish may not establish an endowment fund without the prior written approval from the Bishop.

## **TRANSACTIONS REQUIRING BISHOP'S APPROVAL**

To comply with Civil and Ecclesiastical Law and Diocesan Statutes, the Parish By-Laws require that a parish obtain written permission from the Bishop prior to entering into certain activities. Refer to **Exhibit 8** for a listing of these activities.

## **TRAVEL AND ENTERTAINMENT**

Documentation supporting all expenditures is extremely important, particularly for travel and entertainment expenses. Proper explanation and retention of detailed records are necessary to support expenses reported, and to insure that the expenditures are not deemed taxable income by the IRS. The following information should be retained to substantiate travel and entertainment expenses:

- ***Travel Expenses*** - Date(s), nature, destination, amount and purpose. Receipts should be available for lodging and transportation.
- ***Entertainment Expenses*** - Date(s), nature or type of entertainment, amount, person(s) entertained, relationship, and purpose. Receipts should be available for every expenditure over \$25.

Refer to **Exhibit 10A** and **10B** for travel and expense reimbursement forms.

# Diocesan Policies

## Regarding Use of Parish Funds

The Bishop reminds all pastors and priests that parish funds are restricted for parish operations, and cannot be donated to other charitable causes or programs, however worthy they may be, without prior written authorization of the Most Reverend Bishop and a formal vote of the Parish Corporation.

Similarly, no special second collection is to be taken up during a parish liturgy without the Bishop's prior approval and authorization.

Parishes desiring to establish "tithing" or "twinning" in support of another parish, school or charitable agency/program are to request prior written approval from the Bishop, complete Form 501 (*Twinning Or Adopt-A-Parish*, see **Exhibit 14**) or Form 502 (*Tithing In Conjunction With A Sacrificial Giving Approach*, see **Exhibit 15**), available from the Office of the Secretary for Planning and Financial Services, and file a written summary of actual funding allocations with the annual Parish Financial Report.

Diocesan agency directors, administrators and principals are also reminded that parishes are not to be solicited for additional funding, advertisements or similar fund-raising activities. Through the Annual Catholic Charity Fund Appeal and the Annual Parish Assessment, parishes already offer substantial support for our network of priority services and ministries.

Diocesan agencies, religious or Church or civic groups seeking to solicit parish funds are likewise to obtain prior written approval and authorization of the Bishop as President of the Parish Corporation.

These policies exist to protect the integrity and purpose for which the faithful contribute in support of the local and diocesan Church, and to provide accountability for parish fund dispersals.

# **Embezzlement**

## **Guidelines for Pastors, Parish Administrators, School and Agency Directors and Their Employees who Suspect Possible Embezzlement or Other Financial Wrongdoing**

### **Forward:**

The revised Code of Canon Law, effective November 27, 1983, addresses extensively the responsibilities of bishops and their delegates as administrators of the Church's temporal goods. Canon 1284 states that all administrators are to perform their duties with the diligence of a "good householder." Ultimately the Bishop has the duty to ensure that no abuses exist in the administration of Church goods within the diocese.

It has become painfully obvious that both for profit businesses and not-for-profit organizations, such as the Church, are finding fraud to be a significant problem.

This document has been prepared as a follow-up to the U.S. Bishops' recent study and paper entitled "A Framework for Diocesan Internal Controls." Helpful input and review was made by various diocesan and parish leaders, diocesan attorneys and canon lawyers. It addresses the growing problem of management fraud and deceptive financial practices, and offers specific guidelines on how we can minimize risk, especially at the local level.

The Diocesan Finance Council provides review, oversight and counsel to the Bishop at the diocesan level. At the local level the Parish Finance Council in concert with the trustees is to provide the Pastor or Administrator with similar advice and counsel. The parish auditors also serve a vital role in the review and monitoring of various internal controls at the parish level. To that end this document is to be made available and studied together for development of sound parish stewardship in this matter. Completion and filing of the Embezzlement Guidelines Acknowledgement Form at the back of this document by each member of the clergy, parish staff, trustees, auditors and finance council members is a standard diocesan policy in support of this overall program.

### **Overview:**

Over the past several years the Church has been plagued by embezzlement charges. In our Diocese alone we have had a number of instances, both clergy and lay, employees and volunteers, which has allegedly involved fraudulent financial activities.

Internal control is a process designed to ensure that a diocese's and/or parish's goals are met with respect to effective and efficient operations, reliable financial reporting, and compliance with laws and regulations. Even with well designed internal controls, they can still break down. Since internal controls are affected by all people throughout a Diocese and/or Parish, judgment mistakes or errors due to carelessness, distraction, or fatigue can occur.

In most cases of fraud it is an individual whom you least expect. Data supplied by the FBI on the profile of an embezzler indicates he/she is an employee with 5-6 years of experience, often described as good-to-above-average, highly desirable, reliable, bright, motivated, trustworthy, and an achiever with good self-control. (Cf. appendix for examples.)

**Guidelines to be followed for actual or suspicion of fraudulent financial activities exist:**

1. The suspected embezzler should **not** be approached or apprehended. A premature approach to the suspected person might jeopardize the gathering of necessary evidence. Also, a premature approach could result in a needless lawsuit and, more seriously, physical harm to the persons involved. The pastor, other priest or religious, lay employee or volunteer, shall not communicate with any other parish lay leaders, employees or other parishioners concerning the suspected embezzlement until such time as he is notified by the Secretary for Planning and Financial Services to do so.
2. An immediate call should be made to the Secretary for Planning and Financial Services at (401) 278-4542.
3. If the Secretary for Planning and Financial Services cannot be reached, the Chief Financial Officer (401) 278-4541 should be contacted and made aware of the situation. If both the Secretary and Chief Financial Officer are out of town or unavailable for the day, the Parish Financial Assistance Coordinator should be contacted (401) 278-4544. If no one is available the caller is not to leave a detailed message to a Secretary and/or other Vicar or Diocesan Director. The caller should call back at a later date.
4. Details of the incident should be written down and placed in a secure place to be revisited at a later date by the appropriate authorities.
5. There should be no attempt to contact law enforcement agencies or a lawyer at the parish level. Rather, the Secretary for Planning and Financial Services will coordinate contact with appropriate law enforcement authorities.
6. The Secretary for Planning and Financial Services will consult with proper diocesan officials and consultants to discern appropriate actions to pursue in light of canonical, civil and criminal statutes, the nature of the allegation and other significant circumstances.
7. Once sufficient facts have been uncovered to determine that a fraudulent activity has occurred, the Secretary for Planning and Financial Services, or his designee, shall contact appropriate law enforcement authorities to report the circumstances. In addition to determining the existence of fraudulent activity, even the strong suspicion or existence of credible evidence **may be sufficient** for the matter to be

referred to civil authorities. At this point, the pastor or administrator, with the approval of the Secretary for Planning and Financial Services, or the Secretary himself, may share this information with the parish, i.e. Trustees and Finance Council members.

8. In conjunction with reporting to law enforcement authorities, the Secretary for Planning and Financial Services will also notify as necessary appropriate insurers.
9. Do **not** change internal control procedures, employees or other operating controls until such time as instructed by the Secretary for Planning and Financial Services or an authorized individual so designated by him. In all instances the parish shall work in conjunction with the Secretary to resolve fraudulent financial situations. In no way should the matter be handled at the individual parish level. This could potentially lead to erroneous information being obtained or improper allegations being levied. Again, such changes are likely to alert the suspected person and permit the destruction of pertinent evidence.

## **APPENDIX**

### **THE VARIETIES OF FRAUD**

#### **Collusion**

The collusive activities of two or more individuals can result in control failures. Individuals acting collectively to perpetrate and conceal an action from detection can alter financial data or other management information in a manner that cannot be identified by the control system. For example, there may be collusion between an employee performing an important control function and a customer, a supplier, or another employee. On a different level, management might collude in circumventing controls so that reported results meet budgets or fundraising goals.

#### **Lapping**

Lapping is one of the most common types of employee fraud. It is the postponement of entries for the collection of receivables to conceal an existing cash shortage. The fraud is perpetrated by a person who records cash in both the cash receipts journal and subsidiary accounts receivable journal. The employee defers the recording of cash receipts from one source and covers the shortage with receipts from another source. The employee must continue to cover the shortage through repeated lapping, replace the stolen money, or find another way to conceal the shortage.

#### **Theft**

Theft is the diversion of cash, checks, or other assets before they are recorded by the accounting system of a diocese, parish, school, or other operating entity. It can take the



form of removing cash from the collection basket or mail, diverting checks or securities to a branch bank or brokerage account, or even taking for personal use cash or goods donated for corporate purposes.

### **Accounts Payable Fraud**

The employee may falsify payments to real vendors or create phony vendor addresses to which checks are sent. Alternatively, an employee may intentionally overpay an invoice, take the refund from the supplier, and pocket it.

### **Payroll Ghosts and Unauthorized Pay Charges**

Padding the payroll is another common form of fraud. With this, an employee might either keep paying checks for employees after their employment has terminated or add nonexistent employees to the payroll. Unauthorized pay charges and the non-recording of vacations used are frequent occurrences when there are not ongoing monitoring mechanisms or procedures in place.

### **Kickbacks**

An employee may take bribes or kickbacks from vendors and suppliers. This is very difficult to detect, since there are no records; the deals are usually made in cash. However, price comparisons can help detect kickback situations, because vendors involved in these schemes charge more to help “finance” the illegal payments and also to increase their profit.

### **Supplies or Inventory Fraud**

The employee uses the organization’s money to place a phony order or to order more than the organization needs; or the employee simply absconds with inventory from a store or other storage locations. The merchandise is then sold or kept for the employee’s gain.

### **Other Fraudulent Activities**

Other fraudulent activities include all types of petty or small thefts. These include submitting phony invoices, inflating reimbursable personal expense items, misappropriating petty cash, or using parish tax identification numbers for sales tax exemptions on personal purchases. Although the amounts stolen are relatively small with these activities, they may be the most common types of employee fraud.

## **FACTUAL EXAMPLES**

Breakdowns in internal controls do occur, both intentionally and unintentionally. It is the intentional error or fraud that worries those in leadership positions.

Information supplied by the Federal Bureau of Investigation reveals the following statistics regarding incidents of fraud.

<b><u>Position</u></b>	<b><u>% of Incidents</u></b>	<b><u>% of Losses</u></b>
<i>Executive level</i>	9	20
<i>Electronic data processing (EDP) support staff</i>	19	22
<i>Accounting staff</i>	13	13
<i>Treasurer</i>	7	6
<i>Collusion</i>	39	32
<i>Warehouse</i>	13	7
<b><i>TOTAL</i></b>	<b><i>100%</i></b>	<b><i>100%</i></b>

As noted, there is rarely any predictable pattern of defalcation. However, one thing is clear: a poor system of internal controls, collusion between employees and third parties, and management override are present in a vast majority of fraud incidents, according to information supplied by international accounting firm KPMG Peat Marwick.

Certain examples of defalcations that have occurred within the Catholic Church in the United States appear below. In many cases the employee or volunteer was a trusted individual. This is supported by data supplied by the FBI on the profile of an embezzler, who is described as an employee with 5-6 years of experience, often described as good-to-above-average, highly desirable, reliable, bright, motivated, trustworthy, and an achiever with good self-control. The typical motive is the need for money caused by a specific problem. Opportunities to defraud existed because of weak supervision.

### **Handling of Collections**

In this scenario, one person is responsible for counting the Sunday collection, making out the deposit ticket, taking the deposit to the bank, and recording amounts to parishioner records. This case is easy to detect and can be prevented by requiring a number of safeguards, including involvement of more than one individual in handling collections, dual counts and signatures evidencing concurrence of counts, segregation of the count procedures from deposit preparation, and recording of cash receipts. Furthermore,

someone who is not part of the cash receipt function should double-check the receipted bank deposit ticket with an initial control log of cash receipts. Additional controls may include an independent review of bank statements and preparation of bank reconciliations, and a recheck of envelope receipts to parishioner records.

### **Tuition Amounts That Are Delinquent**

In one instance of defalcation, a clerk was responsible for collecting old accounts and for writing off bad debts. In this circumstance, the clerk could write off an account with no approval, subsequently collect the past-due amount, acknowledge the receipt, but divert the money to personal use. Routinely checking write-offs with supporting documentation may prevent this irregularity.

### **Gifts and Bequests**

Particularly difficult to control is the manner of receipt for gifts and bequests. Contributing factors are unpredictability, varied methods of submission, and often anonymous donors. Adequate control requires a strong system of checks and balances to minimize the opportunity for abuse. One diocesan official received numerous gifts directly and diverted the funds for other than intended purposes. This was possible because the official had responsibility for receiving the gift, even perhaps acknowledging the gift, and had depositing responsibility. Funds were being deposited into an account which was not reflected in the accounting records. The official had responsibility for disbursement over these accounts, so the money could easily be diverted for personal purposes. There should be proper segregation of duties to prevent the same individual from receiving, acknowledging, and depositing corporate assets.

### **A Large Capital Project Over a Number of Years**

At one diocese, expenditures were routinely approved and, through a series of exchange checks, evidence was presented to the accounting clerks showing that amounts were paid from “diocesan named” accounts but were not part of the diocesan chart of accounts that appeared in the records of the organization. The invalid accounts were therefore reimbursed for phony expenditures, and money was diverted. Expenditures were charged to the large capital project but were never large enough to cause significant budget-to-actual variations, thus preventing management from questioning the overages. Periodically checking expenditures to budgeted amounts may detect this occurrence.

### **False Vendors**

In one case, the diocesan finance officer wrote a check payable to a fictitious vendor set up at a bank in his name. Once again, tight budgetary controls may have prevented this from occurring. Since the check was for a substantial dollar amount, dual signatures may have been used to prevent this occurrence.

## **Personal Bills**

A recent issue involved the commingling of personal bills with parish bills by the parish secretary. The secretary had responsibility to disburse all parish funds and had signature authority over the checking account, so the personal bills were concealed from the pastor. The pastor's routine checking of the support for expenditures would have prevented this occurrence.

## **Bank Accounts**

Due to the lack of internal controls over the establishment of bank accounts, a school principal was able to open and control several checking accounts that were not on the books. The principal routinely wrote checks payable to himself; his explanation was that the funds were reimbursements for expenses he incurred on behalf of the school. Because he controlled the accounts, no one questioned his explanations, nor did anyone have access to the bank statements or receipts. The principal voluntarily left the position. The fraud was first suspected by his successor, and through a subsequent audit the suspicions were confirmed. External auditors can assist in this area by requesting that banks confirm all open accounts directly to the auditor.

One parish had a policy of allowing the youth minister to maintain a separate checking account for religious education. The account was funded by the parish at the beginning of each fiscal year. In addition, field trip funds, etc., were placed in the account. The youth minister reconciled the bank statements, made deposits, and controlled the disbursements from the account. No one in the parish business office questioned the youth minister about the account activity until the bank started calling the parish because checks were bouncing. When the youth minister was asked to produce the checkbook and receipts, it was evident that the youth minister was involved in a lapping scheme. This could have been detected by having some oversight over the minister's activities.

In another case, a parish priest routinely wrote checks payable to "cash" or to himself over an extended period. Through an audit it was determined that the priest paid lay employees by cash, but the majority of the checks were tendered by the priest and there was no documentation to substantiate expenses. The bookkeeper was not comfortable with asking the priest for documentation and routinely accepted verbal explanations for expenses. This was clearly a case for ensuring that all employees receive instruction in the proper procedures to follow for reporting a suspicion of wrongdoing to a higher authority.

## **False Invoices and Nonexistent Companies**

A parish had a small staff with only one clerk. Segregation of duties was not possible but was only one cause of a significant defalcation, because of other weaknesses in handling checks.

The clerk perpetrated a fraud using two confederates, A and B. Confederate A worked in a printing company and could easily use the equipment to prepare invoice forms from real companies listed in the telephone directory. The clerk told Confederate A the kinds of firms with which the church office was dealing and which firms were actually being used; the false invoices were never printed using these firms' names but only similar firms with which the church office had never dealt. The false invoices were printed with a different company's name on each one.

Confederate B was the owner of a small company. After a batch of checks was signed, the clerk mailed them to the payees. Checks for false invoices were separated and mailed to Confederate B who would endorse the checks with an endorsement stamp that said: "Pay to the order of Confederate B d.b.a. (insert name on invoice) for deposit only." Later Confederate B would withdraw currency and pay an amount to the clerk and to Confederate A.

As part of a normal routine the clerk would open all mail, including the bank statements and canceled checks, and put a date stamp on all statements, invoices, and letters. With the bank statements, the clerk took the further step of removing all checks pertaining to the false invoices.

An external CPA firm conducted the annual audits of the church office, rendering a "clean" opinion. Management letters from the CPA firm noted that bank reconciliations were no longer available except on a full-year basis instead of monthly, and that there was increasing carelessness in the handling of checks returned from the bank. But these comments did not prevent a clean opinion.

Prior to a new audit, the CPA firm insisted that the church office get additional help so that all bank reconciliations would be ready when the auditors arrived. The office then hired a second clerk to fill in for the first who was on vacation. The second clerk began by making a list of all outstanding checks from the year-end reconciliations. No payees were ever repeated. Although the checks eventually cleared the bank, the dates on the bank statements did not coincide with the dates of the reconciliations. When this was explained to the associate he asked the bank for photocopies of both sides of all of these checks. Investigation revealed that many checks had been fraudulently signed by the clerk.

The auditors suggested a number of improvements, including:

- (1) separating duties in the parish;
- (2) discontinuing use of rubber stamps for signing checks;
- (3) requiring two manual signatures on all checks, and
- (4) prohibiting the signing of blank checks or checks only partially completed.

## DETECTION RULES

As one can observe, no system of internal controls can uncover every defalcation. However, there are other indicators or red flags that managers should be aware of as predictors of problem areas. These include:

- changes in employee's lifestyle, spending habits, or behavior
- inventory shortages
- ignoring of internal/external policies or audit recommendations
- unusual banking activities
- decline in employee morale/attendance
- exceedingly high expenses/purchase
- unexplained budget variances

Managers must constantly be alert to the potential of employee or volunteer fraud. The detection rules below are not all-inclusive but serve as a reminder that the work is never done.

- Keep it simple.
- Don't overlook the obvious
- Concentrate on fraud elements:
  - Theft
  - Concealment
  - Conversion
- Know the weakest points of the system, since these are most likely to be exploited.
- Consider fraud detection a routine part of business, not a once-in-a-while exercise. It is continuous hard work to be diligent.
- Don't try to detect all frauds at one time.
- Concentrate on those who had the access, skill, time, and position to commit the fraud.
- Assign resources to detect fraud.

## **PARISH CEMETERIES**

Parishes which own and operate a parish cemetery should refer to the diocesan manual entitled *Catholic Cemetery Policies & Procedures, Diocese of Providence*, which provides parishes with policies for its parish cemetery:

- Management
- Pastoral & Public Relations
- Grounds Operations & Maintenance
- Property Inventory & Development
- Office Operations
- Human Resources
- Sales: Pre-Need & Family Service
- Accounting & Finance

### **ENDOWMENT CARE (PERPETUAL CARE FUND)**

Each parish cemetery in the diocese shall maintain an endowment fund in accord with state law (cf. *Catholic Cemetery Policies & Procedures, Diocese of Providence*, pages 93 & 94). The intention of the fund is to hold a reserve, the interest from which is sufficient to satisfy current and future maintenance requirements, including personnel, equipment and infrastructure.

**Not less than twenty percent (20%) of the sale price of a cemetery lot, crypt or niche sold shall be deposited in the perpetual care fund and shall not be commingled with any other fund.**

### **ANNUAL MEETING OF ADMINISTRATORS OF PARISH CEMETERIES**

Each year the Secretariat for Planning & Financial Services, in conjunction with the Catholic Cemeteries Office, offers an annual meeting for all administrators of parish cemeteries for ongoing support and mutual collaboration to promote the care and well being of parish cemeteries.

# **Lease or Sale of Property**

## **Statement of Policy**

No Person shall solicit, negotiate, offer for sale or lease as an agent or representative of any Diocesan Corporation any real property which shall constitute a contract for sale or lease of lands, tenements or hereditaments unless and until such person shall have a written authorization which shall be signed by the Most Reverend Bishop of Providence, Rhode Island (the "Bishop") or some other person by the Bishop lawfully authorized. Such written authorization shall precede the execution of any listing agreement by which any property is offered for sale or lease.

Prior listing agreements not in writing will not be recognized without such written authorization dated subsequent to the adoption of this policy.

For purposes of this Statement of Policy, a Person shall mean a natural person, corporation, business trust, estate trust, partnership, association, or other legal or commercial entity.

In accordance with previously adopted Diocesan Policy, no listing agreement may be executed without a final vote of the appropriate Diocesan Corporation and the written approval of the Bishop.

This statement of Policy was approved by the Bishop on January 16, 1990 and applies to all sales or leases by Diocesan Corporations.



## Exhibit 1

# AUDITOR CHECKLIST

Parish:	
Date:	
Preparer:	

Procedures		Check	Initials
1.	Total Assets equal total liabilities and equity.		
2.	The parish residual account reconciliation (Exhibit 3) has been performed and agrees to the annual report balance (account no. 3000).		
3.	The total of unpaid bills (account no. 2000) is supported by a detailed listing.		
4.	The detailed listing of unpaid bills has been reviewed for completeness, as well as to determine if significant delinquencies exist.		
5.	The increase in the Plant Fund, if applicable, is consistent with budgeted expectations.		
6.	Actual expenditures have been compared to budgeted amounts and prior year's actual. Any significant fluctuations have been investigated to our satisfaction.		
7.	Actual revenues have been compared to budgeted amounts and prior year's actual. Any significant fluctuations have been investigated to our satisfaction.		
8.	Cash accounts appearing in supporting Schedules of the Annual Report are consistent with the prior year. Differences have been explained to our satisfaction.		
9.	The bank reconciliations for all parish checking accounts have been reviewed and reconciled balances were agreed to the annual report.		
10.	Savings/CD documentation (statements/passbooks) supporting year end balances has been examined and found to be proper. CD maturities and rollovers have been properly accounted for.		
11.	Schedule A through Z accompanying the Annual Report accurately support the amounts reflected on the Balance Sheet and Statement of Revenues and Expenditures.		
12.	The net change in Notes Payable, if applicable, has been reviewed and found to be representative of new borrowings less principal repayments (account nos. 26XX).		
13.	Individual charges to repairs and maintenance expense (accts. 51XX) have been reviewed to ensure that it does not include capital expenditures.		
14.	Depreciation Expense has been properly calculated and recorded in the financial statements.		
15.	Statements of annual giving have been prepared and sent to all parishioners.		
16.	Payroll Forms have been completed and remitted to applicable locations (i.e. 941's and W2's)		
17.	Forms 1099 and W2's have been issued as applicable.		

Where necessary, attach additional pages documenting the identification and resolution of matters not initially resolved to the auditors' satisfaction.

Upon completion of the above items, the auditors should consider the need to have the annual report reviewed by an outside accountant.

## SUMMARY OF BANK DEPOSIT

Parish:	
Date:	
Preparers:	
Account No:	

Account Number		Amount
4110	Budget Collections	
4130	Seat Money	
4150	Mass Stipends and Offerings	
4540	Other Stipends (Funerals, Weddings, Etc.)	
	Special Purpose Collections (Specify):	
	Other Collections (specify):	
	Other Sources of Income:	
	Rents	
	Parish Function	
	Diocesan Loan	
	Other Revenue (specify):	
	<b>Total Deposit</b>	
	Checks	
	Currency	
	Coin	
	<b>Total Deposit</b>	

Staple duplicate of deposit slip to this sheet.

## COLLECTION SUMMARY

Parish:	
Date:	
Preparers:	
Mass (Day, Time):	

### Type of Collection:

Regular:	
Seat Money:	
Stipends:	
Other:	
Specify:	

	Amount	Amount	Amount
Loose Checks			
Envelopes: Cash/Coin			
Envelopes: Checks			
<b>Total Collection Count (1)</b>			
<b>Total Loose Checks &amp; Envelopes (2)</b>			

- (1) Total collections should agree with deposit summary.
- (2) Amounts to be posted to parishioners' Records.

**Exhibit 3****RECONCILIATION OF PARISH RESIDUAL FUND****BALANCE OF ACCOUNT NO. 3000****AS OF:** \_\_\_\_\_

		Parish Residual Value	Parish Funds in Plant	Total
(1)	Balance(s) from prior year Annual Report			
(2)	Net Income (Loss) from this year's Annual Report			
(3)	Total			
(4)	Balance(s) from current year Annual Report			
(5)	Difference between Line 3 and 4			

Preparer:	
Date:	

Note: If Line (5) is not -0-, the variance should be researched and an adjustment must be made to bring the accounts into balance.

**Exhibit 4****FIXED ASSET LEDGER RECORD**

Fixed Asset No. \_\_\_\_\_

Item:	G/L Account:
Description:	Purchase Date:

MFG. Serial No:
Where Located:
Person Responsible:
Vendor:
Estimated Life:

Date	Explanation	Asset Record			Comments
		DR	CR	Balance	

Final Disposition of Asset:	

**Note:** This record must be placed in a permanent capital asset file with copies of supporting documentation (i.e., invoices, contracts, etc.).

**RECORD OF DONOR INFORMATION**

**Note:** To be used for Donations (one-time gifts) of \$250.00 or more.

Parish Name & City/Town	
Date of Donation:	
Donor's Name:	
Donor's SS No.	
Donor's Address:	
Amount Donated:	
Restrictions:	
Other Relevant Information:	

**Note:** Donations of \$10,000 or more are to be reported to the Secretary for Planning and Financial Services.

## Exhibit 6

### Compliance With IRS Regulations Regarding Charitable Gifts

Section 170(f)(8) of the Internal Revenue Code requires that all not for profit 501(c)3 organizations provide donors making gifts of \$250 or more with the following letter. Individuals making multiple payments of \$250 or more should have the payments and dates of each payment listed on the same letter. It is recommended that the parish consider sending this gift letter to all donors. While there is no deadline, it is recommended that the Charitable Gift Letter be sent out no later than January 31<sup>st</sup> of each year in order to assist the donor in tax preparation.

The following text complies with the IRS regulations.

---

Letter text is to be printed on parish letterhead.

Date

Name

Address

City, State Zip

Dear Name:

This acknowledgment of your contributions to (name of parish) for (year) is provided pursuant to section 170(f)(8) of the Internal Revenue Code.

Name of Contributor

Address of Contributor

Total Calendar Year Contributions

Included in your total (year) calendar contributions of \$(insert total) are the following contributions of \$250 or more:

Date for Each

Amount for Each

Thank you for your continued support of our parish.

Sincerely yours,

Pastor

Check as appropriate.

Yes ( ) No ( ) The donee organization either did not provide any goods or services in whole or partial consideration for the above contribution or provided only intangible religious benefits.

## RECORD RETENTION POLICY

Item	3 Years	7 Years	Permanently
Accident Reports, Claims (settled cases)		X	
Audit Reports			X
Bank Reconciliations		X	
Bank Statements		X	
Checks (canceled - see exception below)		X	
Checks (canceled for important payments, i.e. purchases of property, special contracts, etc.)			X
Contracts, Mortgages, Notes and Leases (expired)		X	
Contracts, Mortgages, Notes and Leases (still in effect)			X
Correspondence (legal and important matters only)			X
Deeds, Mortgages and Bills of Sale			X
Financial Statements (annual reports)			X
Insurance Policies (expired)			X
Insurance Records (current accident reports, claims, policies, etc.)			X
Invoices (from vendors)		X	
Journals			X
Payroll Records		X	
Personnel Files		X	
Property Appraisals			X
Retirement and Pension Records			X

**IMPORTANT: No records are to be destroyed within retention period.**



**PARISH ACTIVITIES REQUIRING THE BISHOP'S  
AUTHORIZATION\* AND A FORMAL VOTE OF  
THE PARISH CORPORATION**

1. Capital projects, construction or purchases that would cost \$25,000 or more.
2. Major renovations or repairs of \$25,000 or more.
3. Any project involving asbestos, in any amount.
4. Fund raising activities, including Increased Revenue Programs with or without professional contract and assistance.
5. Any sale of Parish properties, even preliminary appraisals, regardless of amount.
6. Transacting mortgage agreements as a part of the sale of parish property.
7. Outside rental of properties not owned by the parish (e.g., a school, hall, etc.).
8. Rental/Lease of parish-owned property in any amount.
9. Donation of parish owned properties, furnishings and equipment, regardless of value.
10. Investment of monies in any amount (not including checking, savings accounts, bank CD's or U.S. Treasuries).
11. Establishment of any endowment program (contact Catholic Foundation of RI for Diocesan Policy regarding endowment programs).
12. Contributions of parish funds in any amount to any cause.
13. Twinning with another parish in or out of the Diocese in any amount, or tithing or parish offertory in a sacrificial giving program.
14. Incurring indebtedness for operational, capital or investment needs.
15. Refinancing existing loans.
16. Acceptance of a restricted gift or bequest.
17. Special one-time or second collections (i.e. Little Flower Home, Visiting Missionaries).

**\*Authorization expires after three years.**

## **PARISH BY LAWS**

1. The corporate powers of this Church shall be exercised, in all things, in conformity with the Principles and General Discipline of the Roman Catholic Church existing in the United States of America, and in conformity with the disciplinary statutes of the Diocese of Providence. The signature of the Most Reverend Bishop to any document, authorization, confirmation or approbation shall conclusively establish such conformity.
2. The Church is always bound to receive as Pastor and one of its trustees such Priest as the Most Reverend Bishop of the Diocese may, from time to time, appoint; and whenever any Pastor shall be removed by the Most Reverend Bishop or the Administrator of the Diocese, such Pastor shall cease to be a trustee of his Church, and shall no longer be recognized as such. The administrator of the parish shall be acting Pastor during the period in which he serves as such Administrator.
3. The Officers of this Church shall be a President, Vice-President, Treasurer and Secretary; the Most Reverend Bishop shall be **Ex-Officio**, President of the Board of Trustees, the Vicar General, **Ex-Officio** Vice President of the Board of Trustees; the Treasurer and Secretary shall be elected annually, and each shall continue in office until a successor be elected. The Treasurer shall be a person ordained to the priesthood in conformity to the Discipline of the Roman Catholic Church.
4. At any meeting of the Board, a majority of the trustees; one of them being a layperson, shall constitute a quorum for the transaction of business, and such meeting shall be required to authorize sale, lease, assignment, transfer, barter, other alienation, expenditure of incurring indebtedness exceeding seventy-five hundred dollars, mortgage of property, loan or investment of funds of the parish and change thereof, borrowing on loans, notes or mortgages and renegotiation and refinancing thereof, provided, however, that in all of such matters, the acts of such meeting, in order to be valid must be confirmed by the written approbation of the Bishop or of the Administrator of the Diocese. (Cf. Exhibit 8 list of activities requiring a vote of the Corporation.)
5. Regular meetings shall be held at such times, as the Board may direct. Special meetings may be called at any time by the President, Vice-President or Treasurer. The annual meeting shall be held not later than the second month following close of the fiscal year. At the annual meeting, the Board shall act on the annual financial report and election of officers. All other matters require the written approbation of the Bishop, the Administrator of the Diocese or of the Vicar

- General in advance of the meeting. Written approbation of the Bishop, the Administrator of the Diocese or of the Vicar General shall constitute his affirmative vote on such matters.
6. The Treasurer shall keep regular accounts of all the receipts and disbursements of the Church, which accounts shall, at all times, be opened to the inspection of any of the Trustees. The accounts of the Treasurer shall be examined by two members of the Board, at least once a year and not later than the second month following close of the fiscal year, a synopsis of such accounts, together with a statement of the assets and liabilities of the Church, shall be prepared and printed, or written for the information of the congregation, and laid before them. A copy thereof shall be delivered to the Most Reverend Bishop.
  7. The Treasurer shall have the custody of the books and papers, and corporate seal of the Church. The Secretary shall keep the minutes of the Board and notify the members of meetings general and special, by written notice to every member of the Parish Corporation, sent to be received in normal course or delivered personally five days before date of such meeting.
  8. No member or members of this Board shall have any power or authority to sign any note, or bond, or any other evidence of debt, or to contract any debt, or liability on the part of this Corporation, except in pursuance of a special resolution of the Board of Trustees for that purpose, entered on its minutes and confirmed by the written approbation of the Bishop or Administrator of the Diocese.
  9. No lay person can be elected a member of the Board of Trustees who is not an adult member of the parish, active in parish life, in good standing and having prudence and upright character. Each lay trustee shall be chosen by the Pastor or Administrator of the parish, and approved annually by the Most Reverend Bishop and by the Vicar General. Two adult members of the parish, active in parish life, in good standing, and having prudence and upright character and skilled in business affairs and accounting shall be chosen each year by the Pastor or Administrator of the parish, and approved by the Most Reverend Bishop and by the Vicar General to act as auditors of the parish to examine and approve the annual financial report. The same person may not act as both auditor and as trustee. Neither the lay trustees nor the auditors may be changed without first having obtained permission of the Most Reverend Bishop and of the Vicar General.
  10. These By-Laws cannot be repealed, changed or modified, nor any additional By-Laws adopted, unless by the unanimous vote of all the members of the Board. Any proposed change must be presented in writing and entered on the minutes. The vote thereon shall not be taken until the next meeting of the Board.

# BUSINESS TRAVEL MILEAGE AND PARKING/ TOLL EXPENSE REIMBURSEMENT REQUEST

Agency/Program:	
Name of Person to be Reimbursed:	
Date:	

Odometer Reading					
Date	Start	End	Total Miles	Parking Tolls	Reason for Travel Destination Person Contacted

Total Parking/Tolls:	\$
Total Miles _____ at _____ ¢ per mile	\$
Amount to be Reimbursed:	\$

Approved for payment by: \_\_\_\_\_

**Note:** All information must be complete before payment can be made. Parking ticket stubs are to be attached.

## Exhibit 10B

# EXPENSE REIMBURSEMENT REQUEST

Agency/Program:	
Name of Person to be Reimbursed:	
Date:	

Date	Expenditure, Item or Description	Amount	Expense Classification
<b>TOTAL</b>		<b>\$</b>	

Approved: \_\_\_\_\_

Note: Attach all invoices and receipts.

EMBEZZLEMENT FORM

**Form for Acknowledging Receipt, Review and Compliance with the Diocesan Guidelines for Reporting Suspicion of Embezzlement or Other Financial Wrongdoing**

I, \_\_\_\_\_, acknowledge that I have received and reviewed, and have read and understand the Diocesan Guidelines for reporting suspicion of embezzlement or other financial wrongdoing.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

***Check One:***

<input type="checkbox"/>	Clergy
<input type="checkbox"/>	Parish Employee
<input type="checkbox"/>	Trustee
<input type="checkbox"/>	Auditor
<input type="checkbox"/>	Finance Council Member

One copy of this form is to be presented to each priest, parish employee, the trustees, auditors and members of the finance council. Upon completion, this form is to be filed in the Parish Office for inspection in conjunction with the Annual Diocesan Risk Management on-site visit, and the file maintained for 3 years after the person completes their working relationship in this parish.

## **FINANCIAL SOUNDNESS OF THE PARISH**

The Parish Finance Committee will need criteria in determining the fiscal soundness of the Parish. The following criteria should be used in this determination of Parish Fiscal soundness:

1. The Parish should have at least three (3) months of operating funds in reserves. These reserves may be in a combination of checking account, savings account and investments.
2. In an operating year, the Parish should have an excess of ordinary revenues over ordinary expenditures. Extraordinary, that is, non-repetitive sources of revenue and extraordinary expenditures should be eliminated in determining the excess of revenues over expenditures.
3. The Parish must have a functioning Parish Finance Committee.
4. For those Parishes with a debt, the Parish should have a Debt Liquidation Program, that is, the Parish should be committed to a monthly or quarterly payment to liquidate the debt within a specified period of time, e.g., five years, seven years, ten years.

### **Classification of a Parish**

**Sound:** If your Parish meets all of the above criteria, the Parish is classified as sound.

**Marginal:** If your Parish meets the above criteria but only marginally, the Parish is classified as marginal.

**Weak:** If your Parish does not meet one or more of the above criteria, the Parish is classified as weak.

**SUPPLEMENTARY AUTO ALLOWANCE FOR  
THOSE CLERGY WITH AN AUTO  
REGISTERED  
IN A HIGH PROPERTY TAX MUNICIPALITY**

Bishop Mulvee, after consultation with the Council of Priests and diocesan advisers, approved this supplementary allowance on June 24, 1999 which became effective as of July 1, 1999.

The policy enables eligible clergy to obtain an allowance from their place of prime assignment and calculated as the difference between the \$40 per \$1,000 tax rate and the actual tax assessment, and not to exceed \$750. If actual assessment is less, no allowance is paid. A copy of the priest's motor vehicle tax assessment invoice for the prior fiscal year is to be submitted with his allowance request to his place of prime assignment.

Clergy with their auto registered in the following cities/towns are eligible to seek this allowance for FY '98:

**Providence  
Cranston  
Pawtucket  
Barrington  
Central Falls  
Johnston  
Woonsocket  
North Providence**

The Bishop has directed the Secretary of Planning and Financial Services to review this policy annually. Questions should be directed to the Secretary's Office (278-4540).



# *Twinning or Adopt-A-Parish Relationship*

(Form 501)

Pastor:	
Parish:	
Address:	
City/Town:	Zip:

## I. General Information:

Request for Corporation to adopt mission Relationship with:

Parish/Agency Title:	
Address:	
City/Town:	
Diocese:	
Local Responsible Person:	

## II. Relationship Description:

1. Identify mission/purpose of proposal in relation to your parish mission and purpose:


2. Indicate nature of fund-raising revenues:

	Percent of Offertory (Tithing)
	Monthly Special Collection
	Single Fund Raising Event. Please detail:

3. Estimate first year anticipated funds to be raised and transmitted to Mission Agency:

Amount	In Calendar Year

4. List other means by which parish plans to support mission relationship (e.g., Educational Speakers? Travel for on-site consciousness raising? Exchange Programs? Etc.):


5. List parish plans to provide parishioners with a published accounting report regarding dispersal of parish collected revenues to mission project:

	Parish Bulletin Announcement
	Annual Parish Financial Report to Parishioners
	Parish Newsletter to Parishioners
Other:	

### III. Pastoral Consultation:

Check off groups which were consulted and recommend approval of proposal:

	Parish Trustees
	Parish Finance Council
	Parish Pastoral Council
Other:	

### IV. Other Comments:


<b>Pastor's Signature:</b>	
<b>Date:</b>	

*In accord with Diocesan Policy, a brief notice of intent to review this annual mission relationship will be sent to Pastors for submission with the Annual Parish Financial Report.*

## Exhibit 15

# REQUEST FOR PARISH CORPORATION TO ADOPT A TITHING PROGRAM IN CONJUNCTION WITH SACRIFICIAL GIVING APPROACH (Form 502)

Pastor:	
Parish:	
Address:	
City/Town/Zip:	

**A. Relate request to mission and purpose of your parish:**


**B. Check/list parish groups who were consulted and recommended this request:**

	Parish Trustees
	Parish Finance Council
	Parish Pastoral Council
Others:	

**C. Financial Information:**

\$		Current weekly offertory total: (Use average of past several weeks.)									
1	2	3	4	5	6	7	8	9	10	—	Circle proposed tithing percentage request.
\$		Estimate weekly tithing total.									

**D. Proposed Plan of Tithing Dispersal:**

1. Identify groups of persons responsible for advising the pastor on tithing dispersal on a monthly basis:


2. Check scope of service to be used by pastor and his advisers in selecting recipients for tithing funds:

<b>Catholic Sponsored Agencies</b>					
<input type="checkbox"/>	Global	<input type="checkbox"/>	National	<input type="checkbox"/>	Rhode Island
<b>Needy Catholic Parishes</b>					
<input type="checkbox"/>	Global	<input type="checkbox"/>	National	<input type="checkbox"/>	Rhode Island
<b>Non-Profit Sponsored Agencies</b>					
<input type="checkbox"/>	Global	<input type="checkbox"/>	National	<input type="checkbox"/>	Rhode Island
<b>Local City/Town of:</b>					

3. Check criteria for selecting accountable recipients for tithing:

<input type="checkbox"/>	Agency Services are consistent with the moral teaching of the Catholic Church
<input type="checkbox"/>	501C(3) Federal Tax Exempt Entity
<input type="checkbox"/>	Agency has Board of Directors
<input type="checkbox"/>	Agency publishes Annual Financial Report
<input type="checkbox"/>	Agency is sponsored by Religious Body
Other criteria:	

4. List annual anticipated "distribution mix" in tithing program:

Percent of Annual Tithing	Type of Agency/Parish

Pastors are asked to maintain a record of all tithing dispersals for inclusion as a supplement to the Annual Parish Financial Report submitted to the Most Reverend. Bishop.

Upon annual review of Parish Tithing Report, the Most Reverend Bishop will extend or defer renewal of Parish Corporation Tithing Authorization.

Pastor's Signature:	
Date:	

**SAMPLE LETTER TO DONOR AS TO TAX EXEMPT STATUS OF  
EDUCATIONAL, CHARITABLE, RELIGIOUS INSTITUTIONS OPERATED,  
SUPERVISED OR CONTROLLED BY, OR IN CONNECTION WITH, THE  
ROMAN CATHOLIC CHURCH IN THE UNITED STATES**

Date

Name of Donor to Educational, Charitable, Religious Institutions

Address

City, State, Zip

***Re: St. Mary's Church of East Greenwich, Rhode Island #05-XXXXXXX***

St. Mary's Church of East Greenwich, Rhode Island is a Rhode Island Corporation of the Roman Catholic Church in the Diocese of Providence and is tax exempt under IRS Code Section 501 (c) (3) under a group ruling on federal tax and tax returns. A Copy of this ruling is enclosed.

Required listing cited in the ruling is found on page 968 of the 2006 Official ***Catholic Directory***. (***J.P. Kenedy Directory***)

If there are any questions concerning this, please feel free to contact me.

Sincerely,

J. Timothy Kocab  
Diocesan Controller

Internal Revenue Service  
District Director

Department of the Treasury

P. O. Box 2508  
Cincinnati, OH 45201

Date: July 1, 2006

Person to Contact:  
James Blair  
ID # 31-07578  
Telephone Number:  
877-829-5500  
FAX Number:  
513-263-3756

Ms. Deirdre Dessingue  
Associate General Counsel  
United States Conference  
of Catholic Bishops  
3211 4<sup>th</sup> Street, N.E.  
Washington, D.C. 20017-1194

Dear Ms. Dessingue:

In a ruling dated March 25, 1946, we 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* 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.

*The Official Catholic Directory* for 2006 shows the names and addresses of all agencies and instrumentalities and all educational, charitable, and religious institutions operated by the Roman Catholic Church in the United States, its territories and possessions in existence at the time the Directory was published. It is understood that each of these is a non-profit organization, that no part of the net earnings thereof inures to the benefit of any individual, that no substantial part of their activities is for promotion of legislation, and that none are private foundations under section 509(a) of the Code.

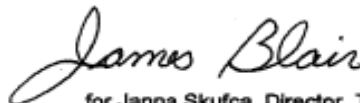
Based on all information submitted, we conclude that the agencies and instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in *The Official Catholic Directory* for 2006 are exempt from federal income tax under section 501(c)(3) of the Code.

Beginning January 1, 1984, unless specifically excepted, you and your subordinates must pay tax under the Federal Insurance Contributions Act (Social Security taxes) for each employee who is paid \$100 or more in a calendar year, as indexed for inflation. You and your subordinates are not liable for the tax under the Federal Unemployment Tax Act (FUTA).

By May 31, 2007, please send three (3) copies of *The Official Catholic Directory* for 2007 to IRS TE/GE in Cincinnati; one copy to the Processing Campus in Ogden; two copies each to the EO Area Managers in Newark, Brooklyn, Chicago, St. Paul, Atlanta, Los Angeles, the IRS National Headquarters and the Director, EO Examinations, Dallas.

The conditions concerning the retention of your group exemption as set forth in our previous determination letter of August 17, 1983, remain in full force and effect.

Sincerely,



for Janna Skufca, Director, TE/GE  
Customer Account Services

**SAMPLE LETTER FOR STATE  
SALES TAX EXEMPTION**

Date

***Re: (Name of Church, School)***

To Whom It May Concern:

(Name) is a program of (Name) Church Corporation, (City) which is a Rhode Island Corporation. Enclosed is a copy of the certificate of their Rhode Island Sales Tax Exemption.

The Rhode Island sales tax exempt number is xxxxxx.

If you have any questions concerning this, please feel free to contact me.

Sincerely,

J. Timothy Kocab  
Diocesan Controller

## **SAMPLE OF RI TAX EXEMPTION CERTIFICATE**

State of Rhode Island and Providence Plantations  
Department of administration  
DIVISION OF TAXATION  
One Capitol Hill  
Providence, RI 02908-5800  
Fax (401) 277-6006

### **CERTIFICATE OF EXEMPTION**

(Name of Corporation)  
Address  
City, State, Zip

This is to certify that the above-named institution has qualified for exemption pursuant to the provisions of the Rhode Island Sales and Use Tax Act, Chapter 18, Title 44, of the General Laws of 1956, as amended, and is accordingly exempt from the payment of the sales tax on sales made to it and from the Use Tax on the storage, use or other consumption of tangible personal property by it.

R. Gary Clark  
Tax Administrator

By: Lloyd J. Menard, Jr.  
Chief Revenue Agent  
Field Audit Service

Certificate Number: XXXX

Date Issued: January 1, 1983

TDD (401) 277-6287 (Telecommunication Device for the Deaf)



## **12-Month Sample Meeting Agenda for the Parish Finance Council**

- July** .....Complete the Annual Parish Financial Report and forward Report to the Bishop.
- September** .....Presentation of the Annual Financial Report to Parishioners
- October** .....First Quarterly Review and Report
- November** .....Committee Orientation and Education
- December** .....Committee Orientation and Education
- January** .....Second Quarterly Review and Report
- February** .....Input from Parish Staff and Committee Program and Services
- Program Services and Goals
- Budget Requests
- By March 1st** .....Preliminary Subsidy to School Principal and School Board
- April** .....Completion of Input Regarding Program and Services
- Third Quarterly Review and Report
- First Week of May** .....Preliminary Budget Projections
- May** .....Designing the Parish Projected Budget
- June** .....Notification to Accountable Staff and Committee Chairpersons Regarding Parish Budget and Subsidy
- Fourth Quarterly Review and Report

# Sample Parishioner Report

Statement of Activities - Year Ended June 30, 2006 and June 30, 2005  
With Budget Figures for the Year Ending June 30, 2007

	Budget 6/30/07	Actual 6/30/06	Actual 6/30/05		Budget 6/30/07	Actual 6/30/06	Actual 6/30/05
<b>Income</b>				<b>Expenses</b>			
Budget & Holy Days	258,329	236,819	230,174	Church Operations	100,340	115,198	125,008
Capital Improvements	16,000	17,094	17,961	Religious Education	71,752	63,175	69,466
Fuel	1,900	1,237	1,359	Liturgy/Prayer Program	26,205	19,037	18,616
Annual	3,000	2,723	3,211	Center/Hall	40,373	36,808	38,618
Summer	<u>1,600</u>	<u>1,617</u>	<u>1,844</u>	Rectory	5,980	6,296	6,318
				Parish Assessment	16,000	14,630	15,052
Collections	<u>280,829</u>	<u>259,490</u>	<u>254,522</u>	School Support	12,000	15,000	13,000
				Evangelization	12,557	1,696	0
<b>Other Income</b>				Youth Programs	11,035	3,729	0
Mass Stipends/Offerings	7,700	9,281	9,330	Other Parish Programs	<u>8,799</u>	<u>4,913</u>	<u>3,819</u>
CCD Income	7,000	6,991	8,084	<b>Total Expenses</b>	<u>305,041</u>	<u>280,482</u>	<u>289,897</u>
Investment Income	1,292	1,275	136				
Miscellaneous Revenues	<u>8,220</u>	<u>19,142</u>	<u>18,026</u>	Net Results Operations	0	15,697	201
Other Support	<u>24,212</u>	<u>36,689</u>	<u>35,576</u>	Temp Restricted Revenue	14,000	14,089	69,491
				Temp Restricted Expend.	<u>(14,000)</u>	<u>(8,834)</u>	<u>(15,462)</u>
<b>Total Support</b>	<u>305,041</u>	<u>296,179</u>	<u>290,098</u>				
				Increase in Net Assets	<u>0</u>	20,952	54,230
				Net Assets Beginning Year		<u>642,716</u>	<u>588,486</u>
				Net Assets End of Year		<u>663,668</u>	<u>642,716</u>

<b>National Collections</b>	<b>6/30/06</b>	<b>6/30/05</b>	<b>Diocesan Collections</b>	<b>6/30/06</b>	<b>6/30/05</b>
Human Development	1,514	1,467	Priest Retirement	2,130	2,077
Peter's Pence	1,437	1,514	Seminarians	1,464	1,413
Catholic University	1,151	1,142	Earthquake/Hurricane Relief	<u>2,676</u>	<u>0</u>
Mission Sunday	1,740	1,852			
Latin America	1,351	1,217	<b>Total</b>	<u>6,270</u>	<u>3,490</u>
Catholic Relief Services	2,506	1,596			
Good Friday	499	337	<b>Local Collections</b>		
Mission Co-op	1,640	1,708	Holy Childhood	<u>398</u>	<u>692</u>
Rice Bowl	3,784	3,192			
Catholic Communications	1,132	1,202	Catholic Charity Fund Appeal	<u>61,700</u>	<u>61,722</u>
Religious Retirement	<u>2,971</u>	<u>2,859</u>			
<b>Total</b>	<u>19,725</u>	<u>18,086</u>			

**Statement of Financial Position**  
**June 30, 2006 and 2005**

<b>Cash</b>	<b>June 30, 2006</b>	<b>June 30 2005</b>
Checking and savings	<u>34,964</u>	<u>40,861</u>
<b>Investments</b>		
PW Government Income Fund	10,656	10,099
PW Cash Fund	56,439	53,855
Catholic Investment Trust, Inc.	<u>43,132</u>	<u>20,000</u>
Total Investments	<u>110,227</u>	<u>83,954</u>
<b>Property and Equipment</b>		
Cost	1,122,287	1,119,987
Less Accumulated Depreciation	<u>(525,688)</u>	<u>(492,857)</u>
Net Property and Equipment	<u>596,599</u>	<u>627,130</u>
Total Assets	<u><u>741,790</u></u>	<u><u>751,945</u></u>
<b>Liabilities</b>		
Accounts Payable	6,248	10,332
Accrued Expenses	9,215	15,204
Deferred Income	4,755	4,970
Note Payable Due Diocese	<u>57,904</u>	<u>78,723</u>
Total Liabilities	<u><u>78,122</u></u>	<u><u>109,229</u></u>
<b>Net Assets</b>		
Temporarily Restricted	86,497	81,423
Unrestricted	<u>577,171</u>	<u>561,293</u>
Total Net Assets	<u>663,668</u>	<u>642,716</u>
Total Liabilities and Net Assets	<u><u>741,790</u></u>	<u><u>751,945</u></u>

Further details on these financial statements are available for review at the Parish Office.

# Sample Parishioner Report

## Receipts and Expenditures For the Years Ended June 30, 2006 and 2005

<b>Receipts</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Budget Collections	232,505	229,188
Stipends/Offerings	16,661	13,422
CCD Registration/Income	5,573	6,259
Parish Activity/Net	40,632	28,997
Former Convent Rental	12,654	12,611
Donations/Memorial Bequest	404	11,231
Other Revenues	<u>38,906</u>	<u>31,675</u>
<b>Total Receipts</b>	<b><u>347,335</u></b>	<b><u>333,383</u></b>
<b>Expenditures</b>		
Church	160,216	154,644
Rectory	35,725	44,351
Religious Education	97,168	89,061
Catholic School Tuition Grants	15,765	14,365
Diocesan Assessment	16,709	16,417
Other Expenses	<u>2,967</u>	<u>5,100</u>
<b>Total Expenditures</b>	<b><u>328,550</u></b>	<b><u>323,938</u></b>
<b>Net Excess Receipts (1)</b>	<b><u>18,785</u></b>	<b><u>9,445</u></b>
(1) Does not include Depreciation Expenses and unrealized increase in value of Investments.		
<b>Collections Received and Transmitted</b>		
National/Diocesan	32,278	36,693
<b>Capital Expenditures - Rectory/Church</b>	12,832	4,069

## Status of Sanctuary Renewal Program

<b>Receipts</b>	<b>As of 6/30/06</b>	<b>Projected Balance</b>	<b>Projected Total</b>
Pledge Payments	258,838	131,162	390,000
Other	<u>56,354</u>	<u>4,005</u>	<u>60,359</u>
	315,192	135,167	450,359
<b>Expenditures</b>			
Construction	439,257		439,257
Diocesan Loan Interest	<u>8,687</u>	<u>2,415</u>	<u>11,102</u>
	<u>447,944</u>	<u>2,415</u>	<u>450,359</u>
	(132,752)	132,752	

***Pledge balances owed as of 6/30/06 = 131,162***

## **Financial Statement June 30, 2006**

October 24, 2006

Dear Parishioners,

I am pleased to present the Parish Financial Report concerning our revenues and expenses for the fiscal year ending June 30, 2006. This is for the private use of our parishioners only, and not for publication.

This is only a summary of the twenty-five page computer report that will be submitted to the diocese. The full report was reviewed by parish trustees and auditors and the members of the finance council in meetings held in September and October. I am grateful for their professional help and guidance.

Our ministry report also needs to be considered for a fuller picture of our parish community. A summary is included.

We thank you for your commitment, both to the finances and the ministry of our parish. May we imitate Mary, our Blessed Mother and praise God for the great things He has done with our lowly gifts.

Sincerely,

Pastor

### **2006 Parish Statistics**

#### **Membership**

1569 Registered Families  
985 Budget Mailing List  
524 Average Budgets Used

#### **Religious Education**

369 Elementary, Middle and Jr. High Grades  
65 High School Confirmation Students  
4 Rite of Christian Initiation for Adults

#### **Sacraments**

51 Children Baptized  
3 Adult Converts  
53 First Eucharist  
25 Confirmation  
12 Marriages  
35 Anointing of the Sick

#### **Rituals**

35 Funerals  
38 Burials in Parish Cemetery

## **Clarification - Christmas Bonuses Bonuses and Gifts**

In the spirit of Christmas, and in appreciation of the dedicated work of our parish, school, cemetery and agency employees at the parish level, the Bishop supports the practice of offering a reasonable bonus or gift from the parish to their clergy, religious and lay employees. The spirit of appreciation is also often expressed to our many employees and volunteers by conducting an annual appreciation event, either in the Christmas Season or at another time of the year.

A listing of Christmas bonuses or gifts should be available in the parish files and their total reported at the next regular meeting of the Parish Finance Council.

Gifts or bonuses given or paid to any individual in an amount over \$25 are considered taxable income and must be reported by both the donor as being paid or gifted and by the donee in their required tax return, according to Internal Revenue Services (IRS) regulations.

For accounting purposes: for bonuses or gifts over \$25, charge your wage accounts; and, if less than \$25 use your "public relation" or other expense accounts.

Questions in this regard should be directed to the Office of the Secretary for Planning and Financial Services (278-4540).

# **SAMPLE NON-PROFIT CORPORATION FILING FORM.**

If you do not receive the form automatically in the mail, please go to the website <http://www.sec.state.ri.us> and search for Form 631 (Non-Profit Corporation Annual Report). This should be filed by June 30<sup>th</sup> of each year.



State of Rhode Island  
and Providence Plantations  
Office of the Secretary of State

**A. Ralph Mollis**, Secretary of State  
Corporations Division  
148 W. River Street  
Providence, RI 02904-2615  
401.222.3040

## **NON-PROFIT CORPORATION ANNUAL REPORT FOR THE YEAR**

**Filing Period: June 1 - June 30 • Filing Fee: \$20.00 \* THIS REPORT MUST BE TYPED OR PRINTED LEGIBLY IN BLACK INK**  
\* In accordance with R.I.G.L. 7-6-94, each corporation failing or refusing to file its annual report within the time prescribed by law (R.I.G.L. 7-6-91) is subject to a penalty fee of \$25.00.

1. Corporate ID No.		2. Name of Corporation <b>USE LEGAL CORPORATION NAME (FULL NAME)</b>			
3. State of Incorporation <b>RHODE ISLAND</b>		4. Corporate address in Rhode Island - Street Address <b>USE PARISH RECTORY ADDRESS</b>		City	Zip
5. Foreign corporation. Enter principal office address <b>N/A</b>		City	State	Zip	
6. Brief Description of the character of the affairs which are actually conducted in Rhode Island <b>(RELIGIOUS, CHARITABLE AND EDUCATIONAL ACTIVITIES)</b>					
7. NAMES AND ADDRESSES OF THE OFFICERS: ("X" BOX FOR ATTACHMENT) <input type="checkbox"/> FILL IN SPACES BEFORE USING ATTACHMENTS					
President Name <b>THOMAS J. TOBIN (bishop of providence)</b>			Vice President Name <b>PAUL D. THEROUX (vicar general)</b>		
Street Address <b>One Cathedral Square</b>			Street Address <b>One Cathedral Square</b>		
City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>	City <b>Providence</b>	State <b>RI</b>	Zip <b>02903</b>
Secretary Name <b>PASTOR OR OTHER NAME</b>			Treasurer Name <b>PASTOR'S NAME</b>		
Street Address			Street Address		
City	State	Zip	City	State	Zip
8. NAMES AND ADDRESSES OF THE DIRECTORS: ("X" BOX FOR ATTACHMENT) <input type="checkbox"/> FILL IN SPACES BEFORE USING ATTACHMENTS					
THE NUMBER OF DIRECTORS OF A DOMESTIC (RHODE ISLAND) CORPORATION <u><b>SHALL NOT BE LESS THAN THREE (3).</b></u> R.I.G.L. 7-6-23					
Director Name <b>PASTOR'S NAME</b>			Director Name <b>TRUSTEE'S NAME</b>		
Street Address			Street Address		
City	State	Zip	City	State	Zip
Director Name <b>TRUSTEE'S NAME</b>			Director Name		
Street Address			Street Address		
City	State	Zip	City	State	Zip
9. REGISTERED AGENT IN RHODE ISLAND - DO NOT ALTER - Changes require filing of Form 641 - R.I.G.L. 7-6-13 / 7-6-78					
Agent Name <b>PASTOR'S NAME</b>			Address <b>USE PARISH RECTORY ADDRESS</b>		
Address			City	Zip	

This report must be signed by either the President, Vice President, Secretary, Assistant Secretary, Treasurer, Receiver or Trustee

File Date _____
Check No. _____
By: _____
FOR SECRETARY OF STATE USE ONLY

Under penalty of perjury, I declare and affirm that I have examined this report, including any accompanying schedules and statements, and that all statements contained herein are true and correct.

Signature of Officer \_\_\_\_\_ Date \_\_\_\_\_

Print or Type Name of Officer \_\_\_\_\_

Title of Officer \_\_\_\_\_

## Exhibit 25

### REQUEST FOR CONSTRUCTION/MAINTENANCE PROJECT (101 A)

☐ Preliminary    ☐ Final

Date: \_\_\_\_\_

Name of Parish: \_\_\_\_\_

Address & City: \_\_\_\_\_

Pastor: \_\_\_\_\_

Telephone #: \_\_\_\_\_

Trustees: \_\_\_\_\_

Project Info: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Estimated Costs: \_\_\_\_\_

Proposed Start: \_\_\_\_\_

Duration of Work: \_\_\_\_\_

Architect: \_\_\_\_\_

Scope of Work/Schematic Drawings Attached:    ☐ Yes    ☐ No

I. \_\_\_\_\_

#### II. Bid Information (final only)

Name of Bidder (minimum – 3)	Base Bid (\$)	Alternates (\$)	Total Bid (\$)

Preferred Contractor: \_\_\_\_\_



## Exhibit 26

### FINANCIAL REVIEW - CONSTRUCTION/MAINTENANCE PROJECT (101 B)

#### Funding Capacity:

Cash on Hand (specify amount): \_\_\_\_\_

Total of other Financial Reserves (specify amount): \_\_\_\_\_

Previous Year's Parish Revenue (gross)  
(less Diocesan Collections) \_\_\_\_\_

Previous Year's Parish Expenditures (gross)  
(less Diocesan Collections) \_\_\_\_\_

#### Parish Debt:

Amount: \_\_\_\_\_

To Whom Owed: \_\_\_\_\_

Maturity Date: \_\_\_\_\_

Terms and Interest Rate: \_\_\_\_\_

#### Amount of Debt Payment Last Year:

Interest: \_\_\_\_\_

Principle: \_\_\_\_\_

#### Financial Plan for Funding Project:

---

---

---

#### Recommendations of the Parish Trustees (date):

---

---

---

#### Recommendations of the Parish Financial Council (date):

---

---

---

## **Guidelines for Parish Capital Campaigns**

- Parishes which do not have available funds or which would be depleting more than 50% of parish reserves for a capital project should consider a parish capital campaign to support the project or replace funds. Other than for extraordinary situations, a parish should have sufficient cash on hand to commence the project, with the remaining project to be covered by outstanding capital campaign pledges.
- Parishes contemplating a capital campaign should contact the Stewardship and Development Office for pre-campaign due diligence, which includes an evaluation of parish fund-raising potential, case analysis, and the interview and hiring process for professional fund-raising counsel.
- The Stewardship and Development Office will, if requested, attend interviews with fund-raising counsel to assist the parish in making a selection of counsel.
- The use of fund-raising counsel is normally required of all parishes wishing to raise more than two (2) times Ordinary Income (Sunday collections plus parish based second collections and holy days).
- The hiring of professional fund-raising counsel and permission to conduct a parish capital campaign must be received from the Bishop, although the interview and decision-making process can be completed prior to meeting with the Parish Capital Evaluation Committee. No contracts may be signed until permission is received from the Bishop.
- Parish capital campaigns may not be conducted during the months of April, May and June without special permission of the Bishop. In these rare cases the Catholic Charity Fund Appeal is included as part of the parish case statement. Exemptions for participation in the Catholic Charity Fund are not granted.
- Parishes can use pledges from a parish capital campaign to secure construction loans from the Inter-Parish Loan Fund, Inc., but should have approximately 50% of the total construction cost available for working capital either from the campaign or parish reserves.

Note: Capital Campaigns can occur to fund other types of projects such as a campaign for endowments and/or increase savings.

## **A Position Statement on the Importance of a Catholic School**

### **Use of a Catholic School Building**

1. Catholic school education is a priority mission of the Diocese of Providence. Therefore, a Catholic School is to be a priority mission of a parish. It is the responsibility of every parish with a school to support and maintain this vital mission. Likewise, it is the responsibility of every parish that has a commitment to a regional or interparish school to support and maintain this vital mission. A parish that does not have a school is to make every effort to open a school, to actively participate in an interparish or regional arrangement, or to actively support a neighboring parish school or, where appropriate, a diocesan or private Catholic school.
2. A Catholic school is to be given preference in the use of a building built to house a Catholic school: In such a building, priority is to be given to operating a parish school. Where there is no parish school, priority is to be given to an interparish school, a diocesan school, or a private, Catholic school.
3. When a Catholic school other than a parish school uses a school building owned by a parish, the parish corporation vote and the Bishop's approval is required. Agreements are to be sensitive both to the religious education needs of the parish as well as the overall needs of the Catholic school.
4. When a Catholic school other than the parish school uses a school building owned by a parish, the parish corporation vote and the Bishop's approval is required, and financial arrangements between the parish and the school are to recognize that Catholic school education is a priority mission of the Church. Therefore, these arrangements should not be made by the parish for any profit. However, recognizing that the parish has no obligation to underwrite this school, these arrangements may provide for sufficient income to the parish to enable it to cover costs to the parish that arise because of the school. A written agreement is to be developed which includes the parameters of use, the rental fee, responsibility for capital and operational costs and other usual conditions of a rental-lease agreement.
5. Where a building built to be a Catholic school is rented or sold with the Bishop's approval and the vote of the parish corporation for purposes other than a Catholic school and is a source of income, a portion of the revenue derived from its use/sale is to be donated to Catholic school education. This donation is over and above the obligatory seven percent assessment and is to be determined by the Bishop in consultation with the respective pastor and his advisers.

3-5-99

## **Rental of Portion of Buildings for Telecommunications Equipment**

The Bishop has approved a process developed by the Office of the Building Commission to be followed regarding rental of diocesan and parish space for telecommunications equipment. If a parish or agency is contacted by a communications provider, the pastor or director should contact the designated diocesan real estate attorney in all negotiations with the proposed lessor. Please contact the Chief Financial Officer of the Diocese of Providence at (401) 278-4541 for the attorney's name and number. The attorney will work in conjunction with the Building Commission to negotiate lease terms, review engineering of installation, evaluate environmental and aesthetic impact and address necessary maintenance repairs in area of installation.

Furthermore, the rental of any space must be consistent with the approved Telecommunications Policy and the Model Contract. Copies of these documents and a background document to this policy may be obtained from the Director or Facilities of the Building Commission (401-278-4636).

# Diocesan Guidelines on Solicitation of Parishioners and Employees in the Workplace

## I. INTRODUCTION

The Diocese of Providence and the Catholics of Rhode Island support a huge network of spiritual and corporal works of mercy which virtually touch every dimension of human need.

Through the Annual Catholic Charity Fund Appeal, the Vision of Hope Campaign, the Catholic Foundation of Rhode Island, as well as through individual parishes, schools, hospitals and also through various day care, regional youth and retreat centers and other agencies and programs, many people in Rhode Island receive financial and material assistance from our Church.

This support is the direct generous response of time, talent and treasure by our clergy, religious and lay women and men in gratitude for the many blessings received from God.

## II. SOLICITATION OF PARISHIONERS

Diocesan policy promulgated by the Most Reverend Bishop prohibits the solicitation of funds in parishes and among parishioners by any diocesan Catholic agency, institution, or program or by another parish without the prior, written approval and authorization of the Bishop. (Cf. *Diocesan Policies Regarding the Use of Parish (Parishioner) Funds*, published in Inter Nos, March 13, 1992.)

This policy is designed to support the coordination of Catholic giving through the annual Catholic Charity Fund Appeal and to control the multiple requests for funds.

The Bishop has granted the *Providence Visitor* an exception to this policy to enable solicitation for annual subscription, annual additional support by donors and periodic solicitation of parishes, schools and agencies for advertising since revenues derived by this method is a standard practice in the Catholic press.

## III. SOLICITATION OF DIOCESAN EMPLOYEES IN THE WORKPLACE

Diocesan policy promulgated by the Most Reverend Bishop prohibits the solicitation of funds or pledges in the workplace and/or among employees of diocesan offices, agencies, schools and other programs by any for profit or non-

profit community organization, group or individual representing such an entity, (e.g., United Way, or other network service group), without the prior, written approval and authorization of the Bishop or his delegate.

This policy is designed to support the coordination of Catholic giving through the Annual Catholic Charity Fund Appeal, to control multiple workplace solicitations of funds among employees, and to avoid the appearance of giving even tacit support to an agency whose services may be inconsistent with Church teachings.

#### **IV. "DONOR OPTION" IN UNITED WAY OR OTHER COMMUNITY SUPPORT PLANS**

If a separately-incorporated Catholic agency, or school desires to receive "Donor Option" Status, the director and respective Secretary are to submit a written request for approval and authorization to the Bishop.

While the circulation of annual campaign information among employees at such a designated "Donor Option" diocesan work site will be considered, any direct solicitation of employees through an internal workplace campaign will not be permitted.



## **Diocese of Providence Legal Services Policy Effective July 1, 2001\***

- 1) Each parish, school, agency and/or program sponsored by the Diocese of Providence will be eligible for subsidized payment of legal services provided by diocesan counsel up to a cap of \$2,000 per year. Upon exceeding the cap in any given fiscal year, the respective parish, school, agency or program will be responsible for the timely payment of billed legal services provided by diocesan counsel.

\*This payment policy applies to legal services not associated with revenue generating activities. In such cases, full legal service fees remain the responsibility of the respective parish, school, agency or program. (effective November 1, 2003)

- 2) Quarterly invoices for all legal services will be sent to the respective pastor, director or administrator for information purposes.
- 3) Effective July 1, 2001 parishes should include in their projected annual operating budgets a line item, "legal services" to provide for "over cap" legal service costs.
- 4) Exceptional legal cases can be presented to the Most Reverend Bishop for special consideration and waiver of this policy.

## Exhibit 32

### Mass Stipends and Wedding & Funeral Offerings, effective Jan. 1, 2008

January 8, 2007

Dear Brothers in Christ:

Bishop Tobin, after consulting the College of Consultors and the Council of Priests, has approved and will publish two new protocols on *Mass Stipends* and *Church Offerings on the Occasion of Weddings and Funerals*. **These two protocols become effective January 1, 2008.** Copies of both protocols are enclosed with this letter.

The spiritual pastoral practice of stipends has a long history in the Church. This practice is a practical way in which the faithful unite their offering to that of Christ in the Sacrifice of the Mass. Although it is properly understood as a free-will offering given to the priest, he is not obliged to retain all or part of it. As you are well aware, a priest may only accept one stipend a day (*with the exception of Christmas when he may accept three; Canon 942.3*), and he may not accept more Mass offerings than he can fulfill in one year. Likewise, the parish must not accept Mass intentions more than one year in advance. Any semblance of “trafficking in Mass stipends or offerings” is a serious violation of law; it is to be avoided at all times. Priests or parishes having more stipends than can be fulfilled in one year are to forward them to Msgr. Varsanyi, Director of the *Society for the Propagation of the Faith*. They will be directed to other priests in the diocese.

As of the effective date, a **Mass Stipend** for any Mass celebrated in the Diocese of Providence is \$10. The entire stipend is for the priest. There is no longer any distinction between an announced and an unannounced Mass. The only exception is a parish Mass celebrated on Sunday or a holyday. On these specific occasions, the offering requested may not exceed \$25. Again, the priest receives the stipend of \$10 and the balance is to be deposited into the Church account.

The approved practice of “Collective Mass Intentions” is permitted but in keeping with the directives of the Congregation of the Clergy. The conditions from which the Bishop may not dispense are given in #12 of the policy. No parish can have more than two “Collective Mass Intentions” per week. Pastors are to be mindful of this stipulation and are asked to instruct and explain this to the faithful.

The second protocol addresses **Church Offerings for Weddings and Funerals**. A review and study of all our parishes revealed a wide discrepancy on these offerings. Effective January 1, 2008, therefore, the offerings are now stabilized throughout the diocese. Publication of the stipend and Church Offerings will be promulgated in the Providence Visitor and posted on the Official Diocesan website in early January 2007. A parish may not request a higher offering for any reason. An exception to the Wedding Offering, for any reason,



can only be given by the Bishop. The directive for a derogation can be found in #3 of the Wedding Offering policy.

In order to publicize the policies on the local level, copies of a two-sided camera ready insert is included. The Bishop directs that they be utilized in every parish, without exception, in January 2007. They should run sequentially for two weeks and on the weekends indicated on the forms.

I take this opportunity to thank the Ad Hoc Committee of the Council of Priests for their study and work on Church Offerings; Father Simeone, who drafted the Stipends Policy in consultation with Father Reilly and me; and to Mr. Michael Guilfoyle, Diocesan Director of Communications, for his assistance in preparing the final documents and the bulletin insert for distribution.

With fraternal best wishes to you in your priestly ministry, and sincere thanks for your cooperation in the implementation of these pastoral policies, I am

Sincerely in Christ,

(Rev. Msgr.) John J. Darcy, J.C.L.  
Vicar General/Chancellor

Enclosures: Policy on Mass Stipends and Offerings  
Wedding and Funeral Offerings

## POLICY ON MASS STIPENDS AND OFFERINGS

### *INTRODUCTION*

The custom of giving offerings to have Masses said for specific intentions is a laudable one and should be maintained as much as possible. Church teaching and Canon Law (nos. 942-958) provide important guidelines on how to preserve the dignity and appreciation of this practice.

Overall, it should be well noted that Mass offerings are never to be viewed as a means of parish fundraising; rather, they are intended as part of the faithful's direct support of the priest. Furthermore, the appearance of trafficking in sacraments or sacramentals is to be avoided (Canon 947); and access by the poor to have Masses offered for their intentions is to be preserved (Canon 945, §2).

The faithful should be catechized about the theological meaning of the offering given for the celebration of the Mass and on the ascetical importance of almsgiving and the sharing of goods, of which the offerings for the celebration of the Mass are an outstanding form. (See Art. 7, "On Collective Mass Intentions," Congregation for the Clergy, Feb. 22, 1991)

*"In the established tradition of the Church, the faithful, moved by an ecclesial and religious sense, join to the eucharistic sacrifice a kind of sacrifice of their own, as a way of taking part more intensely. They thus do their share to provide for the Church's needs, especially the support of its ministers. This practice is in accord with the spirit of the Lord's words: 'The laborer . . . is worthy of his hire.' (Luke 10:7), which St. Paul alludes to in 1 Timothy 5:18 and in 1 Corinthians 9:7-14." (Pope Paul VI, motu proprio *Firma in Traditione*, June 13, 1974; AAS 66 (1974), 308-311)*

Recently, discussions were held regarding the updating of the offering schedule in effect in our diocese since 1986. The proposal was presented to and examined by the Board of Consultors and the Council of Priests. After having heard these consultative bodies, Bishop Tobin issues the following policies for the Diocese of Providence.

## ***POLICY***

Effective January 1, 2008, the schedule of offering for Masses in parishes in the Diocese of Providence is as follows:

1. The offering for any Mass celebrated on weekdays is \$10.00. For a Sunday or holyday Mass, the offering may not exceed \$25.00. No one may request more than these specified amounts. If more is offered spontaneously or voluntarily, it may be accepted, provided it is clear that the donor is requesting only one Mass.

N.B. All Mass offerings which have already been accepted or are contained in the parish Mass book at the previous offering levels must be satisfied.

2. In all instances, \$10.00 would be the amount retained by the priest, with the balance going into the parish funds.

Unlike the 1917 Code, the present law allows a priest to accept offerings for any number of Masses he celebrates on one day, as long as he does not keep for himself more than one offering (except on Christmas Day, when he may retain three—Canon 951, §1). See no. 8 below.

A priest who concelebrates a second Mass on the same day may *not* take an offering for it under any title (Canon 951, §2).

3. The offering for a Mass to be celebrated at an indeterminate date and time i.e., “unannounced Masses”) is \$10.00, all of it retained by the priest.
4. Masses already promised based on the previous offering schedule shall be honored. Henceforth, when a contribution is received for an indefinite number of Masses, the number of Masses to be offered is calculated on the basis of the weekday or weekend offering as established in No. 1 above.
5. Individual priests retain the right to renounce the acceptance of Mass offerings. It is not permitted, however, for a parish, a pastor, or the clergy assigned to a parish to entirely abolish the practice of receiving offerings and of offering Masses for specified intentions in any given parish. Furthermore, the policies of the Diocese and Canon Law, nos. 276, §2, 2° and 904 also calls for regular, even daily, celebration of the Eucharist by priests.
6. It is always permissible for a priest to accept a lesser offering for a Mass, but this in no way diminishes the obligation in justice to offer a separate Mass for the specific intention requested, once a lesser offering has been accepted.

7. Canon 953 prohibits any individual priests, parishes and institutions, from retaining more Mass offerings than can be discharged in one year. Excess Mass offerings should be forwarded to the diocesan Office for the Propagation of the Faith for distribution to retired priests or to the missions.
8. ***Bination and trination offerings*** are to be given to the charity of the priest's choice. This is a serious obligation that should be interpreted as strictly as possible. Priests are encouraged to remember diocesan charities when distributing additional offerings.
9. Each priest or parish (whichever is applicable) must maintain scrupulously accurate ***records of Mass intentions*** received, the date received, the amount of the offering, and the date when the Mass intention was satisfied. The parish Mass intention books are subject to the normal review by the dean at the times of parish visitation.
10. ***Large bequests*** for numerous Masses can create an unreasonable burden and ought to be discouraged or even refused if the priest or parish cannot satisfy them in a timely way.
11. ***Founded Masses*** (i.e., an endowment to which is attached the obligation to celebrate Mass for a given intention at specified intervals for up to 50 years) are not permitted to be established without the written permission of the diocesan bishop.
12. The ***Pro populo*** Mass must be offered by the bishop and pastors as specified in Canons 388 and 534 respectively. These Masses must be offered *gratis* and it is not permitted to superimpose another intention to be offered by the same celebrant at the same Mass. If another priest is requested to offer the ***Pro populo*** Mass by either the bishop or the pastor, the bishop or priest shall *tender* the current offering of \$10.00 to the priest offering the Mass, unless the latter voluntarily waives it.
13. So-called "***Collective Mass Intentions***" are strongly restricted by the law and can be accepted only under the following conditions: ("*On Collective Mass Intentions,*" *Decree of Congregation for the Clergy, Feb. 22, 1991.*)
  - the several donors must be informed of and consent to the combination of intentions beforehand;
  - the place and time of the particular Mass must be announced publicly;
  - this privilege may not be used more than twice a week in any given place of worship;

- the celebrant is entitled to only the standard \$10.00 offering and all excess to go into the parish funds.
14. These items are matters of justice and are therefore to be interpreted strictly. Any abuses or mismanagement of Mass offerings requires restitution.
  15. Any exceptions to this policy must be requested from the bishop, providing they do not contravene the universal law of the Church.
  16. Pastors are instructed to announce this new Mass offering schedule at Masses as well as publish them in the parish bulletin using the enclosed camera-ready insert. The Providence Visitor will be publishing information about the change in Mass offerings in an upcoming edition.

## **WEDDING OFFERINGS**

The dignity of a sacramental wedding is the concern of all priests and pastoral ministers who assist in the preparation of an engaged couple. In order to provide a unified policy for the entire Diocese, the following policy is presented:

- The offering for a wedding of parishioners may not exceed **\$300**. *While pastors are not obliged to request this amount; they may not request a higher offering for any reason.*
- If pastors accept weddings of non-parishioners, the offering may not exceed **\$500** to help defray additional costs incurred by the parish and staff.
- If pastors believe that extra-ordinary circumstances warrant a higher offering for non-parishioner weddings, they may present their request in writing to the Ordinary, explaining in detail, the reasons for a derogation from the policy.
- The offering includes all other fees (i.e. wedding coordinator, sacristan, custodian, etc.) but does **not** include music fees, which are regulated by diocesan guidelines.

The Secretariat for Catholic Education, Spiritual Formation, and Evangelization will coordinate marriage preparation programs. The program and preparation for this sacrament should highlight not only the importance of marriage as a Christian vocation, but also foster a spirit of genuine stewardship. The couple is encouraged to assist the needy in the parish in a significant way as they begin their sacramental marriage.

## **FUNERAL OFFERINGS**

**The committee recommends that the Church offering for funerals not exceed \$200 for any funeral. A distinction between active and non-active parishioners is to be avoided. The parish is not required to retain the entire offering, but may forward a part of it to another Catholic charitable cause in the diocese. The pastor has the discretion to indicate the best method to forward the offering to the parish.**

Also, in situations where a family expresses that in lieu of flowers donations may be forwarded to the parish, the pastor has the prerogative to waive the offering.

Everyone agreed that funerals should be an occasion to reach out toward those who are mourning, and through our Christian charity and concern, welcome them back to the community of faith.

Pastors are required by their office (cc. 515 §1, 518, 530, 5°) to bury those Catholics within their parish, even if they are not registered. The faithful must generally be buried from their local parish (c. 1177, §1). The pastor may not refuse a funeral of anyone living within the parish without permission of the Bishop. The faithful may choose to be buried from any Church with the *consent* of the person in charge of the church and a *notification* to the proper pastor of the deceased (c. 1177, §2).