

Accounting Software, Chart of Accounts and Basic Financial Statements –

All Diocesan entities use a web-hosted version of Quick Books and a Standardized Chart of Accounts for the Diocese. Refer to the Chart of Accounts for account descriptions and information about the type of transactions and activity posted in each account. Locations cannot add to the Chart of Accounts.

Quick Books uses Classes to track Cost Centers. Locations can customize Classes.

The Chart of Accounts identifies What is being done or purchased and the Class is for Who.

Balance sheet accounts range from 100s to 300s.

Balance Sheet accounts can have subaccounts. Subaccounts are useful for tracking restricted monies, designated monies, funds generated by particular groups or ministries, etc.

Schools should track Prepaid Tuition in a separate sub cash account.

Profit and Loss accounts range from 400s-900s.

There should be NO subaccounts on the Profit and Loss. Track levels of detail through the Class structure or through the Memo field.

Checking Accounts, Electronic Giving and Credit Cards –

Each location should have one operating checking account and one gaming checking account, if applicable. If there is a loan or other situation that appears to prompt the need for an additional bank account, the location should consult with and get permission from the Diocesan Finance Officer.

To be parish or school sponsored, all financial activity must flow through the parish or school checking account. If a group such as Knights of Columbus has a separate checking account, the group must provide a separate Certificate of Insurance to the parish to use the facilities. (See more information later in the text about proper Certificates of Insurance.)

The maximum balance of a petty cash account is \$150. Each petty cash account should be reconciled monthly.

Perform bank reconciliations monthly.

Deposit all cash and check receipts within three days.

Void all outstanding checks older than six months. (Remember to void only as a journal entry and to include the name of the vendor in the Name field.)

Someone other than the bookkeeper should open and review the bank statements.

Locations can utilize on-line checking and bill pay.

Store blank checks in a secure area.

Checks must be pre-numbered.

Checks should not be Payable to Cash, even start up cash for charitable gaming or other fundraisers.

Checks should not be signed in advance. There should be an authorized signer available.

No signature stamps for checks.

Bookkeepers should not have check signing authority.

Notify the Chancery if a bank account or authorized signer changes.

PNC electronically sends withdrawals from Deposit and Loan savings accounts (140-144) only to checking accounts on the approved master list held at the Chancery.

Never use an individual's social security number as the identifying number on a location's checking account or credit card. The Diocesan FEIN is the ONLY acceptable number.

The Diocese discourages the use of debit cards.

Locations can use the Diocesan PAYPAL account under the Diocesan FEIN for a period of time or specific event with permission from the Diocesan CFO.

Use Chancery authorized vendors for electronic transactions. Locations should not retain credit card, checking or savings account information on donors. Donors establish and manage transactions for their on-line giving account.

The Pastor, Pastoral Life Director, Finance Council, Principal, President and/or Business Manager must authorize credit card accounts. Monitor Credit cards very closely and require original receipts. Cancel Credit cards immediately upon an employee's termination.

Proper administrator should review credit card statements and related receipts.

Assets of the church or school should stay on school property, including but not limited to all financial and gaming records, cash or cash equivalents like gift cards.

Capital Campaign Pledges receivable are booked on the financial statements and reconciled at least quarterly to the subsidiary ledger of donations.

Charitable Gaming requires proper training, oversight and reporting by each location holding a license. Physically keep all records on the site of the entity holding the license. Access the state's Charitable Gaming Commission website for information on training.

Do not share a Charitable Gaming license.

Per postal regulations, it is unlawful to mail a lottery ticket or portion thereof.

Fixed Assets-

The fixed asset capitalization policy is \$5,000.

Depreciation is calculated on a straight line basis. Building - 40 years; Building Improvements – 10 years; Land Improvements – 5 years; Equipment – 5 years; Furniture & Fixtures – 7 years; Leasehold Improvements – term of lease; Solar Panels – 5 years; Autos – 5 years; Computer & Telephone – 3 years; Columbariums- 30 years if a permanent structure, 20 years if they can be moved.

Offsetting Insurance Claim – example – roof replacement – Per auditor – Only capitalize the portion not covered by insurance.

Donated Vehicles – Consult with the Property and Plant Office of the Diocese for help with Inspection, title, insurance and proper documentation to the donor.

Donor Acknowledgments- Send an acknowledgement for each cash or cash equivalent gift of \$250 or greater.

Donated Items and Services – The Diocese does not book donated goods or services or assign a value to donated goods or services in an acknowledgement. Give a date and general description of items donated in an acknowledgement without any mention of a value or approximate value. Valuation is the donor's responsibility and should not be a part of the acknowledgement.

Auto, Property and Special Events Insurance –

Catholic Mutual/Church Mutual insures all autos for priests actively assigned to a parish in the Diocese of Lexington and all vehicles owned by Diocesan entities.

Catholic Mutual insures the buildings and contents of all Diocesan entities.

Any entity, person or group not parish sponsored that wants to have an event on parish or school property must provide a certificate of insurance naming the Diocese and the location as an additional insured. To be considered parish sponsored all financial activity has to flow through the parish, school or other Diocesan entity's books. Birthday parties, wedding receptions, etc. do not qualify as parish sponsored. They must provide separate insurance. The Plant and Property office at the Chancery can answer questions and assist.

See information regarding Special Events insurance coverage and the application on the www.cdlex.org website under Secretariat for Stewardship and Finance, Plant and Property.

Investments-Locations cannot hold outside investments unless otherwise approved by the Bishop.

All locations with approved investments must adhere to the Socially Responsible Investment Guidelines of the United States Conference of Catholic Bishops.

Liabilities- Do not pay for any goods or services with cash.

Liquor License – Contact the Diocesan Finance Officer for letters of good standing.

Mass Stipends are always \$5 each in the Diocese of Lexington. See the description for account 260 on the Chart of Accounts for more details.

Every parish should have a Mass Intentions Book and the balance should be reconciled quarterly to Quick Books.

If the mass stipend book has masses beyond what can be honored within a twelve-month period, contact the Chancellor about perhaps transferring some mass stipends and requests to other parishes.

Offertory Count processes vary by location but the Chancery and Catholic Mutual recommend rotating count teams of at least three unrelated members. For example, husbands and wives, parents and their children should not be on the same count team.

Keep a summary sheet for each week's deposit including the breakdown from the actual donations of offertory, second collections and any restricted funds such as capital campaign or debt service.

Make all deposits to the appropriate chart of account number on the book, without exception.

COLLECTIONS SHOULD NOT BE DIVIDED OR MANIPULATED IN ANY WAY as stated on the Chart of Descriptions to be fair and consistent to all. Post all monies given through offertory to offertory.

Administrators and Finance Councils can designate funds after making the correct deposit and recording of the monies but cannot deposit or move the funds from one chart of accounts to another on the books.

All locations should use pre-numbered tamperproof bags for offertory. If there is a cost or accessibility issue, contact the Diocesan Finance Officer.

Maintain a subsidiary ledger of all donations for tax reporting purposes. Identify offertory, capital campaign, debt service. Reconcile the total of this subsidiary for each category of deposit to the Quick Books records at least quarterly.

Sales Tax Exemption - Only purchases directly paid by the not for profit institution qualify to use the sales tax purchase exemption numbers of the Diocese. Reimbursements do not qualify.

1099 Vendors – W-9s and certificates proving workers compensation insurance are very important.

Each location should acquire a W-9 from any person or company, other than a C corporation, performing a service for the location. If you are uncertain of the C Corp status it is best to ask for the documents. The entity can mark C Corporation on the form. If C Corporation is marked it is not necessary to mark the vendor as a 1099 vendor in the QB file. All others should be marked as a 1099 vendor in the Vendor Center in Quick Books. The location acquiring the W-9 should enter all of the information from the W-9 in the Vendor Center of Quick Books and then send a copy of the W-9 to the Chancery Accounts Payable Office.

Locations should also ask for proof of workers comp insurance and send a copy to the Chancery Accounts Payable office.

Send all W-9s and Certificates of Liability for capital projects to the Property and Plant Office in the Chancery.

The Chancery office handles all 1099 reporting to vendors, the IRS and any local agencies and the Workers Compensation audit.

General

The legal name registered with the IRS is Roman Catholic Diocese of Lexington, KY. Please use the full name for all official documents and filings.

The Diocese is not registered with the state of Kentucky. There is a Diocese of Lexington but it is the Episcopal Diocese.

The Chancery office handles all filings with the IRS.

Parish Sponsored means a group's financial activity flows through the parish or school checking account. If a group has a separate checking account, they must provide a certificate of insurance to use the facility or acquire special events coverage per event.

Send all faxes to the Chancery for W-9s and personnel information to the secure fax line of 859-253-0939 ONLY.

The Diocese uses the record Retention Schedule published by the USCCB.

See separate documents on Finance section of the website for Assessment Calculations and use of funds.

The Diocese has a sole preferred vendor for the sale of religious articles in the Diocese. The sole preferred vendor is for a three-year term.

If a group is raising funds to pay toward a trip, uniforms, etc. the fundraising proceeds must be distributed evenly to all and amounts cannot vary by level of participation in the fundraising efforts. (IRS support available on request.)

Individuals cannot use the purchase tax exempt number for personal purchases.

Do not give employees cash or cash equivalents. All compensation should go through payroll.

Second collections-People/groups should NEVER walk out with the money. Deposit all monies in the location's account and issue a check for the proceeds less the appropriate Diocesan assessment amount. If the pastor wishes to send all proceeds that is permissible. The location pays the assessment.

See separate documents for the Diocesan Building Commission on the www.cdlex.org website.

Write checks to the appropriate parties for Outreach, such as payments to help with utilities, medicine, rent, etc. Never distribute cash.

Items Unique to Schools - Donations to a scholarship or tuition assistance fund can only be considered for a donation if given to a general fund that is available to all. If the donor is involved with selecting the student or family, the payment of tuition is a personal gift and not a donation.

Staff Tuition Reductions (Discounts) have to be the same for all employees at that particular school. To be eligible for the reduction/discount the employee MUST BE an employee of the school.