

DIOCESE OF SIOUX CITY
GUIDELINES FOR AUXILIARY GROUPS
(aka PARISH SPONSORED ORGANIZATIONS)

The pastor, parish lay directors, and parish finance council are responsible for all activities of auxiliary organizations that act on behalf of the parish. This includes approval for fundraisers and expenditure of funds. These groups are not separate entities, they are incorporated within the parish. Although the group assists in raising the funds, the funds ultimately belong to the parish. It's important that on-going communication exist between the pastor, parish staff and these groups. These groups can tremendously enhance the parish community but only when they partner with the parish and realize the role they play.

The Parish bookkeeper is expected to complete the accounting for all parish bank and investment accounts. This includes auxiliary groups (parish sponsored organizations), cemetery, youth, CYO, choir, charity, religious education/ministry, Thanksgiving, food pantry, and any other types of accounts/activities the parish maintains. This cannot be done by the treasurer or any other individual except the bookkeeper. There are no exceptions to this policy! Note that the mass stipend account belongs to the pastor, he may elect to manage this on his own or through the bookkeeper.

The accounting work involved includes:

- 1) Process and post all auxiliary group deposits to the parish accounting records.
- 2) Process all payments for auxiliary group disbursements to the parish accounting records in accordance with the parish authorization and control procedures. To clarify, the auxiliary group should obtain pre-approval for purchases. The vendors should send invoices, statements, and other bills directly to the parish business office.
- 3) Process reimbursements to auxiliary group volunteers for expenses. The member should forward receipts, vouchers and other supporting documentation to the bookkeeper for payment. Again, pre-approval should be obtained.
- 4) Obtain the pastor's approval of payments and his signature on the checks. Only the authorized signers listed on the corporate resolution have approval to sign checks for the auxiliary groups and to be listed on the bank signature card. The auxiliary group treasurer should not sign checks or be included on the bank signature card. While the organization members input should be taken into consideration, the pastor and parish finance council make the final decision on the use of organization funds.
- 5) Complete monthly bank reconciliations in QuickBooks. The bank statements must be directed to the parish business office and reflect month end statement dates. These statements should not be mailed to the auxiliary group treasurer or any members personal address.
- 6) Achieve efficiencies in handling the auxiliary group bank accounts. It is recommended that these accounts be closed and the funds maintained in the parish checking account via a "subaccount" of checking to track the funds. This allows for the payments to be written on the parish electronic checks rather than using a manual checkbook and eliminates the need for a separate bank reconciliation.
- 7) Complete the necessary tax reporting, i.e., 1099-Misc, W-2G/1096, sales tax payment and annual gambling report, contribution records... This is done in conjunction with the parish tax reporting. The bookkeeper also obtains the permits/licenses required to hold a raffle.
- 8) Provide timely financial reports to the auxiliary groups as necessary.
- 9) Present the financial activities of the auxiliary groups to the pastor and finance council at the regular finance council meetings. (Note: these are incorporated into the parish financials.)
- 10) Maintain minutes of auxiliary group and finance council meetings in the parish business office.
- 11) Maintain the payable and receivable records in the parish office.

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Catholic Daughters, Forresters, and Knights of Columbus are national organizations rather than parish sponsored auxiliary groups. They need to use the tax identification number (TIN) of their national organization or obtain a separate TIN. Under no circumstances should they use the parish TIN. Similarly, since these are not parish funds, the bank accounts do not belong on the parish financials.

Other Auxiliary Group Requirements

- 1) The auxiliary groups would not exist if it were not for the parish. The auxiliary groups must use the parish tax identification number (TIN). These groups do not have authority to use a TIN separate from the parish. The parish is included in the Official Catholic Directory (OCD) as tax exempt. This exemption does not pass on to auxiliary groups, even if improperly incorporated as a separate legal entity.
- 2) The auxiliary group bank accounts must be included on the parish balance sheet and the transaction activity maintained through the required QuickBooks accounting software. As mentioned previously, separate checking and savings accounts for these groups are not recommended. The funds can be more efficiently managed in subaccounts of parish checking.
- 3) Investments should not be held in the auxiliary group name. This includes certificates of deposit, investment funds, etc. These groups are in place to assist with the parish mission. A minimum amount of funds should be maintained in the auxiliary group accounts. This amount should be determined by the parish pastor and finance council based on the needs of the group and the parish. "Excess funds" should be transferred to the parish for general parish operations or for a special need that the auxiliary group wishes to contribute towards, such as building improvements.
- 4) When remitting "Excess" funds to the parish, this is handled as a transfer from the auxiliary group checking account to the parish checking account. This is not income to the parish and an expense to the auxiliary group as this handling overstates the income and expense.
- 5) When the parish pays for an expense that the auxiliary group reimburses for, the payment is recorded to the applicable parish expense account. The auxiliary group transfers the funds from auxiliary checking to parish checking. Similar to #4 above, this is not income to the parish and expense to the auxiliary group as this handling overstates the income and expense.
- 6) Auxiliary groups **should not collect contributions**. Donations must be directed to the parish business office so the proper acknowledgement of the contribution in accordance with IRS regulations can be made. Any restrictions placed on the funds can be honored also.
- 7) Auxiliary groups **should not pay for the following**:
 - a. Employee salary or contracted labor costs, such as cleaning or repairs.
 - Salary costs - must be processed via payroll with proper W-2 reporting
 - Contracted costs - the proper 1099s reporting must take place.
 - b. Parish operating expenses such as office supplies, altar & church supplies, ministry, or any other expense that is the responsibility of the parish.
 - c. Capital purchases for the parish, such as new freezers for the kitchen, tables and chairs for the parish hall, etc. This are fixed assets of the parish.The above list of parish costs is not all inclusive. When the parish pays these costs, the expense is recorded to the applicable parish expense account. The auxiliary group may contribute towards these costs by transferring funds to the parish as addressed in #4 and #5 above.
- 8) Auxiliary groups may pay for the following:
 - a. Fund raising expenses
 - b. Funeral dinner expenses
 - c. Other incidental expenses of the auxiliary group

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- 9) Dues, fund raising revenues, and fees (such as funeral dinners) are deposited to the checking sub-account for the auxiliary group.
- 10) Contributions: On occasion the auxiliary group may wish to contribute money to the parish youth or other group, in doing so, the funds are transferred from the auxiliary group checking account to the youth group checking account. Again, this is not an expense to the auxiliary group and income to the youth group. If preferred, a journal entry can be made to transfer the money from the auxiliary group income to the youth group (or other group) income.
- 11) Gifts: On occasion the auxiliary group wishes to provide a gift to the priest, employees, volunteers or other individuals for services performed. Keep in mind the parish may be providing a similar gift. The bookkeeper should be mindful of this to avoid duplication. Also, the tax consequences should be evaluated. For instance, if for an employee, including the priest, the money should be paid through the payroll check. This includes birthday, ordination, retirement and other gifts. Cash gifts should not be given, the best practice is to write a check to the recipient.
- 12) Raffles: The auxiliary group may be involved in events where raffles are held. Approval needs to be obtained from the pastor and parish finance council before holding a raffle. Since there are federal and state requirements for managing raffles, the parish bookkeeper must be intricately involved in these raffles. This includes:
 - a. Obtain necessary permits, licenses, dram shop, etc. This information should be maintained in the parish business office.
 - b. Deduct the applicable federal and state tax from raffle winnings and remit the taxes to the Internal Revenue Service and Iowa Department of Revenue as applicable.
 - c. Issue the required IRS Form W-2G to raffle winners
 - d. Issue the required IRS Form 1096 and W-2G to the IRS
 - e. Completing the required state gambling report and IRS Form 945
 - f. Note that above list is not all inclusive.Cash prizes should not be given, winners should be paid via check.
- 13) Scholarships: Auxiliary groups have been known to give out scholarships. This is not recommended. Scholarship funds should be maintained by the parish. The following are necessary:
 - a. Written scholarship procedures listing purpose, criteria, etc.
 - b. Application for scholarship
 - c. Scholarship committee
 - d. Documentation to support approval of scholarships
 - e. Checks should be written to the college or school, not paid directly to the recipient.

Auxiliary groups are expected to follow the Diocesan Financial and Internal Control Norms and Diocesan Standard Chart of Accounts.