DIOCESE OF ERIE

Parish Finances Manual: Regulations and Practices

(Revised 2026)

10/27/26

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DECREE

PROMULGATING UPDATED FINANCIAL REGULATIONS AND PRACTICES FOR PARISHES IN THE DIOCESE OF ERIE

WHEREAS In order to facilitate the uniform, legal and ethical management of property and financial resources in the parishes of the Diocese of Erie, I have directed a review, consolidation and updating of relevant diocesan policies.

THEREFORE, in accord with Canon 1276 of the *Code of Canon Law for the Latin Church,* I hereby promulgate the following *Parish Finance Manual; Regulations and Practices* document as particular law for the Diocese of Erie. The current and official version of this law is to be found on the official Diocese of Erie website.

With this Decree I additionally abrogate any previous particular law or policy regarding parish financial matters, and replace it with this present document.

I direct that this Decree be published and take effect on October 27, 2026. Anything to the contrary notwithstanding.

Given at the Chancery
of the Diocese of Erie
on this 27th day of October, 2026

+ Lawrence T. Persico

The Most Reverend Lawrence T. Persico, JCL
Bishop of Erie

Christopher J. Singer

The Reverend Christopher J. Singer, JCL
Chancellor

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PART 1 Regulations for the Administration of Parish Temporal Affairs in the Roman Catholic Diocese of Erie

1.0 General Regulations

1.1 These diocesan regulations presuppose and supplement prescriptions of the 1983 Code of Canon Law and any other prescriptions issued by the Apostolic See, the United States Conference of Catholic Bishops, the Bishop of Erie, and all other laws or norms of the Roman Catholic Church.

1.2 Any customs, practices, or previous norms which are contrary to the universal law of the Roman Catholic Church and these diocesan regulations are suppressed.

1.3 The Bishop of Erie alone, after consulting the appropriate consultative bodies, including the Presbyteral Council and the Diocesan Finance Council, may amend or add to these diocesan regulations in whatever form that is legitimate according to the universal law of the Catholic Church (canons 391, 1276 §2).

1.4 The Bishop of Erie alone may give an authentic interpretation of diocesan regulations (canon 16 §1).

1.5 Dispensations from these diocesan regulations may be given only by the Diocesan Bishop or the Vicar General within their competence (canons 87 §1, 88, 89) or by any other lawfully appointed delegate of the Diocesan Bishop.

1.6 The Bishop of Erie is responsible, either personally or through his delegate, for urging and directing the observance of these diocesan regulations (canon 392).

2.0 Purpose of these Regulations

2.1 Temporal goods are acquired, retained, administered, and alienated by juridic persons of the Roman Catholic Church in pursuit of its proper ends or purposes, which include: ordering divine worship, providing for the decent support of the clergy and other ministers and exercising works of the apostolate and works of charity (canon 1254 §§1-2).

2.2 Each parish in the Roman Catholic Diocese of Erie as a distinct juridic person is able to acquire, retain, administer, and alienate its own temporal goods according to the norm of law (canons 515 §3, 1255-1256).

2.3 The temporal goods of each parish are always to be used for the purposes for which they are acquired and are governed by the universal laws of the Roman

Catholic and the particular laws of the Diocese of Erie and individual parish policies.

3.0 Parishes

3.1 A parish is a definite community of the Christian faithful established on a stable basis within a diocese. The pastoral care of the parish is entrusted to a Pastor as its own shepherd under the authority of the Diocesan Bishop (canon 515 §1).

3.2 Those communities of the Catholic faithful in the Diocese of Erie that gather together for worship and works of the apostolate in those structures designated as missions, chapels or oratories are not to be considered parishes or quasi-parishes (as in canon 516), nor are they constituted as distinct juridic persons.

3.3 Only the Diocesan Bishop may establish, suppress or alter a parish after consulting the presbyteral council (canon 515 §2).

3.4 The property of each parish in the Diocese of Erie is held in trust by the Bishop of Erie for the benefit of that parish. In order to take care that the ownership of parish property is protected by valid methods in civil law, a Declaration of Trust is to be made for each parish, thereby establishing a Charitable Trust for each parish according to the laws of the Commonwealth of Pennsylvania (canon 1284 §2, 2º). Only the Bishop of Erie may establish, alter or terminate a Parish Charitable Trust.

4.0 Pastors

4.1 The priest who has been appointed Pastor by the Diocesan Bishop is the proper Pastor of a parish and is responsible for the pastoral care of the Catholic faithful of that parish and for conducting the temporal and legal affairs of the parish (canons 519, 527, 532).

4.2 The priest appointed administrator of a parish by the Diocesan Bishop (canon 540 §1) and the priest appointed moderator of a parish by the Diocesan Bishop (canon 517) have the same rights and duties of a Pastor with regard to pastoral care and temporal and legal affairs of that parish according to the norm of law (c.f. canon 540 §§ 2-3).

4.3 The priest who has been legitimately appointed to a parish under the title of Pastor, administrator, or moderator is ex officio the administrator of the Parish Charitable Trust as established in the declaration of trust (canon 1279 §1).

4.4 Most civil documents and instruments are to be signed by the Pastor or administrator/moderator, including all bank accounts of the parish and parish organizations.

4.5 Bank/Investment statements and cancelled checks for all parish organization accounts should be mailed directly to the rectory or parish office and reviewed by the Pastor or his designee to ensure that all transactions are proper and that all checks paid have been properly authorized.

4.6 The Pastor has the responsibility for seeing that all of the societies and organizations of the parish and school are operated in compliance with civil regulations and diocesan standards of reporting and accountability. Therefore, budgets and financial reports for parish/school organizations should be submitted to the Pastor and the Parish Finance Council for review on at least a semiannual basis.

4.7 The Pastor's oversight and involvement would also extend to independent or Catholic organizations, if they are providing continuing financial support to the parish or parish school through local fund-raising.

4.8 The Pastor or priest who is ex officio the administrator of the Parish Charitable Trust may not initiate or respond to any litigation on behalf of the Parish Charitable Trust unless written permission has been given by the Diocesan Bishop (canon 1288).

4.9 The Diocese must be informed of all lawsuits and other legal problems involving the parish. The parish should retain its own attorney for routine matters. If the diocesan law firm is used for parish matters, the parish will generally be expected to pay the legal fees.

4.10 Any person who is not the Pastor, administrator, or moderator of a parish, including other priests, deacons, or laypersons, may be authorized to conduct temporal or legal affairs of a parish only when said person is granted that authority in writing by the Diocesan Bishop.

4.11 Pastors and administrators/moderators must promptly report all instances of suspected fraud, misappropriation of parish funds or assets, or any other suspicious financial activity to the Vicar General, the Director of Parish Financial Services, and the Chief Financial Officer of the diocese.

5.0 Parish Finance Council

5.1 A Finance Council must be established in each parish (canon 537).

5.2 The Finance Council shall consist of three to seven parishioners who are appointed by the Pastor for a term of five years, renewable at the discretion of the Pastor, and who can be removed by the Pastor for a just reason (c.f. canon 193 §3). If a member resigns, dies, or is removed before the end of the term, the Pastor may appoint another person to complete the term, and, if the membership falls below three, the Pastor must appoint another person to complete the term.

5.3 The Finance Council is advisory to the Pastor who is the administrator of the temporal affairs of the parish. The Pastor presides over the Finance Council with the assistance of a member of the council whom the Pastor appoints as Moderator.

5.4 The parish Finance Council must be consulted in the preparation of the annual parish budget and the annual financial report of the parish that is communicated to the parish and submitted to the diocesan Finance Office according to the norms of this manual.

5.5 The parish Finance Council is to be consulted in those acts of acquisition, alienation or encumbrance of parish property according to the norms of this manual.

5.6 Minutes of the meetings of the parish Finance Council are to be recorded and maintained for a minimum of seven years.

For more detail, see Appendix 1 - Norms for the Parish Finance Council.

6.0 Parish Pastoral Council

6.1 A Pastoral Council must be established in each parish (canon 536).

6.2 The number of persons who are to serve on the parish Pastoral Council and their qualifications and manner and length of appointment are determined according to norms issued by the Bishop of Erie and the by-laws of the Council itself.

6.3 The Moderator of the parish Finance Council is to be an ex officio member of the parish Pastoral Council.

6.4 The parish Pastoral Council is advisory to the Pastor who is the administrator of the temporal affairs of the parish. The Pastor presides over the parish Pastoral Council either personally or through one approved by the Pastor from among the members of the parish Pastoral Council.

6.5 The parish Pastoral Council advises the Pastor about all matters concerning planning, coordinating, and promoting pastoral activity in the parish according to diocesan regulations and any related policies of the parish.

6.6 Minutes of the meetings of the parish Pastoral Council are to be recorded and kept on file for a minimum of seven years.

7.0 Parish Institutions, Organizations and Affiliates

7.1 Property and assets of parish institutions (including schools and cemeteries) and organizations (including clubs, societies, sodalities and fraternities) established by the parish which are authorized to conduct activities under the federal employer identification number of the parish are considered to be property of the parish. Property and assets of any other organization or affiliate, even if the ecclesiastical name of the parish is used in the title of that organization, are not property owned by the parish trust.

7.2 The administration of property and assets of parish institutions and organizations which are considered parish property are subject to these diocesan regulations and the other prescriptions which are presupposed and supplemented as stated above in numbers 1.1-1.2.

7.3 Each parish institution and organization is to have its own statutes, or simple by laws, by which the administration of the temporal affairs of these parish institutions and organizations are also governed. Parish institutions and organizations must be approved by the Pastor.

8.0 Records and Documents

8.1 An inventory of parish real property is to be periodically reviewed and updated as needed and carefully preserved in the parish archives with an authentic copy submitted for preservation in the archives of the diocesan Finance Office (canon 1284 § 2, 9º).

8.2 An inventory of the personal property of each cleric or religious assigned to a parish is to be maintained, reviewed by a representative of the Finance Council, and revised annually, with an authentic copy of that inventory to be kept by the local Dean (Vicar Forane).

8.3 The Pastor is responsible for maintaining all documents and records under civil and canon law on which the property rights of the parish are based, which are to be carefully preserved in a safe, locked, fireproof place, with authentic copies

submitted for preservation in the archives of the diocesan Finance Office (canon 1284 § 2, 9º).

8.4 Documents and records of parish property which are no longer valid should be preserved in the historical archives of the parish and the diocese.

8.5 Each parish must keep well organized records of income and expenditures, with current balances and financial reconciliation, according to the norms of this manual.

8.6 All parish records and documents shall be available for inspection by the Diocesan Bishop or his delegate (canon 535 §4).

8.7 Each parish must have its own official seal (canon 535 §3).

9.0 Acquisition, Alienation, Encumbrance of Property

9.1 The Pastor or the priest with authority equivalent to the Pastor shall have authority to purchase, sell, or lease property, or to borrow money or enter any contract which involves encumbrance of parish property with written permission from the Diocesan Bishop. All diocesan regulations, policies, and requirements for such acts must be observed. No other person has authority to conduct such transactions on behalf of a parish without written authorization from the Diocesan Bishop.

9.2 Any transaction on the part of the Pastor requires the permission of the Diocesan Bishop if said transaction involves the alienation of real property belonging to the parish, regardless of its value. An alienation of temporal goods is any act which transfers or encumbers ownership or may worsen the financial situation of the parish.

9.3 The amount of money which Pastors or their equivalent may expend without the Diocesan Bishop's approval is set at $25,000 or 10% of the ordinary income of the parish, whichever is smaller. The request to spend more than the set amount must be approved by the parish Finance Council, or at least its officers, and the Pastor, as indicated in the Pastor's letter to the Diocesan Bishop. Diocesan norms regarding the Finance Council must also be observed. This limit is not only for individual transactions but is also applicable to any project with multiple purchases, such as building projects, the total price of which is in excess of the stated amount. Other major expenditures which fall below this amount should be reported to the Dean.

9.4 In addition, the following acts also require the permission of the Diocesan Bishop: Accepting gifts or bequests imposing obligations on the parish; purchasing or leasing mineral rights; entering into right-of-way agreements; founding or suppressing schools or other parish institutions; initiating fundraising campaigns; and any other acts of similar gravity.

9.5 Parish property or facilities may be rented, leased, or provided without charge, on an occasional basis, to individuals, groups, or organizations, for non-parish functions or activities only upon written authorization from the Pastor. Parishes that make facilities available for use should develop their own written policies which govern facility us for both parishioners and non-parishioners, observing all applicable diocesan norms.

9.6 Parish property or facilities may be rented, leased, or provided free of charge, on an ongoing or long-term basis, to individuals, groups, or organizations, for non-parish functions or activities only upon written authorization from the Pastor and written authorization of the Diocesan Bishop or his delegate, provided that all applicable provisions of diocesan norms are observed.

9.7 Parish property or facilities may not be rented, leased or provided free of charge, even on an occasional basis, to any individual, group, or organization, for any function or purpose which, in the judgment of the Diocesan Bishop, is contrary to the teachings and mission of the Catholic Church.

9.8 Notice of any wills, bequests, or trusts whether by an act inter vivos or by an act mortis causa must be reported immediately to the Diocesan Bishop or his delegate (canon 1302). No wills, bequests, or trusts whether by an act inter vivos or by an act mortis causa may be accepted for the benefit of a parish without the written permission of the Diocesan Bishop or his delegate (canon 1301).

9.9 Wills, bequests, or trusts legitimately accepted for the benefit of the parish are to be fulfilled diligently according to the intention of the donor (canon 1300). Also, the prescriptions of civil law are to be observed (canon 1299 §2).

9.10 A copy of any and all wills, bequests and trusts for the benefit of the parish is to be preserved in the parish archive with a copy furnished to the diocesan Finance Office to be kept in the diocesan archive.

9.11 No pious foundation of any kind or any amount for the purpose of investing funds for celebrating Masses for the intention of the donor may be accepted without the written permission of the Diocesan Bishop or his delegate (canon 1304).

9.12 Endowment funds may be established by a parish for the benefit of the parish or parish institutions or organizations only upon written permission from the Diocesan Bishop.

10.0 Collection, Deposit, and Investment of Funds

10.1 Each Pastor is responsible for collecting the regular offerings of the Catholic faithful on Sundays and Holy Days and depositing those offerings in the parish operating account(s).

10.2 Each Pastor is responsible for taking up all the special collections that are authorized annually or on special occasions by the Diocesan Bishop. No one in authority on the parish level is permitted to take up any other special collection without permission from the Diocesan Bishop.

10.3 No Pastor or anyone representing a parish may require or collect any fee for parish services or functions of any kind (whether pastoral, sacramental, educational, social, or administrative) unless it is in accord with approved norms of this manual and any written parish policy, or prior written approval has been given by the Diocesan Bishop.

10.4 The safeguards for counting and depositing the income of the parish and parish institutions and organizations must be observed according to the norms of this manual.

10.5 No Pastor or any other person may deposit in any financial institution, or retain in a safe deposit box, or otherwise hold or retain in one's own name or any other name other than the name of the parish, any funds securities, or valuables belonging to the parish of any sort.

10.6 No Pastor or any other person may deposit one's personal property or valuables of any sort in any parish account in any financial institution, or in the safe deposit box of any parish.

11.0 Budget and Bookkeeping

11.1 All parishes and parish institutions and organizations will operate on a fiscal year beginning on July 1 of each year and terminating on June 30.

11.2 The parish business manager/bookkeeper is expected to perform his/her duties in a timely and competent manner, including maintaining all financial records, exhibiting a high degree of integrity while maintaining strict confidentiality.

11.3 Any financial staff or volunteers who suspect there is fraudulent activity, embezzlement, or any other illegal or unethical activity should report such activity to the diocesan Director of Parish Financial Services. Matters of a particularly sensitive nature should be reported to the Vicar General, or Chief Financial Officer. Additionally, a financial misconduct hotline is available on the diocesan website (www.eriercd.org).

11.4 An orderly budget process for all parishes and parish institutions and organizations should begin in February of each year in order to provide for the necessary consultation with the parish Pastoral Council and parish Finance Council and the consultative boards or committees for parish institutions or organizations.

11.5 The budget is to be prepared and approved by the parish Finance Council. If any assessments or other obligations are past due, a plan for their payment must be incorporated into the budget. The budget is to be submitted to the Diocese using the Parish Budget Report which is mailed to each church in March. The due date for the report is May 31st, and it must be signed by the Pastor, the Parish Council Chairperson, and all members of the Finance Council.

11.6 In order to better estimate the income and expenses, all financial records and reports should be made available to the Finance Council at each meeting. The Finance Council should not rely entirely upon the verbal reports of the Pastor, Business Manager, or bookkeeper, as the sole sources of financial information. Parish-affiliated organizations that contribute to the income of the parish, whether for the elementary school or other uses, should submit an income and expense budget to the Finance Council.

11.7 If the parish has a school of its own which is not part of an incorporated system, the Finance Council must have a copy of the elementary school's entire budget to determine the amount of parish subsidy needed and the amount of financial support that can be obtained from sources other than the offertory collection. It is recommended that no less than 20% or more than 40% of parish ordinary income is to be used to subsidize the elementary school. Parish income for this purpose is defined as the total of offertory, unrestricted interest and dividends, and net parish activity income. Parishes which do not fall within this guideline will be expected to develop a plan for implementation of the policy or seek approval for an exception to the rule. This guideline requires close cooperation between the parish Finance Council and those responsible for the preparation of the school budget.

11.8 All parishes must file the Annual Report and any related reports by August 31st of each year. The reporting period is from July 1st through June 30th. Part A of

the report pertains mainly to census and statistical information, with Part B used for the financial data. The Pastor and all members of the Finance Council are expected to sign the Annual Report.

11.9 Special report forms are available to be filed with the Annual Report if a parish has a cemetery, endowment, or a significant amount of fund-raising activities.

11.10 A Microsoft Excel version of the Annual Report, including the special report forms, is available at www.eriercd.org and by contacting the diocesan Finance Office.

11.11 An inventory of parish real property is to be made annually and carefully preserved in the parish archives with an authentic copy submitted for preservation in the archives of the diocesan Finance Office. The current information for all financial accounts using the Employer Identification Number (EIN) of the parish is to be reported in the Financial Assets Detail section of the Annual Report (Part B, page 2).

11.12 The financial information contained in the Annual Report should be communicated to the parishioners on an annual basis. It is also suggested that the parishioners be updated on the parish finances on one or two additional occasions throughout the year.

12.0 Maintenance and Insurance of Parish Property

12.1 With the diligence of a good householder, Pastors are responsible for the maintenance, supervision, and management of parish property (canon 1284).

12.2 In addition to the regularly scheduled inspections of parish property by the diocesan facilities and risk manager and/or the insurance plan administrator, Pastors should see to it that regular maintenance inspections be conducted in order to keep parish property in good repair.

12.3 Questions concerning maintenance, supervision and management of parish property should be referred to the diocesan Office of Facilities and Risk Management, especially with regard to compliance with applicable regulations of local, state, and federal government.

12.4 Property and casualty insurance on all parish property, and workers compensation coverage must be carried through the insurance plan arranged by the diocesan Finance Office. Additional insurance must be obtained by the renter before any agreement is made for rental of parish property or facilities by any

individual, group, or organization for non-parish functions or activities, according to norms in this manual.

12.5 All motor vehicles which are owned by the parish or a parish institution or organization must be covered by adequate insurance through the protected self-insurance plan arranged by the diocesan Finance Office. Motor vehicles which are property of clergy or other persons are not insured by this plan.

12.6 Personal property of clergy assigned in a parish is insured according to the limits established by the diocesan self-insurance plan arranged by the diocesan Finance Office.

12.7 Contract work performed must furnish a certificate validating coverage for comprehensive general liability insurance and complete operations liability coverage. The minimum coverage of $250,000/$500,000 bodily injury and $50,000 property coverage is recommended. Additional general liability coverage of $500,000 to $1,000,000 should also be maintained.

12.8 All Contractors must provide a valid Workers' Compensation certificate, a "hold harmless" agreement in favor of the diocesan entity and a performance bond and lien waiver for projects greater than $15,000.

PART 2 Financial Practices for Parishes in the Roman Catholic Diocese of Erie

13.0 Diocesan Programs and Services

13.1 The diocesan Finance Office staff can assist the parish with the majority of its accounting and financial questions. Additionally, the diocesan Finance Office should be contacted if the parish encounters financial questions concerning other diocesan policies or programs.

13.2 Parish Financial Evaluation Program - The Director of Parish Financial Services oversees periodic parish evaluations. The purpose of the evaluations is to help ensure that the temporal goods of a parish are properly safeguarded and managed efficiently. The program also helps ensure that parishes complete the annual financial report consistently and adequately. When a parish is selected for an evaluation, it is generally given at least a one-month notice. It is expected that all parishes will be visited over a five- or six-year cycle.

13.3 Catholic Deposit and Loan Fund of Northwest Pennsylvania, Inc. - The Fund accepts deposits from parishes and other Catholic entities, enabling other parishes and other Catholic entities to borrow money for various projects. The rate of return on the deposits is guaranteed and approximates the three-month U.S. Treasury Bill rate. Interest paid on deposits is not subject to Diocesan assessment.

13.4 Information Technology Office - All parishes should have their own (or share) computer system. Ministry Platform (MP) is the required software for tracking census and contributions. An accounting software program such as QuickBooks is recommended. If a parish is considering upgrading its computer and would like more information about parish computer systems, please contact the diocesan IT Systems and MP Administrator. Please note that all parishes in the Diocese of Erie are expected to have an email address. Faxes are no longer required.

13.5 Diocesan Website - Pastors and those involved with parish finances are encouraged to periodically visit the diocesan website (www.eriercd.org) to keep current on parish financial matters and the latest versions of diocesan financial policies and forms.

13.6 Facilities and Risk Management Office - serves as a resource to parishes on physical plant matters and concerns such as loss control, employee safety and accident prevention, and environmental and regulatory compliance. It also provides assistance related to construction and renovation projects when appropriate.

13.7 Human Resources Office - provides assistance and advice to parishes and other diocesan organizations on personnel practices and employment issues, such as hiring, compensation, performance measurement, discipline, and termination of employment.

13.8 Diocese of Erie 401k) Lay Retirement Plan - Please visit the diocesan website for information regarding the Diocese of Erie 401(k) Retirement Plan, including forms and options. Participation distribution and rollover requests should be directed to Fidelity Investments at 1-800-343-0860 or fidelity.com/atwork.

13.9 Health Insurance - Lay employees of parishes and other diocesan organizations may enroll in the diocesan group health insurance plan. The current plan is with Meritain Health/Aetna Insurance. Parishes offer this as a benefit to employees who work 30 or more hours a week. Information concerning benefits, enrollment procedures, etc., may be obtained by contacting the plan manager, Loesel-Schaaf Insurance Agency, Inc., at 814-833-5433.

13.10 Unemployment compensation, administered by the Pennsylvania Catholic Conference (PCC), is available to all parish and other diocesan organization employees. Questions should be directed to the diocesan Finance Office or the PCC at 717-238-9613.

13.11 Protected Self-Insurance Program

A. For property and liability insurance claims call Gallagher Bassett Services at 800- 779-2980. For changes in property or auto coverage, billings, and other insurance questions, and Certificate of Insurance requests please contact Waldorf Risk Solutions at 631-418-0314. For Workers Compensation cases call Church Mutual Insurance Company 800-554-2642.

B. Please be aware that all outside private individuals and organizations holding functions on parish property are expected to purchase Events Insurance coverage or provide a Certificate of Insurance with a minimum amount of general liability coverage of $1,000,000. The Certificate is to name both the parish and the Diocese of Erie as certificate holders and, if possible, as additional insureds. The Event Insurance forms can be obtained directly from the diocesan Finance Office or by visiting eriercd.org, clicking on Diocesan Offices, then Financial Services.

13.12 The Catholic Foundation of Northwest Pennsylvania was established in 2007 for the purpose of supporting the religious, educational, and pastoral ministries of the Diocese of Erie through investing the gifts of donors who wish to make a

lasting difference. As such, the Foundation is prepared to assist donors in fulfilling their philanthropic goals through various types of giving options.

13.13 Fundraising activities, including capital campaigns that are expected to raise a net total of $25,000 or more, require the approval of the Diocesan Bishop and are to be conducted in accordance with the Diocesan Fundraising Instructions available on the diocesan website – Financial Services. Student-led fundraising efforts and grant applications are excluded from this policy.

14.0 Parish Financial System

14.1 The objective of the parish financial system is to accomplish the following:

a. Identify, record, and report all transactions of the parish and maintain a uniform system of accounting;
b. Safeguard to the highest degree possible the temporal goods of the parish, including all funds raised through various parish activities and those of parish organizations;
c. Provide adequate and timely information regarding the cash flow needs of the parish so as to ensure the satisfaction of parish obligations and diocesan assessments as they become due;
d. Enable the completion of required reports (e.g. the annual report, parish budget, and monthly or quarterly financial report).

14.2 All reports required by the diocese (e.g. annual report, budget) are to be filed on a timely basis. The reporting period is the fiscal year of July 1 – June 30. If a parish cannot meet the filing date or has questions regarding completing the report, the diocesan Finance Office should be notified. Computer generated reports are acceptable.

14.3 Each parish is expected to pay its assessments on a timely basis. If a parish falls behind on its assessments or other obligations, the following actions may be in order:

a. The Pastor should discuss the matter with the parish Finance Council immediately. The Vicar General and Director of Parish Financial Services should be notified of actions taken or planned to correct the situation.
b. If the situation does not improve or becomes severe, the Vicar General, Pastor, or diocesan Finance Office may request a financial evaluation of the parish. If appropriate, a meeting may then be held with the Pastor and members of the Finance Council and the Parish Council chairperson.
c. The parish may be required to file monthly or quarterly financial statements with the diocesan Finance Office so that the financial situation can be monitored.

14.4 It is expected that all parishes will classify income and expenses using the definitions found in this manual and that all financial transactions of the parishes will be reported on the annual report. (See appendix – Parish Accounting Systems)

14.5 The parish financial accounting system is to be maintained on a cash basis method of accounting, except for assessments and accounts payable that have not been paid by the due date. These obligations are to be recorded through a journal entry that establishes a liability and a corresponding net asset deficit in the statement of financial position (balance sheet). Please refer to the appendices for more information.

14.6 It is recommended that the accounting system be maintained using a computer with QuickBooks or QuickBooks Pro software.

14.7 Various standardized forms and other materials are available in the appendices of this manual, on the diocesan website, and by request from the diocesan Finance Office.

15.0 Maintenance of Parish Records

15.1 It is expected that all census, contribution, accounting, and payroll records will be retained for at least seven (7) years. Parish annual reports should be maintained indefinitely. The weekly offertory envelopes may be properly discarded after they have been entered into the collection records.

15.2 All parish records, including accounting records, census, contribution records, annual diocesan appeal, and capital drive or campaign records, and all other miscellaneous documents are to be maintained on parish property and preserved in a safe place which is reasonably protected from fire, theft, and other hazards. If accounting work (e.g. payroll) is performed by an outside company, copies of all reports are to be maintained at the parish. All cemetery records are to be maintained on cemetery or parish property.

15.3 All financial and contribution records are to be maintained on a current basis.

15.4 Weekly back-ups should be made of all parish finance computer files with a duplicate copy kept at another location. (Note: Ministry Platform data is backed up on the cloud.)

15.5 Signed, written documents should be maintained for all contracts (e.g. rental agreements).

16.0 Bank and Other Financial Institution Accounts

16.1 Parishes should maintain only one (1) operating parish checking account and request bank statements dated as of the last day of each month. Separate checking accounts should be used for school, cemetery, and Mass stipend accounts. The Pastor may decide to open other accounts as needed for special purposes. If this is done, they should be included on the Financial Assets Report section of the annual report. Parishes are encouraged to keep the number of separate accounts to a minimum and to use the operating checking account for most on-going activities.

16.2 If a parish organization has a specific need for a separate bank account and checkbook, the Pastor must be an authorized signer, and statements are to be mailed to the parish office.

16.3 No one may make online purchases using a parish account other than the Pastor or with explicit approval from the Pastor. All online purchases should be reviewed regularly. This is also true for any other Parish accounts (e.g. Sam's Club, hardware stores, etc.).

16.4 It is extremely important that bank reconciliations be promptly prepared for all checking accounts, ideally by an individual who is independent of the cash receipt and cash disbursement processes. If this is not feasible, a Finance Council member must randomly review the reconciliations several times a year. The cancelled checks or images of them must be included in the monthly bank statements received from the bank. Upon completion of the bank reconciliations, the cancelled checks, including any voided checks, should be filed numerically with the previously returned checks.

16.5 The Pastor or any other person or non-parish entity may not commingle their financial assets with the assets of the parish. No parish funds, securities, or valuables can be held in the name of the Pastor or any other person. The parish accounting/financial system is not to be used for non-parish purposes.

17.0 Collections and Cash Receipts (Cash, Checks, Electronic transfers)

17.1 All monies received, from any income source, should be deposited intact on a daily basis. The people counting or depositing the monies should not maintain the financial system. All checks should be restrictively endorsed as soon as possible.

17.2 Ideally, rotating teams of at least three non-related counters should count all collections, including holy days and special envelopes, annual diocesan appeal

and capital drive pledge payments, prepare the deposit slip/s and make the bank deposit on Sunday. Offertory count sheets should be used, signed by all counters, and retained for at least four years. A copy of the deposit slip should be attached to the count sheet/s. Please refer to Appendix: Internal Controls: Flowchart for Processing of Collection Receipts

17.3 For miscellaneous income, including cash received during and from parish activities and fund raisers, at least two individuals should always be involved in the counting of cash and the totaling of checks and preparation of bank deposits.

17.4 Cash should never be counted at locations other than on parish property or at the point of collection. This norm also applies to all parish activities, organizations, and capital campaign income.

17.5 The various income received by the parish should be entered into the accounting system (e.g. checkbook register, cash receipts journal) on a prompt basis.

17.6 Any exceptions to these norms should be recorded by each parish.

18.0 Cash Disbursements

18.1 All expenditures are to be approved by the Pastor after a review of the supporting documentation and are to be paid by check. The Pastor should also sign all checks, unless provision has been made by the Diocesan Bishop or Vicar General. The documentation supporting the payment (e.g. invoice, payroll summary) should note the account charged and should be filed alphabetically by fiscal year. Unused checks should be stored in a locked safe or filing cabinet accessible only by the Pastor and bookkeeper. Receipts must be maintained for all payments, including reimbursements to clergy and lay people.

19.0 Credit Cards

19.1 While it is preferable that parishes use vendors who will bill them directly, parishes may choose to use credit cards to facilitate their purchases of goods and services. Such cards are to have a reasonable dollar limit and are to be obtained in the name of the parish, not in the name of the Pastor/administrator or any other staff person. In order to prevent use by unauthorized persons or for unauthorized purposes, it is imperative that there be adequate controls governing access and signoff; it is recommended that use of credit cards be limited to essential personnel. For each credit card account, a list of those persons authorized to use the card should be kept on file which details the name, card number, expiration date, and credit limit.

19.2 For each card transaction, the person using it is responsible for obtaining a receipt as documentation of the purchase. Parishes are to avoid incurring finance charges on a credit card by paying off any balances within each billing cycle. The disposition of any incentives or rewards (e.g., points, miles, rebates) accruing from the use of the parish credit cards shall be determined by the Pastor/administrator.

19.3 Only on rare occasions may personal credit/debit cards be used for the purchase of goods or services for the parish. In most cases, the PA sales tax exemption is lost when parish purchases are charged to a personal card. Reimbursement for items charged to the personal card of a cleric, lay employee, or volunteer requires that the purchase be approved by the Pastor/administrator and be supported by adequate documentation which is to be retained with the accounting records of the parish.

20.0 Payroll

20.1 All lay and religious workers are to be paid by check or direct deposit. Priests and lay employees are to be placed on a formal payroll with withholdings and issued IRS Form W-2 for their salary payments. If clarification is needed in order to determine whether a person should be treated as an employee or independent contractor, please contact the Diocesan Director of Human Resource at 1-800-374-3723, ext. 189 or at 814 824-1189. The diocesan Finance Office can also be contacted if the Director of Human Resource is unavailable. Independent contractors receiving $600 or more are to be issued IRS Form 1099-NEC. The 1099-NEC Form should also be used to report Mass stipend payments received and other payments such as weekend help (mileage reimbursements are not to be included).

20.2 The best practice would be to consider paying the employees every two weeks. Women religious are paid at the end of the month. The payroll must be outsourced, including the preparation of the tax returns and the payment of the taxes and other withholdings.

20.3 It is vital that a person independent of the payroll and accounting processes periodically verify that payroll tax reports have been prepared and tax payment and other deduction checks or transfers have cleared the bank. This should be performed at least semiannually.

21.0 Month-end Procedures and Preparation of Financial Statements

21.1 Needed adjusting journal entries should be prepared and entered (e.g., reclassifications, adjustment of investments to market value, recording past due liabilities including past due diocesan assessments).

21.2 Backups should be promptly made with duplicate copies maintained at another location. The Pastor should maintain a current list of all computer passwords.

21.3 Parish financial statements should be prepared on a monthly basis by the 15th of the following month with review by the Pastor monthly and by the Finance Council at least quarterly. If applicable, separate statements should also be prepared for the school, cemetery, and all parish organizations with their own checkbooks. The school, cemetery, and parish organizations should be submitting the statements at least quarterly to the Finance Council for review. Specifically, the following statements should be prepared:

a. A statement of financial position (balance sheet) listing all assets, liabilities and net assets. The accounting equation is Assets equals Liabilities plus Net Assets.
b. A fiscal year-to-date actual cash basis statement of activities (income and expense report) containing columns for the year-to-date budget amounts and the actual versus budgeted numbers. A column showing percentages may also be desired as well as a column showing the current month activity versus the same period activity for the prior year. Transfers from one asset account to another (e.g., withdrawal from savings to checking) and loan proceeds and principal payments should not be shown on the statement of activities. Such transactions should be disclosed in a footnote.
c. The Pastor and the Finance Council should also receive a detailed schedule of all liabilities of the parish. Examples include unpaid invoices, taxes and other payroll deductions, unpaid short and long-term borrowings, outstanding assessments and unremitted special collections, and contract commitments.

22.0 Assessments/Catholic Services Appeal (CSA)

22.1 Taxes for diocesan needs (i.e. the Diocesan Fund) are permitted by Canon Law. The total is pro-rated among all parishes based on reported taxable income for the previous fiscal year. Taxable income includes offertory, most interest and dividend income, and net parish activity income. Total income is reduced by a 60 percent credit for elementary and secondary school subsidy expenses, a 50 percent credit for religious education expenses, and a 100 percent credit for loan interest payments made from operating income. 25% of the assessment is billed on 7/1/, 10/1, 1/1, and 4/1.

22.2 Quotas for the Catholic Services Appeal (CSA) are set for each parish based upon the average taxable income over the past two years. The components of the formula for taxable income include income from offertory income, reduced by a credit of 80 percent for elementary and secondary school subsidy expenses, a 70 percent credit for religious education expenses, and a standard deduction of $2,500. The Appeal is conducted on a calendar year basis with “Commitment Sunday” usually occurring near the beginning of Lent. Payments on the parish quotas are to be made in four installments (4/30, 6/30, 9/30, 12/31).

22.3 The priest retirement assessment is calculated from the same formula that is used for the Diocesan Fund. Most of the funds realized from this assessment are invested in the Priests Retirement Plan. This assessment is also used to provide health insurance benefits for retired clergy and to help subsidize the operation of the Bishop Michael J. Murphy Residence for Retired Priests. This assessment is billed on a fiscal year basis and quarterly payments are requested (same schedule as the Diocesan Fund).

22.4 The renewal for the property and casualty coverages provided through the Diocesan Protected Self-Insurance Program occurs each year on May 1. Parishes and other participating entities are then billed according to a formula which recognizes the following components: property replacement value and construction type; liability exposure; frequency and size of activities held, workers’ compensation coverage; number and type of vehicles; and boiler coverage. The total charge is to be paid in three installments which are due in May (40%), August (30%), and December (30%). The total amount billed to parishes is determined from the Self-Insurance program’s overall costs including premiums, claims payments, and service fees.

22.5 Financial Support for regional schools and systems is provided directly from the parishes in their respective areas using formulas adopted at the local level. In addition, the Diocese assesses and bills certain other parishes for elementary and/or secondary school support using a formula which is similar to that which is used for the Diocesan Fund.

23.0 Investments and Financing

23.1 Every parish should work towards having an unrestricted reserve fund of at least 50% of ordinary income, i.e., six months of operating expenses. Ordinary income is the total of offertory income, unrestricted interest and dividend income, and net parish activity income.

23.2 The establishment and/or continued growth of an endowment fund is recommended or the use of the Catholic Foundation of NWPA. Please contact

the Catholic Foundation and/or the diocesan Finance Office for the endowment guidelines and the model document.

23.3 The Pastor and Finance Council should adopt a written investment policy and review the investments at each meeting. Consideration should be given to investing at least a portion of the portfolio in financial instruments that could potentially increase the amount invested through capital appreciation over the long run. The use of registered investment managers for large accounts (e.g., Endowments, Cemetery Perpetual Care) may be considered. The Prudent Investor Rule applies for all parish investments, i.e., a duty exists to invest and manage the funds as a prudent investor would, in light of the purposes, terms, distribution requirements, and other circumstances of the particular account. It is also important to be aware of the magnitude of all fees associated with parish investments.

23.4 Approval must be obtained from the Diocesan Bishop for all borrowings (e.g., loans, credit lines). The Finance Council must also be consulted before any borrowings.

23.5 Borrowings for capital renovation projects and the repayment plan and schedules should be identified early in the planning process. The options for borrowing are:

a. The Catholic Deposit and Loan Fund (CDL) provides competitive loan terms and is designed to accommodate most types of parish borrowings. The loan rate approximates the prevailing, publicly announced prime rate charged by commercial banks to their preferred customers. Please check the Diocesan Web site for the current rates. Loan requests must be approved by the CDL Board of Directors. Please contact the diocesan Finance Office at least one month before the funds are needed.

b. Financial Institutions may be suitable sources for borrowing for certain major projects. However, the diocesan Finance Office must be contacted well in advance of any such borrowing by parishes as the Diocesan Bishop's approval is required.

24.0 Parish Real Estate

24.1 The real property of the parish constitutes a substantial portion of its assets. Therefore, maintaining the value of real property should be a high priority. Acquisition of additional property may be considered where it appears necessary to service the current and future needs of the parish community. In cases where a building or land is no longer needed for parish purposes, a plan should be developed to deal with this change of circumstances.

24.2 The Pastor or administrator must consult with the Finance Council on all real estate transactions, including purchases, sales, rentals and leases. Pastors must obtain the written permission of the Diocesan Bishop to alienate real property or to enter into contracts or agreements which otherwise encumber real property. Alienation includes a change of ownership by means of a sale, transfer, barter or donation as well as a lease agreement, demolition or razing of a building, or the granting of an easement or right-of-way. Property transactions involving alienation of $250,000 or more also require the approval of the Diocesan Finance Council and the College of Consultors. The current limit requiring the additional consent of the Holy See is $3,500,000. All applicable diocesan regulations and policies are to be observed in transactions involving parish real estate.

24.3 While the Diocesan Bishop is to sign the deed for the sale of parish real estate, the Pastor as Trust Administrator of the Parish Charitable Trust may sign other documents pertaining to parish real estate matters provided that the Diocesan Bishop has given him written authorization to do so.

24.4 Should legal counsel be required in order to process transactions involving the real property of the parish, it shall be the responsibility of the parish to engage its own attorney for this purpose. Deeds for the sale of parish property are also to be reviewed by the diocesan attorney prior to their being presented to the Diocesan Bishop for his signature.

24.5 Parish facilities may be rented or provided without charge to individuals, groups, or organizations for non-parish functions. If such usage is to be on an occasional basis, the decision to do so falls within the authority of the Pastor, assuming that all applicable diocesan norms are observed. If the rental or lease arrangement is to be ongoing or long-term in nature, the Pastor must obtain the permission of the Diocesan Bishop before entering into a lease agreement. A Certificate of Insurance is to be obtained on an annual basis from all tenants for the parish files. The insurance is to name the parish, the parish charitable trust, the Diocese of Erie, and the Bishop of Erie as additional insureds. This requirement is to be included in the written lease agreement between the parish and the tenant.

24.6. The usage of parish property or facilities by any individual or group for any function or purpose which is contrary to the teachings and mission of the Catholic Church is strictly forbidden.

24.7 Real property which is used for religious, educational, or charitable purposes is exempt from local property and school taxes. Under Pennsylvania law, rectories are generally considered as taxable. Also, parish rental property may be subject to taxation even if the tenant may be using it for a charitable purpose. Newly

acquired parish property is not automatically tax-exempt. Application for tax-exempt status must be filed with the appropriate county board or agency.

25.0 Capital Expenditures

25.1 The Pastor/administrator has authority to spend up to $25,000 (or 10% of the ordinary income of the parish) for capital items, professional services, construction contracts, or other expenditures (e.g., furniture, liturgical items, office and rectory furnishings and equipment, and parish vehicles.) For projects or items exceeding $5,000, at least two written bids are recommended, and the Finance Council is to be consulted in advance of the expenditure.

25.2 Pastors must obtain the written approval of the Diocesan Bishop for all capital expenditures in excess of $25,000 (or 10% of the ordinary income of the parish) and for any borrowing needed in conjunction with such projects. Renovating or remodeling of worship space requires the permission of the Diocesan Bishop regardless of the cost involved. If possible, at least three written bids are to be obtained, and approval of the Finance Council is recommended.

25.3 If the parish is contemplating the construction of a new facility, or a major remodeling of, or addition to, an existing structure, the Pastor is expected to meet with the Diocesan Bishop for a preliminary review of the proposed project. This review will generally include matters such as the needs which the construction project will address, its compatibility in view of both diocesan plans and the future of the parish, and the proposed timetable. Consideration should also be given to the process for choosing an architect and contractor, developing cost projections, and determining its financial feasibility, which may include the need for a capital campaign and/or the incurrence of indebtedness.

25.4 In certain cases, the Diocesan Bishop may determine that additional meetings with the Pastor, parish leadership, and the professionals engaged for the project should be held before he renders a final decision on the approval of the project. Generally, at least 50 percent of the total construction cost must be on hand before permission to proceed with actual construction will be granted. Depending on the size and nature of the project, consultation with the Diocesan Finance Council and the College of Consultors may also be in order.

26.0 Protected Self Insurance Program

26.1 Property and casualty insurance coverage is provided to parishes through the protected self-insurance program which is arranged by the diocesan Finance Office. In addition to buildings and contents, coverage is included for general

liability, parish-owned vehicles, boiler and machinery, workers' compensation, and employee fidelity.

26.2 The administrator for this program is Waldorf Risk Solutions. They should be promptly notified of any changes in property and vehicles (631) 418-0305. However, Gallagher Bassett Services should be promptly notified of all claims (800) 275-9762.

26.3 As part of their responsibility to oversee the parish physical plant, Pastors/administrators should be aware of the need for risk management and loss control. Conditions which are in need of repairs or maintenance should be addressed before an accident occurs. Likewise, priority should be given to providing a safe working environment for parish employees.

26.4 Facility safety visits to parishes will be periodically scheduled through the Office of Facilities and Risk Management. Questions concerning the maintenance and management of the parish physical plant as well as on compliance with governmental regulations concerning building and environmental matters may also be referred to this office.

26.5 Individuals or outside organizations which rent parish buildings or facilities for the purpose of hosting their own private functions are expected to obtain their own liability protection. This requirement may be satisfied through Events Insurance. The cost information and forms are available at eriercd.org under Financial Services. Alternatively, the renter or hosting organization may provide a Certificate of Insurance with a minimum amount of $1,000,000 in general liability coverage. Such Certificates are to name both the Diocese of Erie and the parish as certificate holders and, if possible, as additional insureds.

26.6 Any sale of alcohol requires either a Special Occasion Permit or a licensed caterer who sells and serves the alcohol under its own license. Under Pennsylvania law, a "sale" includes any situation where people pay to get a drink, directly or indirectly. Consult the Pennsylvania Liquor Control Board for further information. When alcoholic beverages are sold or served at events held on parish premises, the individuals or group responsible for the event must see to it that people who are underage or visibly intoxicated are not served.

26.7 Motor vehicles which are owned by parishes (and parish or diocesan entities) are insured through the diocesan protected self-insurance program. However, automobiles or other vehicles which are owned by priests, parish employees, or other individuals are to be insured by the owner.

26.8 Personal property coverage is available for unassigned priests, retired priests, and priests assigned to parishes. The policy provides $50,000 for personal effects and $25,000 for miscellaneous personal property.

27.0 Government Regulations

27.1 Each parish should have its own Pennsylvania Sales and Use Tax Certificate of Exemption. This certificate exempts the parish from paying sales tax on most ordinary everyday purchases. The certificate is renewable every five years, and the renewal process is done through the Diocese of Erie and the Pennsylvania Catholic Conference.

27.2 Collection of Pennsylvania Sales Tax

a. Generally, sales of food and beverages are exempt from sales tax if the sales are in the ordinary course of the activities of the church or school. (e.g., school cafeteria).
b. If a church or other affiliated organization caters wedding receptions, dinners, and other events for members and nonmembers alike, the sale of food and beverages is subject to sales tax unless it qualifies as an “isolated sale”. Isolated sales are those otherwise taxable events which occur no more frequently than three times or for more than a total of seven days in any calendar year.
c. Sales tax may apply to some items that are sold in a fund-raising activity unless it qualifies as an “isolated sale”. Examples include school supplies, calendars, candles, cosmetics, greeting cards, holiday decorations, stationary, and religious articles including books, compact discs, and audio and video tapes. Other items such as, baked goods, candy, clothing, and magazines are not taxable.
d. If outside vendors participate in craft shows or fund-raising events held in parish facilities where the vendor is selling taxable merchandise, the parish or school must see that all such vendors have sales tax licenses. The responsibility to collect and remit the tax remains with the vendors.
e. An application for a sales tax license can be obtained from the Pennsylvania Revenue Department (www.pa100.state.pa.us or 814 871-4491). There is no charge for the license.

27.3 The rules regarding federal income tax reporting and withholding requirements for lotteries, prizes, and bingo are somewhat complicated. Please refer to the IRS publication “Instructions for Forms 1099, 1098, 5498, and W-2G”. The document can be viewed online at the IRS’s web site, www.irs.gov. At a minimum, you should be aware of the following rules:

a. Issue the winners (obtain W-9) Form W-2G for sweepstakes and lottery winnings in excess of minimum federal guidelines. This includes noncash winnings. Federal income tax withholding for sweepstake and lottery winnings needs to be observed.
b. Form W-2G is also to be issued to bingo winners if amount exceeds federal minimum. Federal income tax withholding does not apply to bingo winnings (if a W-2G is issued).
c. Obtain the winner's name, address and social security number if you are required to issue a W-2G. You may use Form W-9, Request for Taxpayer Identification Number and Certification, to request the Taxpayer's identification number.

27.4 Please be aware that the Pension Protection Act of 2006 included a provision that requires taxpayers to have evidence for all of their deductible charitable contributions. Evidence includes a receipt or their documentation from a financial institution (e.g., a cancelled/imaged check or debit description on their statement). However, an acknowledgement letter is still required for gifts of $250 or more. Generally, gifts given by a donor that add up to $250 or more do not require a letter unless the gifts are given on the same day. Written documentation of gifts of $250 or more must include the following information:
a. The donor's name, dollar amount of cash contribution or description of noncash gift, and the date received
b. The value of any goods or services provided by the charity
c. If the church provides no goods or services to the donor, the statement: "The donor did not receive anything other than intangible religious benefits."

27.5 The documentation must be received by the donor on or before the earlier of the following two dates: 1) the date the donor files a tax return claiming a deduction for the contribution, or 2) the due date including extensions for filing the return.

27.6 Requirements for Quid Pro Quo Contributions – charitable organizations must inform donors in writing that quid pro quo contributions in excess of $75 are deductible only to the extent that they exceed the value of any goods or services provided in return. For example, the church has a fund-raising dinner that costs $100 per person, and the fair market value of the food and beverages is $25. To fulfil the quid pro quo requirements, the ticket could state that the value of the meal is $25 and the amount deductible is therefore limited to $75.

27.7 An annual contribution statement should be made available to any parishioner who requests a record of their giving. Ministry Platform can produce such statements for registered parishioners.

27.8 Please consult www.irs.gov for additional information regarding charitable contributions.

27.9 Please be aware that licenses may be required to comply with regulations pertaining to the following:

a. Bingo and other games of chance
b. Serving food to the public or children
c. The sale of alcoholic beverages
d. Occupancy of parish buildings for daycare or preschool
e. Boiler and elevator inspection

27.10 Please contact the appropriate state, county, or local agency for further information on required licenses or permits. The PA Department of Revenue website is www.revenue.state.pa.us.

28.0 Cemeteries

28.1 The Cemetery Board (or Finance Council) should meet and review the cemetery financial statements at least quarterly. Minutes of the meetings should be maintained.

28.2 In addition to the annual cemetery report to the Diocese, financial reports should normally be prepared and reviewed on at least a quarterly basis.

28.3 All employees should be placed on a formal payroll with tax withholdings. Unincorporated independent contractors used for various services such as the opening of graves and for landscaping are to be issued IRS Form 1099-NEC if they are paid above the minimum guidelines during the calendar year.

28.4 The reserves and perpetual care fund of the cemetery should be periodically reviewed in terms of the adequacy of the amounts needed to provide for the future care and maintenance of the cemetery. The financial status of the cemetery should generally be increasing over time.

28.5 An investment strategy should be adopted and reviewed at least annually.

28.6 Duplicate cemetery records (e.g., maps, lot and burial records) should be maintained at another location or on-line.

28.7 Prices charged for lots, crypts, niches and burials should be reviewed on an annual basis.

28.8 If the parish bookkeeper does the cemetery accounting, a reasonable portion of the salary and benefits should be reimbursed by the cemetery.

28.9 The Pastor must approve all disbursements and signing all checks.

28.10 All cemetery records should be maintained on cemetery or parish property.

29.0 Employment Practices General

29.1 Employees are generally compensated by a time period (e.g., by the hour or week) and have their work directly supervised by the Pastor or another parish employee. Workers classified as employees are to be paid by check and placed on a formal payroll with tax withholdings. They are to be issued an IRS Form W-2. Employees can be either exempt or non-exempt. An exempt employee's responsibilities are primarily executive, administrative or professional in nature. Non-exempt is the classification given to those employees who are not included under the exempt employee definition.

29.2 Independent Contractors are in business for themselves and offer their services to others. If they are paid more than the federal minimum, and are an unincorporated business, IRS Form 1099-NEC is to be issued to them. Examples include fund-raising consultants and building trade contractors.

29.3 Priests are to receive IRS Form W-2 for their salary and IRS Form 1099-NEC for their Mass stipend payments. However, priests are treated as self-employed for Social Security and Medicare tax purposes and therefore are expected to pay self-employment tax on their individual federal tax return. A priest may increase his federal income tax withholding to cover his Social Security, Medicare, and other income such as Mass stipends rather than through the use of quarterly estimated payments (IRS Form 1040ES). Please refer to the Priests' Salary Scale for the current salary information.

29.4 Women Religious, due to their vows of poverty, are not issued Form 1099-NEC because their compensation is paid to their community. Please refer to the Compensation for Women Religious, which is issued annually by the Diocese.

29.5 Each parish is expected to adopt written personnel policies and practices for its parish workers. These policies are to be consistently followed. As employers, parishes should be aware that they are subject to various state and federal acts that deal with the consistent and fair treatment of employees in matters such as compensation, benefits, and working conditions.

29.6 A probationary period should be established and communicated to all newly hired employees, full-time and part-time (e.g., three months).

29.7 Work schedules, rules, and discipline policies are to be written.

29.8 Written job descriptions should be completed for all positions.

29.9 Annual written performance and salary reviews are to be conducted for each employee.

29.10 Fair and reasonable compensation levels should be established based upon the duties, responsibilities, and educational requirements stated in the job descriptions.

29.11 Personnel files should be maintained and include all vacation and sick time records.

29.12 All hourly workers are to complete time sheets listing the actual hours worked. The time sheets should be approved before payment.

29.13 Vacation time is typically expressed in terms of the number of paid days or weeks off to which an employee is entitled based on the number of years of service. For example, the policy might call for an employee with one year of service to receive five days or one week's paid vacation. The amount of vacation is typically increased for those employees with greater lengths of service.

29.14 Paid sick leave is also typically related to length of service. It is often expressed in terms of hours or days per year.

29.15 The policy should contain a listing of the national and religious holidays and any other days off which are granted.

29.16 The policy should also specify under what circumstances, if any, part-time employees are eligible and be clear on whether unused time off may be carried over from one year to the next.

29.17 There should be a uniform policy regarding health insurance coverage for employees and their dependents. Health insurance benefits are usually offered to all full-time employees. The cost for dependent coverage is often paid for by the employee via payroll deduction.

29.18 Part-time employees would not generally be eligible for health insurance, sick leave, and holiday pay (unless normally scheduled to work). They may be

eligible for prorated vacation benefits as determined by the policy of the particular parish.

29.19 Consideration should be given to the use of an employee handbook that would summarize the various personnel policies.

29.20 All employees involved in the selection of individuals or firms which supply goods or services to the parish should read and sign the Conflict-of-Interest Policy (see appendices).

30.0 Employment/Volunteer Process

30.1 Appropriate search for and interviewing qualified applicants.
a. Completion of job application form
b. Avoid discrimination (e.g., age, sex, disability)
c. Check references for all individuals with financial responsibilities and contact previous employer

30.2 The use of employment contracts should be limited and, if used, should be reviewed by the parish attorney. The contracts should not exceed one year. The Diocesan form should be used for the Religious Education Director's contract.

30.3 Compliance with minimum wage and overtime laws. The Pennsylvania minimum wage rate should be followed.

30.4 Nonexempt employees are required by law to be paid 1½ times their hourly rate for hours worked in excess of 40 each work week. It may be advisable to schedule workers so as to minimize payment of overtime and/or to require the permission of the Pastor beforehand. Employees whose duties are executive, administrative, or professional in nature are exempt from the overtime regulations.

30.5 Hired employees should complete the following forms:
a. W-4 (federal withholding form)
b. I-9 (Homeland Security Form – verification of employment eligibility)
c. Pennsylvania Local Earned Income Tax Certificate of Residency Form

30.6 The Pennsylvania New Hire Report must be complied with (i.e the state must be notified of new hires within 20 days).

31.0 Required Clearances and the Policy for the Protection of Children

31.1 The Policy for the Protection of Children has been promulgated as particular law for the Diocese of Erie. All parishes, agencies, primary and secondary schools, and other catholic entities or groups in the Diocese are obliged to observe and follow the policy in its totality. The current policy can be accessed at: https://www.eriercd.org/childprotection/ (Act 33 Clearance -Pennsylvania State Police Criminal Records Check and Act 34 Clearance – Pennsylvania Department of Human Services Child Abuse History Certifications, etc.).

31.2 The PA Child Protective Services Law and the Policy for the Protection of Children require that specific clearances, training and documentation be maintained on all employees and volunteers whose position require direct contact with minors (see policy for definition) in the Diocese of Erie. Pastors have the option of requiring all employees and/or volunteers to follow the Policy for the Protection of Children. Clearance, training, and documentation requirements are subject to change. Refer to the Policy for the Protection of Children or the Protection of Children webpage https://www.eriercd.org/childprotection/ on the diocesan website for a list of requirements. All child protection forms and clearances must be kept indefinitely in a locked cabinet in order to secure personal information. Each employee/volunteer should have his/her own personnel file.

32.0 Separation from Employment

32.1 All parishes and institutions must consult with the appropriate diocesan official before an employee is terminated (Director of Human Resources or the Superintendent of Catholic Schools as appropriate). The reasons for an employee's separation from employment should be documented. If possible, an exit interview should be conducted for all terminated employees.

32.2 CORPORATE COST CONTROL should be notified of all terminated employees who are covered by Pennsylvania Unemployment Compensation. Please use the form enclosed with your semiannual billing from the Pennsylvania Catholic Conference. All unemployment documents received from the State should be immediately faxed to the CORPORATE COST CONTROL Office at 603-845-1944 or e-mailed to uidocs@corporatecostcontrol.com. The phone number is 800 207-6926. **Pennsylvania Form UC-1609 is required to be given to all terminated employees and those who have their hours reduced**. The form is available at eriercd.org under financial services.

33.0 Employee Benefits

33.1 Health insurance is available through a group Diocesan contract with Meritain Health/Aetna. Contact the diocesan Finance Office for more information.

33.2 Any employee, including priests, who is at least 21 years of age who has completed four consecutive months of service consisting of at least 333 hours is eligible to enroll in the Diocese of Erie 401(k) Retirement Plan and must be offered the opportunity to do so. Enrollment forms and information can be obtained from the Financial Services section of the Diocesan Web Site. Once a participant meets the eligibility requirements and participates in the Plan any reductions in work hours will not change their eligibility. General Plan information is as follows:

401(k) Investments: Fidelity Investments and Other Mutual Funds
Waiting Period: Four Months with at least 333 hours worked
Employee Contribution: Minimum 3% of gross pay
Employer Contribution: 6% of gross pay
Voluntary (Employee): Please contact the diocesan Finance Office

33.3 The Diocese of Erie 401(k) Plan is a deferred compensation plan, i.e., federal income taxes are not withheld on the employee contributions. Employees declining enrollment in the 401(k) Retirement Plan should sign a statement to that effect which should be maintained in their personnel files.

34.0 Miscellaneous Employment Issues

34.1 Loans to any employees or other persons or pay advances are strictly forbidden.

34.2 All employees should be required to take off at least one full consecutive week per year. If possible, all tasks should be performed by another worker or volunteer. This “cross training” will ensure a smoother transition in the event or an absence or change in employment status of any particular worker.

34.3 Payroll records should be maintained for at least seven years.

34.4 Federal and State regulations regarding the depositing of payroll taxes, by check or electronically, must be followed. Please consult IRS publication Circular E for specific federal payroll tax regulations. State requirements can be obtained by contacting the Pennsylvania Department of Revenue.

34.5 Please consult the Human Resources page at www.eriercd.org for additional information.

Appendices

Appendix 1: Norms for Parish Finance Council

1. Introduction

Each parish of the Diocese of Erie is to have a Finance Council as required by Canon 537.

Canon 537

"Each parish is to have a Finance Council which is regulated by universal law as well as by norms issued by the Diocesan Bishop; in this council the Christian faithful, selected according to the same norms, aid the pastor in the administration of the parish goods with due regard for the prescription of Canon 532."

The Finance Council is a consultative body whose primary task is to assist the Pastor in the administration of the temporal goods of the parish. This often takes the form of recommendations to the Pastor concerning financial plans, controls, policies, and other appropriate guidance on business matters. In making such recommendations, the Council is to be guided by Gospel values as well as by sound business practices. Since the resources of the parish are provided by the contributions of parishioners and others, it is also expected that the Finance Council assist the Pastor in being accountable and responsible to the people.

The Finance Council, however, does not substitute for the Pastor as the chief administrator and legal representative of the goods of the parish.

Canon 532

"The pastor represents the parish in all juridic affairs in accord with the norm of law; he is to see to it that the goods of the parish are administered in accord with the norms of Canons 1281-1288."

Since he is directly accountable to the Diocesan Bishop, the Pastor is to sign all correspondence or proposals to the Diocesan Bishop as well as any civil documents and instruments. The Finance Council, acting alone or together, does not have the authority to legally bind the parish in civil matters.

In order to fulfill its role, the Finance Council should be kept informed by the Pastor and/or the business staff of all parish financial matters including bank accounts, investments, endowments, bequests and special gifts, all debt and payment schedules, diocesan assessments and obligations, the most recent financial evaluation report, staff salaries and benefits, and the current operating and capital budgets. The Council should also be provided with all current and

future diocesan policies affecting parish administration and be familiar with and supportive of parish and diocesan goals and priorities.

2. Membership

   A. The Finance Council shall consist of three to seven parishioners who are appointed by the Pastor. Members should be in good standing with the Church, possess experience or expertise in business matters, and have general knowledge of the parish's operations and programs. Those persons are excluded from the Finance Council who are related to the Pastor up to the fourth degree of consanguinity (first cousins).

   B. The names of the members are to be communicated to the parishioners (e.g., listed in the bulletin) at least annually.

   C. The parish accountant or business manager should attend the meetings as a staff person but may not be a member of the Finance Council.

   D. One member of the Finance Council is to serve as its Moderator and to assist the Pastor in coordinating its business and activities.

3. Term of Office

   A. Appointed members shall serve for a term of five years. Appointment for additional terms is left to the discretion of the Pastor. In order to maintain the effectiveness of the Finance Council and to create opportunities for others to serve, it is recommended that members be appointed to serve no more than three consecutive five-year terms.

   B. If a member resigns, dies, or is removed, the Pastor may appoint another person to complete the balance of the term. However, if the membership falls below three, the Pastor must appoint a member to complete the unexpired term.

   C. The Pastor may remove any member of the Finance Council for a just reason (as in Canon 193, §3).

   D. Since the Finance Council cannot act without a Pastor/administrator, it ceases to exist when the office of Pastor/administrator become vacant. Within one month of the effective date of his appointment, the new Pastor/administrator must appoint a new Finance Council or retain some or all of the members of the previous Council.

4. Meetings

A. The Finance Council shall meet a minimum of four times a year. Additional meetings as needed may be scheduled by the Pastor.

B. The Pastor and the Finance Council members are expected to attend all meetings.

C. A majority of the members are required to constitute a quorum. On matters requiring the approval of the Diocesan Bishop, a majority vote of the membership is necessary to constitute consent. Members are expected to abstain from voting on any question on which they may have a potential conflict of interest because of their business or professional relationships and are expected to sign the Conflict-of-Interest Policy document. See Appendix: Conflict of Interest Policy and Compliance Statement.

D. Whenever necessary or appropriate, the Pastor may invite parish staff, parishioners, and representatives of parish organizations and institutions to speak at meetings. Only the duly appointed members of the Finance Council may vote.

E. Each member is expected to maintain confidentiality on all matters designated as such.

F. Minutes are to be maintained for all meetings and retained in the parish files for at least seven years, unless the matter suggests otherwise. A Secretary should be designated for the purpose of keeping the minutes.

5. Required Duties and Responsibilities

With due regard for the Pastor's responsibility for all business and legal affairs of the parish, the Parish Finance Council has the following duties and responsibilities:

A. It is the duty of the Finance Council, under the direction of the Pastor, to prepare a budget in accord with the diocesan guidelines. The budget should reflect goals and priorities established by the Pastor in consultation with the Parish Pastoral Council. All members of the Finance Council are required to sign the budget before it is submitted to the diocesan Finance Office of the Diocese of Erie. The parish budget is due on May 31 of each year.

B. The members of the Finance Council are to approve and sign the annual financial report which is submitted to the Diocese at the end of the fiscal year.

Further, the Council should assist the Pastor in communicating accurate summary financial information to parishioners at least once a year. The parish annual report is due August 31 of each year.

C. The Pastor must consult with the Finance Council about any matters requiring the permission of the Diocesan Bishop. These include acts of extraordinary administration (i.e., new construction or major capital improvements), purchase or alienation of real property, incurring indebtedness, the conducting of a capital campaign, and the creation of endowments.

D. The Finance Council is to assist the Pastor with the development and implementation of an investment policy and strategy and with the ongoing monitoring of the performance of all parish investments.

E. The Finance Council is to assist the Pastor and his staff in the preparation of long-range financial plans and in exploring proposals for increasing parish revenues so as to fulfill parish goals and priorities.

F. At each regular meeting, the Finance Council is to review the revenues and expenditures of the parish (and its elementary school and cemetery, if applicable.) Significant variances from the budget should be analyzed and suggestions for corrective actions should be made to the Pastor.

G. The Finance Council should be regularly updated on the balances and transactions in all operating, savings reserve, and other bank or investment accounts maintained in the name of the parish and its school and cemetery, if applicable.

H. The Finance Council should assist the Pastor in implementing sound internal control practices and any diocesan financial policies, procedures, and guidelines applicable to the business affairs of the parish. These may include but are not limited to the handling and depositing of offertory collections and the proceeds of all fund-raising activities or events, the preparation of payroll, and the issuance of checks to suppliers and others.

I. The Finance Council is to:

    a. Review unpaid bills that are past due including diocesan and school assessments and to formulate a plan providing for the payment of these obligations.
    b. Examine bank reconciliations and supporting documentation for all parish, school, cemetery, and Mass stipend accounts.

c. Examine the financial reports from all parish organizations, including verifying that bank statements are being reviewed by the parish administration before being given to the organization's treasurer for reconciliation.
d. Review the financial operations of the parish cemetery in communities where a separate cemetery committee does not exist.
e. Review parish financial evaluation and/or audit reports as issued by the Finance Office of the Diocese of Erie or independent accountants and to assist the Pastor in implementing any recommendations contained therein.
f. Any financial staff person or member of the Finance Council who suspects that there is fraudulent activity, embezzlement, or any other illegal or unethical activity should report such activity in confidence to the Diocesan Director of Parish Financial Services. Matters of a particularly sensitive nature should be reported to the Vicar General, or Chief Financial Officer.

6. Recommended Practices

Depending on local circumstances, staffing, and needs, the Pastor may find it helpful to call upon the Finance Council as a body or its members individually to provide assistance in certain facets of the business operations of the parish. To the extent that it may be appropriate, other areas where the involvement of the Finance Council may be sought out include:

A. To inspect the payroll records and tax returns for the parish and to be assured that it is in compliance with all federal, state, and local filing requirements.

B. To assist the Pastor with establishing and maintaining employee job descriptions, a performance evaluation and salary administration program, and other personnel policy and benefit matters.

C. To assist in determining the feasibility of accepting donor-restricted bequests or gifts and to see that such gifts are administered according to the donor's intentions.

D. To aid the Pastor in forming a building and grounds maintenance program and a plan for financing any necessary repairs, renovations, equipment purchases, or safety measures.

E. To review all contracts and leases (e.g., rental income agreements, vehicle and office equipment lease contracts) as they come due for adoption or

renewal.

F. To provide assurance that the parish is in compliance with any federal, state, or local governmental regulations and any filing, licensing, posting, or reporting requirements related thereto. Further, to see that adequate records consistent with such requirements are maintained in the parish files.

7. Relationship of the Finance Council to the Parish Pastoral Council

While the Parish Finance Council and Parish Pastoral Council are both advisory to the Pastor, they are distinct from one another. Since they relate to each other only through the Pastor, it is important that he provide for adequate communication between these two bodies.

The Parish Pastoral Council is representative of the entire parish and is to assist with the development of its vision and in identifying services and programs which are responsive to its pastoral ministry needs. The Finance Council provides practical advice on administration and fiscal matters and on acquiring and securing the temporal resources needed to implement the vision of the parish. Thus, despite their distinct purposes, both councils are concerned with the life and ministry of the parish.

The Pastor is expected to see that both Councils are kept informed about the decisions and deliberations which affect one another. This may be done by exchanging regular reports between the two Councils. On occasion, he may convene a joint meeting of representatives of both Councils to discuss a particular issue of common concern. The Pastor should also appoint the Moderator of the Finance Council to be an ex officio member of the Parish Pastoral Council.

8. Relationship with Other Parish Institutions or Organizations

A. The parish elementary school, parish cemetery, and all organizations which use the parish Federal Tax Identification Number, use the parish name, or raise funds in the name of the parish, school, or cemetery are subject to the fiscal control of the Pastor. The leadership of each such institution or organization is expected to submit reports of its financial activities to the Pastor and Finance Council.

B. Schools and any other groups or organizations which receive financial support from the parish must provide relevant information and participate in the budgeting process of the parish in a manner to be determined by the Pastor and Finance Council. (See “D” under #4. Meetings.)

9. General

A. These norms are subject to amendment by the Diocesan Bishop from time to time as he shall deem necessary.

B. The members (and any newly appointed members) of the Parish Finance Council are to be provided with a copy of a complete Parish Finances Manual.

C. Training/orientation session for parish Finance Council members, Pastors, parish bookkeepers and/or Deans who make annual visits will be offered periodically by the diocesan Finance Office.

D. If there is a need for clarification of any of the policy matters contained in these norms, Vicar General, Chief Financial Officer, or Director of Parish Financial Services may be contacted for further information.

E. Either the Vicar General, Chief Financial Officer, or Director of Parish Financial Services may be contacted in a confidential manner by clergy, parish financial staff, or Finance Council members if there is a need to report or discuss particular parish issues, activities, or situations that may have significant financial consequences and which they believe are not being properly addressed within the parish.

Appendix 2: Internal Control Checklist

- Numerous internal control procedures are included in this manual. However, the following checklist highlights the most important internal control procedures which are recommended for all parishes. Please refer to this checklist to ensure that your parish is using the proper control procedures.

- Each parish must have a Finance Council consisting of three to seven parishioners appointed by the Pastor for three-year terms. The Finance Council should meet at least four times each year and should review up-to-date parish financial documents at each meeting, including any variances from the budget, and the status of all bank and investment accounts and their activity. Minutes must be maintained for all meetings.

- The Finance Council advises the Pastor on preparing an annual budget in consultation with the parish Pastoral Council.

- The Diocesan Bishop must approve all expenditures exceeding $25,000 or %10 of the parish's ordinary annual income, whichever is smaller. The Pastor's request for such an expenditure must indicate the support of the parish Finance Council.

- The Pastor or the Parochial Vicar should sign all checks. If signature stamps are used, they should be maintained at a secure location which is only accessible by the Pastor or temporary administrator. The unused checks should be stored in a locked safe or file cabinet accessible only by the Pastor and the bookkeeper.

- The bookkeeper or business manager who prepares the checks may not be an authorized signer on any parish accounts.

- A person independent of the accounting process (e.g., a member of the Finance Council) should periodically review the bank reconciliations, as well as all disbursements, on a random basis. This should be performed for all parish and parish organization bank and investment accounts at least four times a year and include a review of the copies of the cleared checks from the bank statements.

- A person independent of the payroll and accounting process should review the payroll and the related tax returns at least semiannually. This should include the examination of the cancelled checks and tracing of wire transfers to the bank statements as evidence of tax and withholding remittance.

- All monies received, from any income source, must be deposited intact on a prompt basis. The individuals counting and/or depositing the monies should not be maintaining the financial system.

- Tamper-evident bags should be used to hold the collection for transfer from church to counters, and from counters to bank.

- Rotating teams of at least three non-related counters should count all of the collections on Sunday including any special account (e.g., diocesan annual appeal, and Capital Drive) payments, prepare the deposit slip(s) and make the bank deposit(s). The entire amount collected should be deposited, i.e., change should not fund the petty cash fund or be given directly to the Pastor. The count sheets should be signed by the counters.

- The Pastor must be listed as a signer on all parish, parish school, organization, and society bank and investment accounts. All parish/school organization and society bank or investment statements should be mailed directly to the parish office. After the transactions have been reviewed, the statements can be given to the particular organization.

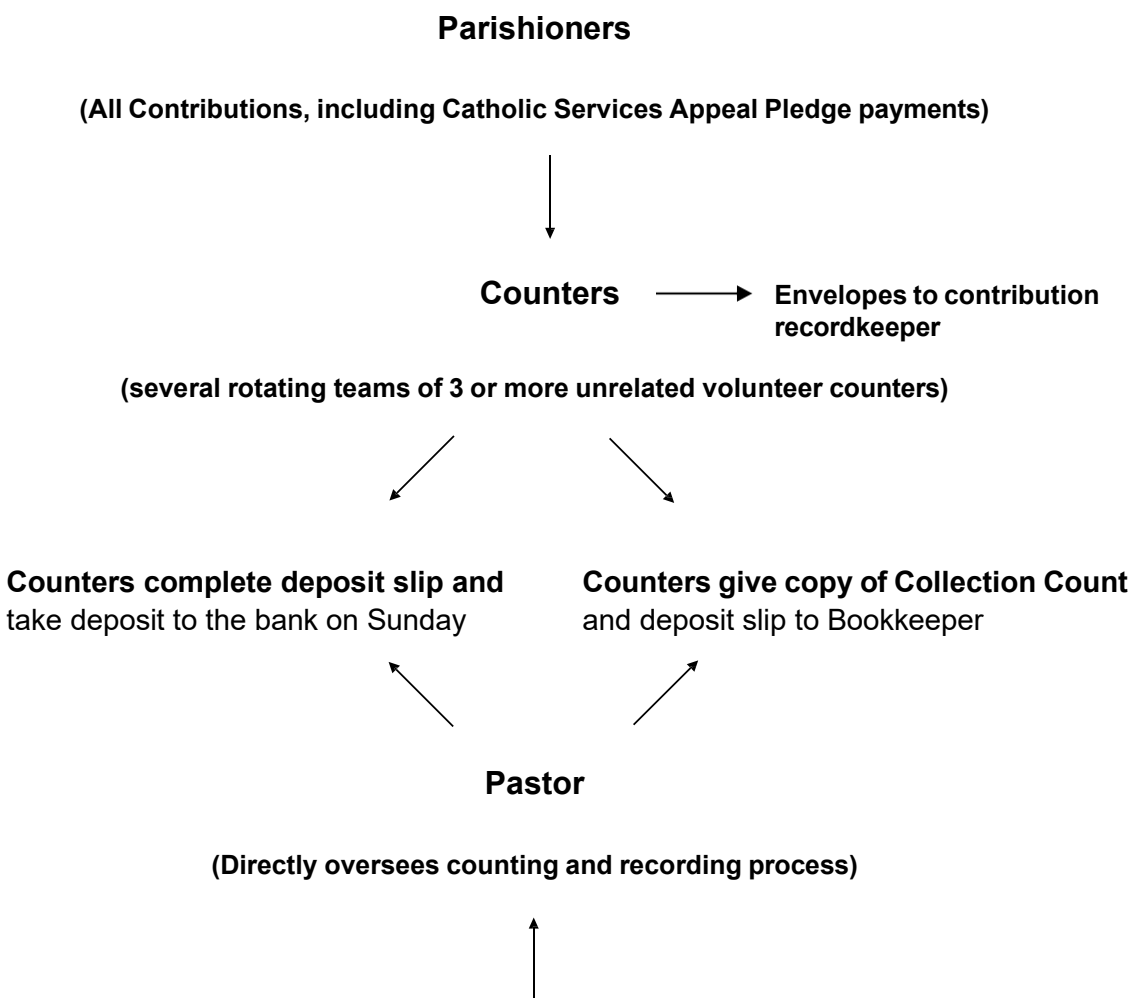
- All Parish financial records, including contributions, accounting, and payroll records, must be maintained and stored at the parish office for at least 7 years.

- All employees should be placed on the formal payroll. A written policy should exist regarding vacation and sick time. All time off should be approved and accounted for on a timely basis.

- Personnel files must be maintained for all workers. The files should contain the completed application form, I-9, compensation information, vacation and sick time usage, and a description of the job duties.

- Each parish must have a Pastoral Council which meets regularly.

INTERNAL CONTROL
PROCESSING OF COLLECTION RECEIPTS



Appendix 3: Diocese of Erie - Conflict of Interest Policy (Parish)

Statement of Policy

Members of Pastoral and Finance Councils, advisory boards, or committees of the parish and its affiliated organizations or entities which make recommendations or decisions on financial matters must avoid any conflict or appearance of conflict between their own interests and those of the parish, particularly as these interests relate to business relationships with the parish, either individually, in a representative capacity, or as a result of a family relationship or close friendship. The same holds true for those parish employees who are involved in the selection of individuals or firms which supply goods or services to the parish.

Implementation of Policy

Persons serving the parish as volunteer members of such Councils, boards, or committees or as employees should be aware that their service may give rise to a conflict of interest (direct or indirect), or the appearance of or potential for a conflict of interest. The relationship between the parish and those responsible for its care is one which implies an assumption of commonality of purpose.

Those serving the parish must be aware of direct and indirect, conflicts of interest and disclose any such conflict to the pastor or administrator before entering into business transactions with the parish. The conflict may or may not preclude such transactions, depending upon the facts and circumstances.

- Direct Conflict – A person serving the parish has a business relationship with the person or entity doing business with the parish. For example, a parish council member will have a direct conflict if he/she has an ownership interest in a company selling goods or services to the parish.

- Indirect Conflict – A person serving the parish has a family, social, or close relationship with a person or entity doing business with the parish. For example, the parish business manager will have an indirect conflict if he/she is the spouse or close relative of a company owner whose firm sells goods or services to the parish.

In addition, a potential conflict of interest may exist when a person serving the parish is in the position to use his/her status to influence decisions for their personal advantage or for the advantage of family members, relatives, or close friends.

If a business interest does or may affect the commonality of purpose, then such conflict must be disclosed to the pastor or administrator. A person making this disclosure as a

result of any conflict of interest or appearance of a conflict of interest shall be designated as an “interested party.”

Once the disclosure has been made, the pastor or administrator shall decide whether such duality of interest may undermine or impugn the best interests of the parish. If so, the interested party shall be excluded from any deliberations concerning the issue and/or business transaction. In reaching such a decision, the pastor/administrator shall be guided by the needs of the parish; the availability of quality goods or services to satisfy those needs; and the result of an open and informed selection process.

Each such case shall be reviewed upon its own facts and circumstances. If it is determined that the duality of interest creates a substantial conflict of interest, then the pastor/administrator may refrain from entering into a business relationship with the interested party until such time as the duality of interest ceases to exist.

This conflict-of-interest policy is to be made known to all persons now serving or hereafter selected to serve the parish as members of Councils, boards, or committees who are involved with parish financial matters and to those employees who are involved in the selection of vendors or suppliers.

Rev.10/25/26

Parish Letterhead

Parish Conflict of Interest Compliance Statement

I have read and understand the Parish Conflict of Interest Policy and agree to abide by its terms and conditions.

I agree that will make a full disclosure to the Pastor of any conflict of interest as defined by this policy, either real or potential, as soon as I become aware of said conflict.

As such, I hereby disclose the following relationships, positions, or circumstances which may constitute or contribute to a conflict of interest as defined above:

_____
_____
_____
_____
_____
_____

_____ _____

Date Signature

_____

Name (printed)

Appendix 4: Parish Accounting System

The Chart of Accounts is the list of accounts that are to be used for the recording of parish financial transactions. The Chart of Accounts and the corresponding definitions should be read thoroughly to ensure a proper understanding of how to classify income and expenses.

An optional expanded Chart of Accounts follows the regular Chart of Accounts.

All money received and all money spent should be recorded under one or more of the accounts listed in the Chart of Accounts. If you encounter a transaction that does not appear to belong in any of the captioned accounts, use the Other accounts (account 460 for income and account 568 for expense) or contact the Finance Office.

PARISH CHART OF ACCOUNTS

Standard Coding

Account #	Description
100's	Assets
200's	Liabilities
300's	Net Assets/Financial Status
400's	Revenue
500's	Expense

STATEMENT OF FINANCIAL POSITION ACCOUNTS (BALANCE SHEET)
Assets

100 Checking Account
105 Petty Cash
110 Savings Account
115 Certificates of Deposit
120 Catholic Deposit and Loan Fund of NWPA
125 Loan Receivable
130 Investments

Liabilities

200 Accounts Payable
210 Funds Held for Diocese and Others
230 Payroll Withholdings and Taxes Payable
240 Diocesan Assessments
250 Elementary Assessments
255 Secondary Assessments
280 Loan Payable

Net Assets

300 Net Assets/Financial Status
350 Past Due Assessments & Accounts Payable

STATEMENT OF ACTIVITIES ACCOUNTS (INCOME STATEMENT)

Income

410 Offertory
420 Bequests and Special Gifts
430 Investment Income
440 Capital Fund Drives
445 Parish Activities
460 Other
470 Catholic Services Appeal Over(Under)

Operating Expenses

500 Salaries – Clergy
501 Benefits – Clergy
503 Salaries – Employees
505 Benefits – Employees
510 Rectory Expense
520 Office Expense
521 Altar, Sanctuary, Liturgical
530 Plant Maintenance, Supply and Repair
531 Utilities
532 Insurance and Real Estate Taxes
540 Capital Fund Drives
545 Parish Activities
550 Diocesan Fund/FAITH

560 Elementary School Support
565 Catholic School Support
567 Religious Education
568 Other

Capital Expenses and Loan Interest

580 Major Construction
581 Extraordinary Items – Repairs, Equipment, Real Estate
591 Loan Interest

STATEMENT OF FINANCIAL POSITION ACCOUNT (BALANCE SHEET)

DEFINITIONS – The captions for most of these accounts are self-explanatory and are therefore not defined. However, if you have any questions on any of the "Statement of Financial Position" accounts that are not described below please contact the Director of Parish Financial Services for more information.

Assets

125 Loan Receivable – Loans to churches and cemeteries. Loans to individuals are strictly prohibited.

130 Investments – The fair market value of all types of investments. Examples include stocks, bonds, mutual funds, index funds, etc.

Liabilities

200 Accounts Payable – Please refer to account 350, Past Due Assessments and Accounts Payable listed below.

210 Funds Held for Diocese and Others – Record the total amount collected that is to be remitted for the Catholic Services Appeal and the various special collections. Amounts retained or paid directly by the parish are recorded in account 470, Catholic Services Appeal Over(Under).

240, 250, 255 Assessments – Please refer to account 350, Past Due Assessments and Accounts Payable, listed below.

Net Assets

300 Net Assets/Financial Status – Assets minus liabilities = nets assets/financial status.

350 Past Due Assessments and Accounts Payable – Past due assessments and accounts payable billings that were not paid by the respective due date(s) and remain unpaid as of the date of the reporting period are to be recorded to this account through a monthly journal entry. Example: The Diocesan Fund installment of $4,000 due on April 1st is not paid by the end of April. The following journal entry would be made before the month of April has been closed:

	Debit	**Credit**
Account 350, Past Due Assessments & A/P	$4,000	
Account 240, Diocesan Assessments		$4,000

When the $4,000 is paid, the expense account 550, Diocesan Fund, would be debited and the cash account credited. An adjusting journal entry would then be made to reverse the above entry:

	Debit	Credit
Account 240, Diocesan Assessments	$4,000	
Account 350, Past Due Assessments & A/P		$4,000

STATEMENT OF ACTIVITIES ACCOUNT (INCOME I) DEFINITIONS

Income

410 Offertory – All collections taken up in church for the support of the parish and elementary school, if applicable. To include monthly collections, loose change, Christmas, Easter, Holy Days, children's envelopes, and monies received for fuel, maintenance, or use within the parish for other types of operating expenses. Do not include Funds Held for Diocese and Others as defined under liability account 210.

420 Bequests and Special Gifts – All gifts, whether in money, property, or equipment. Includes memorials, bequest proceeds, and unsolicited gifts from individuals. Do not include gifts from parish societies or organizations (see account 445).

430 Investment Income – Interest, dividends, and change in market value (current fiscal year change in realized and unrealized appreciation or depreciation) and fees from all investments held by the parish including parish endowments and trusts. Also includes distributions from trusts and endowments held by others for the benefit of the parish.

Includes interest income that is "rolled over" or reinvested with Certificates of Deposit or bank accounts, reinvested dividends, and management expenses.

440 Capital Fund Drives – Gross revenue from approved building projects, renovation or debt reduction drives, including pledge payment receipts.

445 Parish Activities – Gross revenue received from festivals, dinners, picnics, dances, parish days, and other events and activities for the benefit of the parish community as a whole. (Events and activities, the proceeds from which are designated for the parish school, may be recorded on the school report.) Also includes gifts and amounts received from parish societies and organizations as well as direct payments of parish expenses.

460 **Other** – Sales of religious goods, books and music, religious education program fees, votive candle money and flower monies, and insurance reimbursement claims. Also includes property and equipment sales, rental proceeds (parish hall, gym, other properties), royalty income (e.g., natural gas, timber rights), and bulletin company commissions.

Reimbursements for salaries and benefits, and utilities, should be credited to the particular expense category originally charged (e.g., credit account 503, Salaries – Employees).

470 **Catholic Services Appeal Over (Under)** – Record the parish share of the Catholic Services Appeal and other special collections. For example, record the amount collected on the Catholic Services Appeal that exceeds your goal. If you are short of the goal, record the amount paid to the Diocese to meet the goal. The amount collected short of or equal to the goal is recorded in account 210, Funds Held for Diocese and Others.

Operating Expenses – All normal expenses of the parish other than major construction and extraordinary repairs, & loan interest.

500 **Clergy Salaries –** Amounts paid to pastors, administrators, parochial vicars, visiting priests and deacons.

501 **Clergy Benefits –** Diocesan assessment for priest retirement, clergy health insurance premiums. Continuing education, seminar, retreat, and other reimbursable expenses.

503 **Employees Salaries –** Gross amounts paid to religious and lay employees for services such as clerical, accounting, maintenance, housekeeping, pastoral ministry, music, etc. Pro-rate mission, school and cemetery portions if applicable. Record Religious Education salaries to account 567, Religious Education.

505 **Employees Benefits** – Employer FICA, retirement contribution, health insurance, Pennsylvania Unemployment Compensation, gifts and other benefits.

510 **Rectory Expense – Household** expenses, supplies, food, and periodicals.

520 **Office Expense –** All office expenses such as postage, printing, contribution envelope costs, bank service charges and supplies. Office equipment/furniture purchases and maintenance contracts $2,500 and under, repairs $5,000 and under. Include computer software, supplies, and internet access fees.

521 **Altar, Sanctuary, Liturgical –** Altar wine and bread, vestments, linens, flowers, hymnals, missalettes, prayer books, votive candles, and related expenses**.**

530 **Plant Maintenance Supply and Repair –** All maintenance expenses, cleaning and minor repairs. Include the cost of supplies and tools maintaining equipment (Individual tools or equipment costing more than $2,500 and repairs of more than $5,000 to account 581).

531 **Utilities** – Telephone, gas, water, electric, heat, cable TV, garbage and sewer. Pro-rate school share based on estimated usage.

532 **Insurance and Real Estate Taxes** – Diocesan property and liability self-insurance (Pro-rate school share if applicable). Taxes on property.

540 **Capital Fund Drives** – All expenses directly related to account 440 Capital Fund Drives. Examples include professional fees, equipment rental, printing, mailings, dinners, etc.

545 **Parish Activities** – All expense related to the gross revenue classified in account 445 Parish Activities.

550 **Diocesan Fund/Regional Resource Sharing –** Parish tax for its share of the diocesan operational budget including Faith magazine.

560 **Elementary School Subsidy –** The total amount of funds paid to an elementary school for operating expenses. Also to include the school's share of expenses paid directly by the parish account (e.g., shared employees, utilities). Capital expenditures for the school that are paid by the parish are recorded in account 580 or 581.

565 **Catholic School Support** – All assessments paid to the diocese, k-12 and secondary regional schools for Catholic education. Also, any scholarships or financial assistance provided directly to students.

567 **Religious Education –** All operating expenses for religious education, RCIA and youth programs. Includes program expenditures such as books, instructional materials, supplies, etc. Also includes reasonable allocations of related salaries and benefits.

568 **Other –** Miscellaneous expenses, other purchased goods and services, and charitable donations made by parish.

<u>Capital Expenditures</u> – Major construction, renovations, major purchases of equipment, and loan interest.

580 Major Construction – Include totals paid for new construction and major renovation projects such as architect fees, general construction, equipment and furnishing expenses.

581 Extraordinary Items – Repairs, Equipment, Real Estate – Include substantial repairs, alterations or changes that extend the useful life of buildings. Also include improvements to land. Major repairs and improvements would include all projects exceeding $5,000.

Include purchases of equipment and furniture (maintenance, office, computer, appliances, etc.) that cost more than $2,500. Include lease payments if total more than $2,500 for the year.

Record any real estate purchases.

591 Loan Interest – Payments of interest on all types of loans or debt.

SAMPLE STATEMENT OF FINANCIAL POSITION

St. Elsewhere
Statement of Financial Position (Balance Sheet)
As of June 30, 2021

		6/30/2021	6/30/2020
ASSETS			
100	Checking Account	$ 8,000	$ 3,900
105	Petty Cash	100	100
110	Savings Account	12,000	14,800
115	Certificates of Deposit	20,000	10,000
120	Catholic Deposit & Loan Fund	35,000	25,000
125	Loan Receivable	0	0
130	Investments	25,000	22,000
TOTAL ASSETS		**$100,100**	**$ 75,800**
LIABILITIES AND NET ASSETS			
Liabilities			
200	Accounts Payable	$ 0	$ 0
210	Funds Held for Diocese and Others	3,000	2,800
230	Payroll Withholdings and Taxes Payable	1,000	900
240	Diocesan Assessments	0	0
250	Elementary Assessments	0	0
255	Secondary Assessments	0	0
280	Loan Payable	0	0
Total Liabilities		**$ 4,000**	**$ 3,700**
Net Assets			
300	Net Assets/Financial Status	$ 96,100	$ 72,100
350	Past Due Assessments/Accounts Payable	(0)	(0)
Total Net Assets		**$ 96,100**	**$ 72,100**
TOTAL LIABILITES AND NET ASSETS		**$100,100**	**$ 75,800**

Note: Descriptions should be used where applicable, e.g., use your bank name for the checking and savings accounts.

SAMPLE STATEMENT OF ACTIVITIES (Income Statement)

St. Elsewhere
Statement of Activities
July 1, 2020 through June 30, 2021

		2020-2021	Budget	Variance
		INCOME		
410	Offertory	$150,000	$147,000	$ 3,000
420	Bequests & Special Gifts	12,000	10,000	2,000
430	Investment Income	7,000	6,000	1,000
440	Capital Fund Drives	0	0	0
445	Parish Activities	20,000	25,000	(5,000)
460	Other	3,000	3,000	0
2xx/470	Net Funds Held for Others, CSA	10,000	14,000	(4,000)
TOTAL INCOME		**$202,000**	**$205,000**	**$ (3,000)**
OPERATING EXPENSES				
500	Salaries – Clergy	$ 16,000	$ 16,000	$ 0
501	Benefits – Clergy	5,000	5,200	(200)
503	Salaries – Employees	26,000	26,000	0
505	Benefits – Employees	5,000	4,800	200
510	Rectory Expense	4,000	3,900	100
520	Office Expense	5,000	4,400	600
521	Altar, Sanctuary, Liturgical	4,000	3,700	300
530	Plant Maintenance, Supply & Repair	6,000	6,200	(200)
531	Utilities	12,000	11,000	1,000
532	Insurance & Real Estate Taxes	10,000	10,500	(500)
540	Capital Fund Drives	0	0	0
545	Parish Activities	8,000	6,000	2,000
550	Diocesan Fund/FAITH	10,000	10,000	0
560	Elementary School Subsidy	9,000	9,000	0
565	Catholic School Support	8,000	8,000	0
567	Religious Education	20,000	21,000	(1,000)
568	Other	2,000	2,500	(500)
TOTAL OPERATING EXPENSES		**$150,000**	**$148,200**	**$ 1,800**
CAPITAL EXPENSES AND INTEREST				
580	Major Construction	$ 0	$ 0	$ 0
581	Extraordinary Items	28,000	30,000	(2,000)
591	Loan Interest	0	0	0

TOTAL CAPITAL EXPENSE & INTEREST	**$ 28,000**	**$ 30,000**	**$ (2,000)**
TOTAL EXPENSES	**$ 178,000**	**$178,200**	**$ (200)**
NET INCOME	**$ 24,000**	**$ 26,800**	**$ (2,800)**

PARISH FINANCIAL CALENDAR

Every week:

Bookkeeper – Review, schedule, and submit all bills that are due (including assessments) to Pastor for approval and signing on appropriate day of week

Filing system up-to-date for: all paid bills, offertory tally sheets, deposit slips, time slips, and miscellaneous items

Every Month:

Pay assessment balance(s) shown on monthly diocesan billing statement

Bank Reconciliation(s) prepared within one week of receipt of bank statements with checks and voids then filed sequentially with previously returned checks

Review bank statements of organizations (statements directly mailed to parish office)

Pastor's review of year-to-date Financial Report of previous month with bookkeeper

Compliance with Pennsylvania New Hire Report (i.e., the State must be notified within 20 days of a new hire)

Every Quarter:

Finance Council meeting with review of current parish financial statement compared to budget (All variances should be investigated, and review should include plan for the payment of any past due obligations)

Random review of bank reconciliations (of all accounts) by person(s) independent of the custody, recordkeeping, or authorization, of the accounting assets and records (e.g., Finance Council Members) with individuals rotated periodically

Payroll taxes – independent review that the payment and filing of the various tax returns comply with their respective due dates and verify by canceled checks that deposits/payments have been made (Federal 941, PA 501, PA UC-2 (generally schools only), and Local)

Personnel records current – W-4, I-9, vacation and sick day records, job descriptions, etc.

Every Year:

July/August/September

Begin new fiscal year – cash receipts, cash disbursements, new accounts payable file, perform needed computer procedures

Accessible storage of all previous year accounting records (computer backups – second copy stored at another location) and keep all records at least seven years, Annual Reports and supporting journals and ledgers should be held permanently)

File required reports – Annual (census and financial data), Cemetery, Endowment, Fund Raising Activity, complete, obtain required signatures, and mail to diocese by August 31st

Issue annual parish financial report to parishioners (e.g., through bulletin)

October

Bulletin insertion on tax advantages of giving appreciated stock

January

Analysis of offertory giving, consider letter to nongivers and low givers.

March

Begin work on budget

Review return and fees on all investments (checking, savings, Certificates of Deposit, Endowments, stocks Parish Deposit and Loan Fund, etc.) and type of investments used

Review all loan obligations for possible refinancing of interest rate

If have school – determine school subsidy in conjunction with formation of school budget

School subsidy should be no less than 20% or no more than 40% of parish ordinary income (Offertory, Unrestricted Interest & Dividends, and Net Parish Activity Income)

May

Complete, approve, sign (Finance Council) and mail budget to diocese by May 31st

June

Pastor & Financial Manager/Bookkeeper – Review Parish Financial Practices Policy Manual