



CATHOLIC DIOCESE
OF LEXINGTON

Roman Catholic Diocese of Lexington, KY

Financial Policies and Supplements for Diocesan Entities

November 1, 2023

TABLE OF CONTENTS

	PAGE
1. ACCOUNTING AND ACCOUNTING SYSTEMS.....	5
1.1 QUICKBOOKS	
1.2 QVINCI	
1.3 SKYLINE	
2. ADVANCES/START-UP CASH.....	6
3. ALCOHOLIC BEVERAGE SALES.....	6
4. ASSESSMENTS (Ordinary Assessments)	7
5. BANK ACCOUNTS/RECONCILIATIONS/OTHER PAYMENT METHODS.....	7
5.1 CHECKS	
5.2 DEBITS CARDS	
5.3 PAYPAL	
5.4 CREDIT CARDS	
5.5 HANDLING VOIDED CHECKS	
6. BUDGETS	10
7.CAPITAL PROJECTS	11
8.CHARITABLE GAMING	11
9.CONFLICT OF INTEREST	12
10.DIOCESAN STABLE VALUE FUND (Formerly Deposit & Loan).....	12
11.DIRECT FINANCIAL OUTREACH GUIDELINES	13
12.DONATED GOOD AND SERVICES	13
13.DONATED VEHICLES	14
14.DONOR ACKNOWLEDGMENTS	14
15. FACILITY USAGE	14
16. FINANCE COUNCILS	15
17. FIXED ASSETS AND RELATED DEPRECIATION	16
18. FRAUD, EMBEZZLEMENT, AND OTHER FINANCIAL MALFEASANCE	16

TABLE OF CONTENTS (Continued)

19. FUNDRAISING16

20.GIFTS16

21.HUMAN RESOURCES/EMPLOYMENT16

22. INSURANCE COVERAGE17

23. INTERNAL CONTROLS17

24.INVESTMENTS AND GIFTS OF STOCK18

25.LEGAL STRUCTURE AND FILINGS18

26.LOANS19

27.MASS STIPENDS19

28.MISSION AND MINISTRY CO-OP THROUGH PROPAGATION OF THE FAITH19

29.OFFERTORY COUNT20

30.PAYMENTS TO VENDORS/LIABILITIES20

31.PROPERTY (LAND AND BUILDING)21

32.RECORD RETENTION AND STORAGE22

33.HOLY LAND PREFERRED VENDOR22

34.SALES TAXES22

35.SALES TAX EXEMPTION22

36.SECOND COLLECTION23

37.SPECIAL COLLECTION/PASS THROUGH COLLECTIONS23

38. TUITION.....24

39.VEHICLE USAGE24

40.WHISTLEBLOWING25

MESSAGE TO READERS:

Thank you for accessing the Financial Policies and Procedures of the Roman Catholic Diocese of Lexington in Kentucky.

The policies, supplements, definitions, and complete content of this document are applicable to all entities that are legally and directly part of the Roman Catholic Diocese of Lexington in Kentucky under the jurisdiction of the Bishop of the Roman Catholic Diocese of Lexington and all employees and volunteers involved with and representing those entities.

These policies and supplements are in place to protect the assets of the diocese and to make a best effort to comply with all applicable regulatory agencies including, but not limited to, the Internal Revenue Service and the Kentucky Department of Revenue. These policies and supplements also conform to best practices as identified by the United States Conference of Catholic Bishops.

This document does not present an exhaustive list of expectations and requirements. Rather, it accompanies the Code of Canon Law, the Code of Conduct, the Employee Handbook, the Priest Handbook, the Volunteer Handbook, and pertinent civil law. Church personnel are to be aware of and committed to all of these norms that govern conduct.

Questions, suggestions, and concerns about these policies and supplements can be directed to the Diocesan Finance Officer. Challenges or appeals will be directed to the Chancellor and, ultimately, resolved by the Bishop. In addition, the Diocesan Finance Council and/or the Presbyteral Council may be consulted depending on the nature of the question, suggestion, or concern.

SECTION 1 – ACCOUNTING AND ACCOUNTING SYSTEMS

1. All diocesan entities operate under a single tax identification number (TIN).
2. All Internal Revenue Service (IRS) filings are handled through the Finance Office of the Chancery.
3. All diocesan entities are to use the accrual basis method of accounting with a July 1 – June 30 fiscal year.

Supplement to Section 1: Our Accounting Systems

[QuickBooks](#)

All diocesan entities must use the Diocesan web-hosted version of QuickBooks and the Standardized Chart of Accounts for the Catholic Diocese of Lexington.

- a. Diocesan entities (locations) may not add new accounts to the Standardized Chart of Accounts.
- b. Diocesan entities (locations) may customize “Classes,” used to track cost centers and departments, in QuickBooks to accommodate reporting and tracking needs.

[Qvinci](#)

All diocesan entities are to use Qvinci, a web-hosted service, for reporting and consolidating appropriate entities.

Qvinci allows users to see high-level financials, liquidity ratios, operational ratios, and comparisons to other diocesan entities without granting users access to the working QuickBooks files. Qvinci performs a backup each day.

Best Practice: Finance Council members, pastors, principals, and other administrators are encouraged to have access to Qvinci for their particular locations. Administrators can send names and email addresses of those they would like to have access to Qvinci, along with the specific location(s), to the Director of Parish Accounting and Finance at the Chancery.

[Skyline](#)

Skyline provides the web-hosted version of QuickBooks.

Please Note: Qvinci and Skyline perform backups each day. The backups are held offsite in multiple, protected locations. When QuickBooks asks about backups, the user should always choose “No”.

Supplement to Section 1: Navigating QuickBooks

Chart of Accounts – the numbers on the Chart of Accounts represent what is being paid, received, handled, owned, owed, or purchased.

Class – represents who the transactions are for...

Balance Sheet Accounts

- range from 100s to 300s.
 - 100s are assets
 - 200s are liabilities
 - 300s are equity
- Subaccounts are useful for tracking restricted monies, designated monies, funds generated by groups or ministries, capital projects underway, etc.

Please Note: Schools should track Prepaid Tuition in a separate sub-cash account.

Profit and Loss Accounts

- Are 400s, 500s, and 900s
 - 400s are operating income
 - 500s are operating expenses
 - 900s cover Other Income and Expenses

Please Note: There can be NO subaccounts on the Profit and Loss Accounts. Track levels of detail through the Class structure or Memo field.

SECTION 2 – ADVANCES/START-UP CASH

1. Checks for advances/start-up cash must always be payable to a person.
2. The person receiving the check, or an authorized representative of the particular event, is responsible for returning all unused cash, newly generated cash, itemized original receipts for purchases, and any additional reporting to the proper diocesan entity.
3. A diocesan entity can add the word “Cash” on the check payee’s name to distinguish the check’s purpose through QuickBooks. The vendor’s name in QuickBooks must remain the person’s actual name. There is a separate box in QuickBooks for each vendor that allows the user to alter the name of the payee that will print on the check. Use this field to change the payee on the applicable check (e.g., Mary Smith-Cash).

SECTION 3 – ALCOHOLIC BEVERAGE SALES

1. The Commonwealth of Kentucky requires a liquor license from the [Department of Alcoholic Beverage Control](#) for alcohol sales at any diocesan-sponsored event.
2. Diocesan entities are required to strictly enforce all [alcohol beverage control requirements](#) of the Commonwealth.

SECTION 4 – ASSESSMENTS (Ordinary Assessments)

1. The Christian faithful are obliged to assist with the needs of the Church so that the Church has what is necessary for divine worship, for the works of the apostolate and of charity, and for the decent support of ministers (Canon 222 S 1).
2. It is for the diocesan bishop, therefore, to admonish the faithful of this obligation by encouraging appeals and by instituting a moderate tax/assessment for the needs of the diocese (Canon 1261, 1263).
3. Each diocesan entity must send a completed and signed [Assessment Report Cover Sheet](#) (for the prior fiscal year) to the Diocesan Finance Officer no later than October 1 of each year.

Supplement to Section 4: How the Assessment is Used

In the Catholic Diocese of Lexington, the ordinary assessment provides support for the operating needs of the diocesan curia and its related ministries including, but not limited to, seminarian education and priest retirement.

Supplement to Section 4: Assessment Calculation, Billing, Due Date

In the Catholic Diocese of Lexington, the ordinary assessment is based on the prior fiscal year financials of the particular diocesan entity. Invoices for the assessment are billed in August and due in September of each year. Click on the following link to view the document [Assessment Process in the Catholic Diocese of Lexington](#) for the calculation process, rates, and use of funds.

Supplement to Section 4: Reporting Assessable Revenue and Expenses

The Chart of Accounts identifies all revenue and expense accounts as assessable or non-assessable. Diocesan entities are expected to report all finances correctly in a spirit of fairness and consistency without looking for loopholes or engaging in assessment avoidance. Click on the following links to view the [Chart of Accounts](#).

SECTION 5 – BANK ACCOUNTS/RECONCILIATIONS/OTHER PAYMENT METHODS

1. The Catholic Diocese of Lexington Federal Employer Identification Number (FEIN) is the only acceptable number that can be used for a diocesan entity's accounts. An individual's social security number may not be used as the main identifying number on a diocesan entity's account, regardless of type, including, but not limited to, checking accounts, store charge accounts, and credit cards.
2. Each diocesan entity (location) is allowed one operating checking account apart from gaming and cafeteria checking accounts, which are required by the Charitable Gaming Commission and the National School Lunch Program.
3. Any situation that may prompt the need for an additional checking account requires a consultation with and the permission of the Diocesan Finance Officer.
4. The maximum balance of a Petty Cash account is to be \$150.00.
5. Bank reconciliations of all accounts are to be performed monthly.
 - a. Bank reconciliations should be performed by someone other than the diocesan entity's bookkeeper.
 - b. In the event that 4(a) is not possible because of staffing limitations or the size of the diocesan entity, a member of the parish or school Finance Council should review bank reconciliations monthly.
6. All cash must be deposited within three (3) business days from receipt.
7. All outstanding checks older than six (6) months are to be voided.
8. Someone other than the bookkeeper should open, review, and initial bank statements.
9. Diocesan entities may utilize online checking and bill pay. If utilized, someone other than the bookkeeper must open and review bank statements to ensure vendors/transaction amounts are legitimate and to randomly examine invoices/bills for alignment.
10. **Checks**
 - a. Blank checks are to be stored in a secure area.
 - b. Checks must be pre-numbered.
 - c. Checks should not be payable to Cash. Checks for start-up cash should be made payable to the individual going to the bank with Start-Up Cash written on the Memo

line of the check.

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

e. Signature stamps are not permitted for checks.

f. Bookkeepers cannot have check signing authority.

g. The Diocesan Finance Officer must be notified if a bank account or authorized signer changes.

11. **Debit cards**, which are strongly discouraged, require the pre-approval of the Diocesan Finance Officer.

12. Diocesan entities may use the Catholic Diocese of Lexington **PAYPAL** account for a period of time or specific event only with the pre-approval of the Diocesan Finance Officer. PAYPAL accounts under individual social security numbers cannot be used for diocesan transactions.

13. Only a diocesan entity's bank or a Chancery-approved vendor (e.g. Vanco, PushPay) may be used for electronic transactions.

a. The use of any other vendor requires the pre-approval of the Diocesan Finance Officer.

b. The diocesan entity must verify the proposed vendor is Payment Card Industry (PCI) compliant prior to seeking the pre-approval of the Diocesan Finance Officer.

14. **Credit Cards**

a. Credit card accounts must be authorized by the pastor, parish life director, principal, school president, and/or business manager.

b. The diocesan entity must ensure that an authorized administrator reviews credit card statements and related receipts monthly.

c. The diocesan entity must monitor credit card use and require original receipts for credit card charges.

d. Credit cards are to be canceled immediately upon an employee's termination.

Supplement to Section 5: Handling Voided Checks

1. **Voided checks** should be clearly marked as “Void” and retained in the banking file of the diocesan entity.
2. If a check is voided in a month other than the current month, void only as a journal entry.
3. Include the name of the vendor in the Name field so it appears in the vendor record in QuickBooks.

SECTION 6 – BUDGETS

1. Every diocesan entity is required to have an operating budget.
2. Diocesan entities, except for schools, are to establish and enter the operating budget into QuickBooks prior to the beginning of each fiscal year.
3. Diocesan schools are to comply with the budget deadlines established by the Superintendent of Catholic Schools and the Diocesan School Council.
4. The operating budget approval process is as follows:
 - a. Operating budgets for parishes are to be approved by the Parish Finance Council before being recommended to the pastor for final acceptance.
 - b. Operating budgets for parochial schools are to be reviewed by the particular School Council before being submitted as part of the overall parish budget, which is to be approved by the Parish Finance Council before being recommended to the pastor for final acceptance.
 - c. Operating budgets for regional schools are to be reviewed by the particular School Council/School Board and approved by the Superintendent of Catholic Schools.

Supplement to Section 6: Chancery Budget Guidelines

1. The Chancery provides guidelines each year to assist diocesan entities in the preparation of their operating budgets: expected rates for health insurance and pension plans, cost of living adjustments for payroll, changes in priest compensation packages, rate changes for property and plant insurance coverage, etc.

2. Please note that some of these expected changes are on a calendar year (January 1 to December 31) and some are on a fiscal year (July 1 to June 30).

SECTION 7 – CAPITAL PROJECTS

1. A capital project is any project involving land and buildings including, but not limited to, new construction, renovations or improvements to existing facilities, and parking lot or sidewalk construction/maintenance.

2. All capital projects totaling \$25,000 or greater are required to secure the permission of the Bishop prior to raising funds, contacting an architect, or hiring any vendors/contractors.

3. All capital projects totaling \$25,000 or greater are required to follow the request and approval steps specified on the [Diocesan Project Procedures Checklist](#).

4. Capital Campaign pledges receivable must be recorded in QuickBooks and reconciled to any subsidiary ledgers on a monthly basis.

Supplement to Section 7: Diocesan Property and Plant Office

Diocesan entities are encouraged to contact the Diocesan Property and Plant Office as soon as a project is being considered for guidance, planning resources, cost-saving measures, and more.

SECTION 8 – CHARITABLE GAMING

1. All diocesan entities operating a bingo or charitable gaming event must comply with [Kentucky Revised Statute Chapter 238 \(KRS 238\)](#), [Kentucky Administrative Regulation 820 \(KAR\) Chapter 1](#), and [United States Postal Service regulations](#).

2. All diocesan entities operating a bingo or charitable gaming event are required to withhold the proper taxes and provide a completed W2-G to each applicable winner.

3. All diocesan entities must mail checks for withholding with copies of the W2-G to the Chancery (attention: Accounts Payable) immediately following the bingo or charitable gaming event. The Chancery will electronically submit the withholding to the proper taxing authority.

a. Penalties and/or interest for late payment or filing due to the Chancery's late receipt from the diocesan entity will be passed along to that diocesan entity.

b. Refer to www.dcg.ky.gov for W2-G and withholding guidelines for events and winning parameters.

c. Refer to www.revenue.ky.gov for current state tax withholding rate information and www.irs.gov for applicable federal tax withholding information.

4. All diocesan entities operating a bingo or charitable gaming event must notify the Diocesan Finance Officer immediately if the entity receives a notice of a charitable gaming violation or issue.

5. All records and supplies for charitable gaming must be kept physically on the site of the diocesan entity holding the gaming license, except for supplies needed on location during the actual event.

6. Diocesan entities operating a bingo or charitable gaming event may not share their charitable gaming license with any other entity (Charitable Gaming Commission Regulations).

7. Diocesan entities operating a bingo or charitable gaming event are forbidden by [United States Postal Service Regulations](#) to mail payment for a lottery ticket or the lottery ticket (or any portion thereof).

Supplement to Section 8: Training, Oversight, and Reporting

1. Since regulations change, and activities are so specialized, diocesan entities operating a bingo or charitable gaming event should contact the Kentucky Department of Charitable Gaming at www.dcg.ky.gov

directly for training, oversight, and reporting requirements, license specifics, and other questions or concerns.

SECTION 9 – CONFLICT OF INTEREST

See Section 51 of the [Catholic Diocese of Lexington Employee Handbook](#).

SECTION 10 – DIOCESAN STABLE VALUE FUND (Formerly Deposit & Loan)

1. Funds over and above the amount of three (3) months' operations should be deposited into the Diocesan Stable Value Fund at PNC Bank.

2. Diocesan entities are permitted multiple savings accounts in the Diocesan Stable Value Fund.

Supplement to Section 10: Deposits and Withdrawals

1. Use the [specified form](#) to make deposits to and withdrawals from a Diocesan Stable Value Fund Savings Account.
2. PNC Bank electronically sends withdrawal requests from a Diocesan Stable Value Fund (accounts 140-144 in QuickBooks) to the checking account(s) on the approved master list held at the Chancery. Let both the Chancery and PNC Bank know about any bank account changes.

Supplement to Section 10: Portfolio Performance Review

1. The Diocesan Finance Council reviews the annual performance of the overall Diocesan Stable Value Fund after the end of each fiscal year.
2. The Diocesan Finance Council determines a rate of portfolio performance distribution.
 - a. Based on this determined rate, PNC Bank calculates the amount due to each individual account, considering balances held during the fiscal year just ended.
 - b. PNC Bank makes the appropriate distributions to the individual accounts in the Fall.

SECTION 11 – DIRECT FINANCIAL OUTREACH GUIDELINES

1. Write checks to the appropriate vendors for assistance to third parties, such as payments to help with utilities, medicine, rent, etc.
2. Avoid distributing cash or gift cards. Keeping cash or gift cards can be a significant safety risk. There is also a lack of controls and accountability, which can lead to questionable practices.

SECTION 12 – DONATED GOODS AND SERVICES

1. Valuation is the sole responsibility of the donor.
2. The Catholic Diocese of Lexington does not book donated goods or services or assign a value to donated goods or services in an acknowledgment.
3. An authorized representative of the recipient diocesan entity is to write a letter of acknowledgment to the donor.
 - a. The acknowledgment letter can contain the date(s) and general description(s) of the goods and services donated.

- b. The acknowledgment letter cannot assign a value or approximate value to the goods and services donated.

The Diocese does not record in-kind donations of goods or services. A letter can be given to the donor thanking them for their donation of specific goods or services, but an amount/value cannot be assigned/included in the letter. (This policy is in line with other national not-for-profits like Goodwill and the Salvation Army. See Section 11 – Donated Goods and Services in this document.)

SECTION 13 – DONATED VEHICLES

Diocesan entities are to consult with the Diocesan Plant and Property Office for guidance on the acceptance of a donated vehicle and help with the inspection, title, insurance, and proper documentation.

SECTION 14 – DONOR ACKNOWLEDGMENTS

Acknowledgment for each cash, or cash equivalent, gift of \$250 or more must be sent to the donor. Consult with the Diocesan Development Office if more guidance is needed.

SECTION 15 – FACILITY USAGE

1. All facility usage must be pre-approved by the appropriate diocesan entity. Contact the Diocesan Property and Plant Office for assistance with questions and concerns.

- a. Approval of facility usage requires verification of either diocesan insurance coverage or separate insurance coverage.

- 1) Only parish- or school-sponsored activities and events are covered by the diocesan insurance policy.
- 2) To be considered parish- or school-sponsored, a group's financial operating activity must flow through the parish or school checking account on a regular basis.
- 3) Entities with separate, independent checking accounts are not considered parish- or school-sponsored.

- b. Groups that are not parish- or school-sponsored must provide an approved Certificate of Insurance prior to the use of diocesan facilities or purchase special events coverage from Catholic Mutual each time the diocesan facility is used.

2. Diocesan facilities/properties are not to be used for personal financial gain.

Supplement to Section 14: Blanket Insurance Policies

Groups that use diocesan facilities on a regular basis (ex. the Knights of Columbus), but that are not parish- or school-sponsored, may be able to purchase a blanket policy that provides the required coverage.

SECTION 16 – FINANCE COUNCILS

1. Every parish must have a Finance Council (or, for smaller parishes, at least two counselors) in compliance with the Code of Canon Law (Canon 1280).
2. The Finance Council should meet at least four (4) times per year with membership of at least three (3) members of the faithful.
3. Each fiscal year, operating budgets for parishes are to be approved by the Finance Council before being recommended to the pastor for final acceptance.
4. Each fiscal year, operating budgets for parochial schools are to be reviewed by the particular School Council before being submitted as part of the overall parish budget, which is to be approved by the Parish Finance Council before being recommended to the pastor for final acceptance.
5. The Finance Council is to consult with the pastor as needed and to review parish financials on a regular basis.

Supplement to Section 15: Assessment Report

1. Finance Council members and the administrator of the diocesan entity are required to sign an [Assessment Report Cover Sheet](#) each fiscal year to submit to the Chancery prior to October 1 of the same calendar year.
2. The “Assessment Report Cover Sheet” acknowledges the financials have been reviewed and, to the best of the members’ knowledge, fairly present the financial activity and standing of the diocesan entity.
3. The financials, including the Balance Sheet and the Budget vs. Actual on the Profit and Loss Statement, should be reviewed at least two (2) times per year, including the fiscal year-end.

Supplement to Section 15: Finance Council Meeting Minutes

1. Each Finance Council should appoint a member to record the minutes of the meetings.
2. The minutes should be presented and approved by the membership at the subsequent meeting.
3. Minutes should be organized and maintained at the diocesan entity for diocesan and historical reference.

SECTION 17 – FIXED ASSETS AND RELATED DEPRECIATION (Land/Buildings & Contents/Vehicles)

1. The fixed asset capitalization policy is limited to individual items valued at five thousand dollars (\$5,000) or greater or the completed project price of a major construction or renovation project.
2. Depreciation is calculated on a “straight-line” basis. See asset classes and years on the [Depreciation Schedule](#).

SECTION 18 – FRAUD, EMBEZZLEMENT, AND OTHER FINANCIAL MALFEASANCE

A suspicion of fraud, embezzlement, or perceived mishandling/manipulation of diocesan assets should be reported immediately to the Diocesan Finance Officer.

SECTION 19 – FUNDRAISING

All fundraising proceeds raised by a group toward a trip, uniforms, or other shared benefits must be evenly distributed to all group participants regardless of participation level in the fundraising efforts. (See “Regulatory Support from the IRS”)

SECTION 20 – GIFTS

1. **Employees cannot receive gifts of cash or cash equivalents from their employer of record.**
 - a. Gift cards, gift certificates, and the use of a credit card for personal reasons, regardless of the amount, are never excluded from income as a *de minimis* benefit per Internal Revenue Service (IRS) publication 15-B (2023).
 - b. **All gifts of cash or cash equivalents to employees from diocesan entities other than their employer of record should go through or be accounted for in the payroll system.**

2. Employees cannot receive gifts of cash or cash equivalents, favors, or other improper gratuity from vendors. Gifts in question should be approved by the employee's supervisor.

3. Volunteers cannot be compensated through cash or cash equivalents. Volunteers can be recognized with other gifts such as flowers, a plaque, or a banquet, all nominal in value.

SECTION 21 – HUMAN RESOURCES/EMPLOYMENT

All employee/employment-related issues including, but not limited to, the processing and handling of payroll and benefits are handled by the Diocesan Human Resources Department. See the [Employee Handbook](#) and the [Priest Handbook](#) for more information.

SECTION 22 – INSURANCE COVERAGE

See Section 14 – Facility Usage

Supplement to Section 22 – Insurance Carrier & Claims

1. Diocesan-wide insurance policies for property, liability, auto, and related are with Catholic Mutual Group and its linked carriers like Church Mutual and Travelers.

2. Catholic Mutual/Church Group covers all autos for priests actively assigned to a parish in the Roman Catholic Diocese of Lexington and all vehicles owned by diocesan entities.

3. Contact the Diocesan Director of Property and Plant for assistance with claims and questions regarding Catholic Mutual Group, Church Mutual, and special events coverages.

a. Copy the Diocesan Director of Property and Plant on all claims submitted.

b. See Section 30 – Payments to Vendors/Liabilities for insurance information needed on W-9 vendors and independent contractors.

c. Refer to the [Catholic Mutual Contact Sheet](#) to find the appropriate representative and their contact information for assistance with specific areas.

d. The [Special Events Guidelines](#) document will help determine what qualifies as a special event and outlines the related steps and coverages. The [Special Event Form](#) must be completed and submitted with payment at least two weeks prior to the event. The [Special Events Facility Usage/Indemnity Agreement](#) is for non-parish sponsored or affiliated groups that use the facilities on a regular basis and provide separate

Certificates of Insurance.

4. The Diocese has one policy for workers' compensation insurance and the workers' compensation audit is handled by the Chancery. Workers' compensation claims are handled through the Diocesan Human Resources Department.

SECTION 23 – INTERNAL CONTROLS

Diocesan entities are responsible for establishing and maintaining internal controls for the protection of diocesan assets and the personnel responsible for handling and protecting these assets (Ex. ensuring the separation of duties).

Supplement to Section 23: Internal Control Checklists

1. "Internal Control Checklists" for [Parishes](#) and [Schools](#) are available.
2. Each diocesan entity is encouraged to complete the checklist on an annual basis and share the results with the Parish Finance Council.

SECTION 24 – INVESTMENTS AND GIFTS OF STOCK

1. All diocesan entity investments must be in the Diocesan Deposit and Loan Savings Account through PNC Bank or in diocesan portfolio accounts unless otherwise approved by the Bishop and the Diocesan Finance Officer.
2. All diocesan entities with approved investments must adhere to the Socially Responsible Investment Guidelines of the United States Conference of Catholic Bishops.
3. All gifts of stock must be sold upon receipt through a PNC Bank account with all proceeds coming to the Chancery to be sent via ACH to the specified diocesan entity and/or purpose.

SECTION 25 – LEGAL STRUCTURE AND FILINGS

1. All diocesan entities operate under a single tax identification number (TIN).
2. All Internal Revenue Service (IRS) filings are handled through the Finance Office of the Chancery.
3. Diocesan entities must use the full, IRS-registered legal name, Roman Catholic Diocese of Lexington, for all official documents and filings.

Special Note: The Roman Catholic Diocese of Lexington is not registered with the state of Kentucky. There is a Diocese of Lexington registered with the state of Kentucky, but it is the Episcopal Diocese.

4. All Internal Revenue Service (IRS) filings are to be handled by the Chancery.
5. All 1099 reporting to vendors, the IRS, and local agencies are to be handled by the Chancery.
6. The Chancellor should be made immediately aware of any legal correspondence or filings received by diocesan entities.

Supplement to Section 25: Legal Counsel

The Diocese has standing relationships with attorneys in several specialized areas that are available to diocesan entities. Diocesan entities may also utilize services of local attorneys with prior review and approval from the Chancery.

SECTION 26 – LOANS

1. Diocesan entities must have permission from the Bishop and the Diocesan Finance Officer to begin the process of applying for a loan and/or refinancing existing debt.
2. An approved payment plan must be submitted to the Bishop for consideration.
3. All loans for diocesan entities must utilize a commercial vendor.

SECTION 27 – MASS STIPENDS

1. Per the Code of Canon Law, each parish is required to have a book for recording mass intentions. The mass intentions book must be reconciled to QuickBooks account 260 at least quarterly.
2. Mass stipends are always five dollars (\$5) each in the Roman Catholic Diocese of Lexington. See the description for account 260 on the [Chart of Accounts](#) for more details and how to handle contributed amounts greater than five dollars (\$5).
3. All mass intentions must be honored within one year of receiving per the Code of Canon Law.
4. If an individual priest says more than one mass per day, those mass stipends are binated (second daily mass) and trinated (third daily mass) stipends. Funds for binated and trinated stipends are sent to the Chancery to the attention of the Chancellor.

Supplement to Section 27: Applicable Canon Law Links

[Can. 955 – Can. 958](#)

SECTION 28 – MISSION AND MINISTRY CO-OP THROUGH PROPAGATION OF THE FAITH

1. This program is administered by the Diocesan Development Office. All monies collected are to be deposited into the parish checking account and then a payment is sent from the parish to the Chancery. Speakers are not to take any monies collected with them.
2. Mission collections are to be consolidated at the Chancery and then divided evenly among participating organizations.
3. Speakers cannot distribute and/or leave envelopes for payments to be sent directly to their organization unless specifically approved by the Diocesan Development Office.
4. The Roman Catholic Diocese of Lexington also sends speakers to other dioceses. Net funds from these speaking engagements are included in the Mission and Ministry funds of the diocese and are distributed to parishes that need financial support for basic operations and other purposes diocesan entities can apply for through the Mission and Ministry funding process.

SECTION 29 – OFFERTORY COUNT

1. Diocesan entities are to follow the collection and counting procedures outlined in the document [Offertory Count Procedures](#).
2. After the count, all deposits must be coded to the appropriate Chart of Account number on the books, without exception.
 - a. Collections are not to be divided or manipulated in any way.
 - b. All monies given through the offertory must be posted to the offertory unless specifically restricted by the individual donor for a different purpose.
 - c. Pastors or Parish Life Directors (PLDs) may designate funds after making the correct deposit and recording of the monies but may not move the original purpose of the funds from one Revenue Chart of Accounts classification to another on the books.

SECTION 30 – PAYMENTS TO VENDORS/LIABILITIES

1. Payments to vendors for any goods or services cannot be made in cash.
2. [W-9s](#) and certificates providing workers' compensation insurance are required from all 1099 vendors.
3. All [W-9s](#) and [Certificates of Liability Insurance](#) for capital projects (property and plant projects costing \$25,000 or more) are to be sent to the Diocesan Plant and Property Office at the Chancery.

Supplement to Section 30: W-9s and Certificates of Liability Insurance

1. A diocesan entity should acquire a completed W-9 from any person or company, other than a C corporation, performing a service for the diocesan entity.
 - a. If there is any uncertainty regarding the person or company's status as a C corporation, it is best to ask for the W-9 and Certificate of Liability Insurance. The entity can mark C corporation on the form.
 - b. If C corporation is marked, it is not necessary to identify the vendor as a 1099 vendor in the Vendor Center of QuickBooks.
 - c. All other vendors should be identified as 1099 vendors in the Vendor Center of QuickBooks.
 - d. The diocesan entity acquiring the W-9 should enter all the information from the W-9 in the Vendor Center of QuickBooks and then send a copy of the W-9 to the Chancery Accounts Payable Office.
2. All 1099s and related filings are handled through the Chancery.
3. Diocesan entities should ask for proof of workers' compensation insurance from all 1099 vendors and send a copy of the Certificate of Liability Insurance to the Chancery Accounts Payable Office.

Note: The language on the Certificate of Liability Insurance is very specific. Refer to the sample [Certificate of Liability Insurance](#).

SECTION 31 – PROPERTY (LAND AND BUILDINGS)

1. The deeds to all real property are to be recorded as owned by the Bishop and his successors.
2. All proposed purchases or sales of real property must be submitted to the Bishop and the Diocesan Finance Officer for consideration.

3. All proposed purchases or sales of real property must be approved by the Bishop.
4. The pastor/principal/administrator of each diocesan entity is responsible for the proper maintenance (preventive and ongoing) of the buildings and grounds of that entity to ensure safety and proper stewardship. See the Diocesan Property and Plant Office for further assistance.
5. In the event that the Diocesan Property and Plant Office manages a land or building project for a diocesan entity, the diocesan entity is responsible for any mileage incurred. Salary and benefits associated with the Diocesan Property and Plant Office remain the responsibility of the Chancery.

Supplement to Section 31: Rentals

Catholic Mutual Group and the Diocesan Property and Plant Office can help with questions regarding rental agreements.

SECTION 32 – RECORD RETENTION AND STORAGE

1. Diocesan entities are to follow the [Record Retention Schedule](#) published by the United States Conference of Catholic Bishops.
2. Assets of a parish or school should remain on the property. This includes but is not limited to, all financial and gaming records as well as cash and cash equivalents (like gift cards on hand for fundraising).

SECTION 33 – HOLY LAND PREFERRED VENDOR

The Roman Catholic Diocese of Lexington has a [sole preferred vendor](#) for the sale of religious articles specifically to support Christians in the Holy Land. The sole preferred vendor is for a three (3) year term. The Diocesan Office of Peace and Justice handles the vendor relationship and approval [letters](#).

SECTION 34 – SALES TAX

1. Sales tax must be reported on all thrift store sales and other events/transactions as required by the state of Kentucky. Contact the Director of Parish or School Accounting Offices at the Chancery for assistance with questions.
2. Diocesan entities that have their own sales tax numbers (i.e. prior to changes in the state of Kentucky's practice) are responsible for filing the appropriate tax returns on a timely basis.

3. Diocesan entities that do not have their own sales tax numbers must send a check for the sales tax due and a “sales tax form” to the attention of Accounts Payable at the Chancery on a monthly or event-triggered basis.

Note: Diocesan entities should write the parish/school name and city on the sales tax form for proper identification and tracking.

SECTION 35 – SALES TAX EXEMPTION

Sales tax exemption numbers are to be used only for purchases related to the operations of a diocesan entity. They are never to be used for personal purchases.

Supplement to Section 35: Sales Tax Exemption Numbers

1. The Roman Catholic Diocese of Lexington has two (2) sales tax exemption numbers. One is for the schools and the other is for all other diocesan entities.
2. Only purchases directly paid by a diocesan entity qualify to use the sales tax exemption numbers of the Roman Catholic Diocese of Lexington. Reimbursements do not qualify.
3. All diocesan entities should have the sales tax exemption numbers, but they are on file in the Accounts Payable Office of the Chancery if needed.
4. “Sales Tax Exemption” forms are often required by a vendor.

SECTION 36 – SECOND COLLECTIONS

1. Second collections are recommended by the United States Conference of Catholic Bishops or other organizations, approved by the Bishop, and coordinated through the Diocesan Development Office. Schedules for two calendar years are listed on the diocesan website www.cdlex.org then Second Collections for the appropriate year.
2. Second collections are to be recorded as a liability using the corresponding account numbers on the Chart of Accounts.
3. Second collections are to be sent to the Chancery within two (2) weeks of the initial collection and in quarterly installments thereafter to clear all balances on the books.

SECTION 37 – SPECIAL COLLECTIONS/PASS-THROUGH COLLECTIONS

1. Special collections are to be initiated by the Bishop for emergency needs (ex. disaster relief).

2. Special collections are to be recorded as a liability in account 246 in the Chart of Accounts. See the “Chart of Accounts” for further instructions.

3. Pass-through collections, collections for external organizations such as Food for the Poor and St. Vincent DePaul, are to be deposited in the diocesan entity’s account.

a. The external organization’s representative(s) should NEVER walk out with the money collected.

b. The diocesan entity issues a check for the proceeds, less the appropriate diocesan assessment amount, to the external organization.

Note: It is permissible for a pastor, principal, or administrator to send all the proceeds from the pass-through collection to the external organization and have the diocesan entity pay the assessment amount.

4. Pass-through collections are to be recorded in account 415 in the Chart of Accounts. See “Chart of Accounts” for additional information on this process.

Note: The only exception to this policy is Birthright for the Baby Bottles full of change. Direct all questions about collections to the Diocesan Finance Officer.

Supplement to Section 37: Collection Sites for Personal Gifts

1. A diocesan entity may serve as a collection site for personal gifts such as retirement gifts, farewell gifts, or gifts to assist a family dealing with adversity. In such cases, the diocesan entity is merely a common collecting site.

2. The collection and corresponding disbursement are to be recorded through the Exchange account (account 945) of the diocesan entity’s books.

3. People contributing to this type of collection are not donating or receiving credit for such a donation for tax purposes. This should be made clear. Monies given are personal gifts, from one person/family to another.

SECTION 38 – TUITION

1. Tuition payments for a specific individual or family are not deductible, even if the person is paying for someone else’s child (in which case it is a personal gift rather than a tax-deductible donation).

2. Donations to a tuition assistance fund can be tax-deductible if all qualifying applicants are eligible and the donor does not select the recipient.

3. Staff tuition reductions/discounts must be consistent for all employees of the school. To be eligible, the employee must be an employee of the school. See “Regulatory Support” for additional information.

SECTION 39 – VEHICLE USAGE

1. Diocesan-owned vehicles cannot be borrowed for personal use.

2. Diocesan-owned vehicles should remain on diocesan property when not in use for business purposes.

3. The use of eleven (11) to fifteen (15) person passenger vans by diocesan entities is prohibited because such vans cannot be insured.

SECTION 40 – WHISTLEBLOWING

Any suspicion of fraud, embezzlement, policy violation, or other financial impropriety that could be harmful to a diocesan entity is to be reported immediately and directly to the Diocesan Finance Officer.

Note: Employees should refer to Section 10, numbers (2) and (8) in the Roman Catholic Diocese of Lexington [Employee Handbook](#) for information about protection from retaliation resulting from whistleblowing. Volunteers should refer to Section 8, number (4) in the Roman Catholic Diocese of Lexington [Volunteer Handbook](#) for information about protection from retaliation resulting from whistleblowing.

