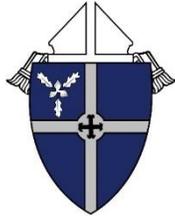


# DIOCESE OF BISMARCK



## FINANCIAL BEST PRACTICES GUIDE

UPDATED: 04/06/2020

*"To pursue its proper purposes, the Catholic Church by innate right is able to acquire, retain, administer and alienate temporal goods.... The proper purposes are principally: to order divine worship, to care for the decent support of the clergy and other ministers, and to exercise works of the sacred apostolate and of charity, especially toward the needy."*  
(Canon 1254, 1983 Code of Canon Law)

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**I. PARISH ORGANIZATION.**

**A. Corporate Structure:** Each parish of the Diocese is a separate non-profit corporation chartered under North Dakota state law. The Bishop is the president of the parish corporation. The Vicar General is the vice-president, the pastor is the secretary, and two trustees are directors. This is the required corporate board structure for every parish in the Diocese of Bismarck. The annual report to the North Dakota Secretary of State Office for the parish has to be prepared following this structure with these board members. Parish articles of incorporation and by-laws need to reflect this structure.

(1) The corporate board is responsible for parish governance, providing strategic planning, implementing diocesan policies and procedures, and complying with the mission of the parish and diocese.

(2) The role of the corporate board requires that the trustees be active participants in the parish through involvement in the Parish Pastoral and/or Finance councils.

(3) Because the parish is a corporation, [North Dakota Century Code \(NDCC\) Chapter 10-33](#) requires that the corporate board meet at once least annually (per 10-33-06 § 3t). Normally, this meeting will occur after fiscal year's end and document in board minutes the following:

(a) Review and approval of the financial report of the parish prior to its submittal to the diocese,

(b) Review and approve parish shared cost agreements for the next fiscal year (applicable to clustered parishes),

(c) Review and approve annual parish statistical report for the past year,

(d) Review and approve actions of the pastoral/finance council during the preceding year, as well as any other actions of the corporate board.

(e) Additional online resources are available at <http://bismarckdiocese.com/corporate-board-minutes>.

(4) In compliance with Synod requirements ([Statute 254](#)), the completed corporate board minutes (along with other required financial documents) are required to be sent to the diocese on or about October 1<sup>st</sup>, each fiscal year.

(5) Meeting minutes of the corporate board must be kept on file for a minimum of six years, per NDCC 10-33-80 § 1).

**B. Parish Pastoral and Finance Councils:** Both Canon Law ([Can. 536 & 537](#)) and Synodal Legislation ([Statute 14 §3](#)) requires that every parish have a separate functioning finance and parish pastoral councils. Depending upon the size and activity at a parish, it is recommended that these councils meet monthly, but they must meet at least quarterly. The finance council and parish pastoral council must be separate councils with separate sets of minutes. These councils, as well as the corporate board, serve as an advisory role to the pastor only.

(1) The finance councils of the parish and mission clusters should meet jointly at least annually to discuss any needed changes to their shared cost agreement. If circumstances make it impractical for these councils to meet jointly, it is acceptable for the cost share agreement to be presented to each council separately. If this is the case, meeting minutes should document the discussion of this agreement as well as the approval. At the very least, the agreement should cover the cost sharing percentages for the pastor's expenses. Additional information is available online at: <http://bismarckdiocese.com/cost-share-templates>.

(2) If a pastor wishes, he may combine clustered parishes' pastoral councils into one council (finance councils may not be combined) with written permission of the Bishop. A Mutual Cooperation Agreement should be developed if such a structure is to be adopted. The agreement requires the Bishop's approval and signature. A sample agreement is available on the diocesan website at: <http://bismarckdiocese.com/mutual-cooperation-agreement>.

(3) Individual parishioners may be members of both the parish's Pastoral & Finance Councils; however, the meetings and functions of the two councils may not be combined.

(4) Meeting minutes for both councils are to be retained permanently as per the USCCB.

**C. Annual Parish Finance Reports:** The fiscal year for all parish corporations runs from July through the following June. Each parish corporation is required to close their accounting records by the last week of July and submit annual reports to the Diocese on or around October 1<sup>st</sup>. Specific reporting and close out requirements are sent by the Diocese Property and Finance Office around July 1<sup>st</sup> of each year.

**D. Parish Financial Reviews:** In accordance with Synodal Legislation ([Statute 257](#)), a parish receives a financial review approximately every 18 months for parishes with over 500 households and triennially for smaller parishes. The purpose of the parish financial review is twofold: (1) to ensure parish compliance with Federal, State, and Ecclesial regulations and (2) offer impartial observations of a parish's business practices. A parish will normally be notified of a scheduled review 60-days ahead of time, insuring adequate time for completion of required [financial questionnaires](#) and other preparations.

**E. Additional resources:** Additional resources concerning parish corporate board, trustees, and finance council roles and responsibilities are available on the diocesan website at the following URLs:

<https://d2y1pz2y630308.cloudfront.net/2950/documents/Finance/ParishCorporateBoardandTrustees.pdf>

<https://d2y1pz2y630308.cloudfront.net/2950/documents/Finance/ParishFinanceCouncilsRolesandResponsibilities.pdf>

<https://d2y1pz2y630308.cloudfront.net/2950/documents/Finance/PastoralCouncilConst.-Bylaws.pdf>

**II. CASH HANDLING AND DISBURSEMENT:** Parishioners regularly give donations to their parishes to allow for its continual functioning and growth. As such, it is the parish's responsibility to exercise good stewardship in the handling and use of these donated funds. This begins with the implementation of proper internal controls over the handling of income when it is received, how the funds are held and invested when received, and how the funds are disbursed.

**A. Collection Handling and Other Income:**

**(1) Mass Collections:** Two adults (usually the ushers) need to be involved in the collection process. During Mass, the collection should be secured either by placing it at the altar until the Mass is ended or by securing it in a locked, fire-proof safe. If the collection is not counted immediately following the Mass, it should be secured in a locked, fire-proof safe until counted. When it comes time to count the collection, the collection should be transported to the counting area by two adults. The collection should be counted by at least two unrelated individuals (if related/married individuals do count together, there should be an additional third unrelated individual). Because the bookkeeper handles the deposits in the accounting software, the bookkeeper should not assist in the counting of collections but may supervise the counting process. Multiple counting teams should be formed and rotated from week to week, whenever possible. Collections must never be taken to an individual's home to be counted. During the count, counters should endorse all checks "For Deposit Only." Counters should use a tally sheet approved by the parish when counting the collection, and all counters should sign or initial the tally sheet indicating that it accurately reflects their count. A deposit ticket should be completed once the counting is complete, either by the counters or the bookkeeper. The deposit ticket should be reconciled to the tally sheet (along with any logs kept for other income received that is included in the deposit). Also, adequate records should be kept, either on the tally sheet or written on the giving envelopes, of individual parishioner giving amounts (to be used later to enter into parishioner annual contribution reports). Once the deposit ticket is prepared, the collection should be placed in either a locked bank bag or a tamper proof bag (tamper proof bags are available for purchase from the Diocesan Office of Fiscal and Property Management; however, some banks do offer them for purchase or free of charge). If the collection is not deposited immediately after the count, it should be secured in a locked, fire proof safe in the church until the deposit can be made. Collections should never be stored at an individual's home (or vehicle) until it is deposited. When the deposit is ready to be made, an authorized individual should transport the collection to the bank, while still sealed in a tamper proof bag. After the deposit is made, it should be entered into the accounting software by the bookkeeper using the proper income or dedicated accounts (dedicated accounts are used for restricted donations or diocesan/national collections). The deposit entered into the accounting software should be reconciled to the individual parishioner giving report (input based on the records used previously).

**(2) Electronic Funds Transfer (EFT) Collections:** Some parishes offer EFT collection programs where the parish withdraws funds directly from a parishioner's bank account at the direction and approval of the parishioner. Because this is a "pull-process" contribution by the parish, strong internal controls are required to ensure collections are treated appropriately. It is recommended that the parish designate specific dates that EFT withdrawals will occur. The parish must never make EFT withdrawals on dates other than these specific dates (examples of specific dates might be the 15<sup>th</sup> and final day of the month). The parish should require parishioners that wish to participate in EFT collection programs to complete a parish approved form that states the parishioner's name, address, bank account

information, the amount of the withdrawal, and the frequency that the withdrawal should be made. The parishioner must sign this form, as this is the parishioner's authorization that the parish may withdraw funds from their accounts on the designated dates. Parishioners should not be allowed to request a withdrawal on a day the parish has not specified (i.e. if the parish has specified that it makes withdrawals on the 15<sup>th</sup> and final day of the month, the parishioner cannot sign up for a withdrawal on the 5<sup>th</sup> of the month). The parish must keep adequate records to ensure that parishioner requested EFT withdrawal frequency is being adequately followed. If a parishioner wishes to change any part of their request form, they must complete a new form. The parish should never make changes to the parishioner request form over the phone. After the EFT withdrawal occurs, the parish should update the individual parishioner giving report accordingly, and the bookkeeper should record the deposit in the accounting software, properly recording the deposit in income or dedicated accounts. The deposit should be reconciled to the individual parishioner giving report at this time.

**(3) Online Giving:** Some parishes offer to their parishioners the option to give online. The practice of handling online giving is similar to EFT collection programs, except that it is a "push-type" contribution initiated by the contributor, not the parish. It is recommended, but not required, that the parish designate specific dates the online gift may occur. Most online giving software will allow the parish to restrict what dates a gift can be made. When the deposit occurs, the parish should update the individual parishioner giving report accordingly and the bookkeeper should record the deposit in the accounting software, properly recording the deposit in the appropriate income/dedicated account(s). The deposit should be reconciled to the individual parishioner giving report at the time of the deposit. Additional information on online giving is available at:

<https://d2y1pz2y630308.cloudfront.net/2950/documents/Finance/Online%20Giving.pdf>

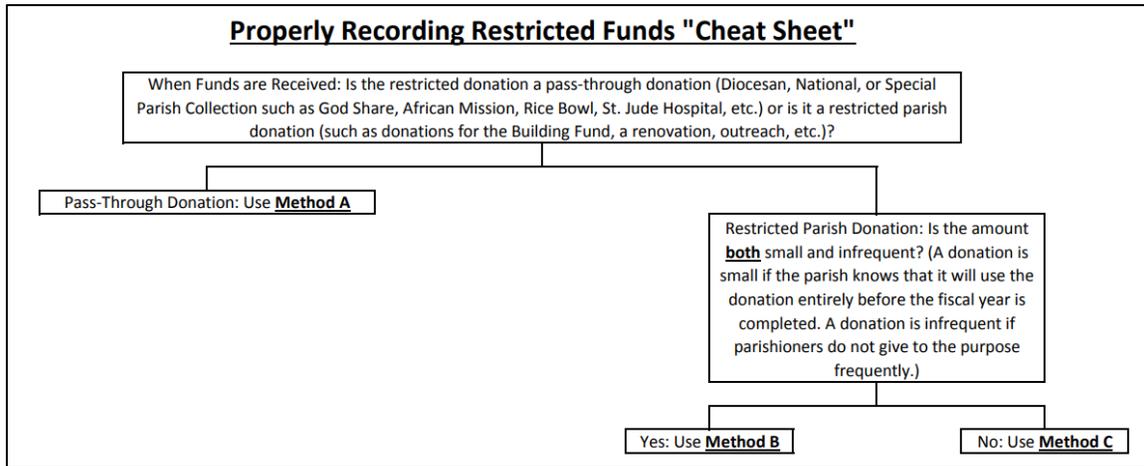
**(4) Other Income:**

**(a) Walk-in/Mail-in Collections:** The parish must keep a log of all funds received either from office walk-ins or through the mail. These logs should include the date the funds were received, the individual that sent the funds, the amount of the funds, and what the funds were designated for (if the funds are designated). Two individuals should open all mail addressed to the parish; both individuals should initial the log of received funds to indicate the log is accurate. The parish should secure these funds in a locked, fireproof safe/file cabinet until the next deposit is made. If the received funds are a parishioner's donation, the individual parishioner records should be updated appropriately. When the deposit is entered into the accounting software, the appropriate income or dedicated accounts should be used.

**(b) Bequests & Memorials:** Parishes periodically receive bequests and memorials from individuals; these bequests and memorials may either be unrestricted (able to be used however the parish sees fit) or restricted (designated to be used for a specific purpose). Like all other forms of income, proper internal controls should be exercised when receiving these funds, depending upon the method the parish receives the funds. When bequests or memorials are entered into the accounting software, appropriate income or dedicated accounts should be used.

**(c) Proper Recording of Restricted Funds:** When entering received funds into the parish accounting software, the parish needs to determine if those funds are unrestricted or restricted. If

restricted, are they to be treated as restricted income or dedicated funds or not. Additional information is available online at: <https://bismarckdiocese.com/recording-restricted-funds-method-guidelines>.



**Method A:** The restricted funds are recorded as dedicated when received. When the parish pays a bill with this restricted purpose, the bill directly reduces the dedicated account. Example: the parish receives \$1,000 in God Share donations. These funds are recorded with the appropriate dedicated account (in this case, an 8100 account). When the parish pays this \$1,000 of God Share to the diocese, the bill should directly reduce the the dedicated account used to record the initial donation. Income and Expense accounts should not be used in this method.

**Method B:** The restricted funds are recorded as income when received. When the parish pays a bill with this restricted purpose, the bill will increase the appropriate expense account. Example: the parish receives a small and infrequent donation of \$10 for sanctuary expenses. The parish will record this as income when received. When the parish pays a bill for sanctuary expenses, the bill will increase the appropriate expense account. Dedicated accounts should not be used in this method.

**Method C:** The restricted funds are recorded as dedicated when received. When the parish pays a bill with this restricted purpose, the bill will increase the appropriate expense account. When the bill is paid, a journal entry will also be performed that debits the dedicated account initially used to record the restricted donation and credits the appropriate expense account by the amount of the bill (or the amount in the dedicated account). Example: The parish receives \$1,000 restricted for building maintenance. These funds are recorded as dedicated when received. When the parish pays a bill for building repairs, the bill will increase the appropriate expense. Also, the parish will perform a journal entry that debits the appropriate dedicated account and credits the appropriate income account by the amount of the bill up to the amount in dedicated. So, if the bill for building maintenance was \$500, the parish performs a journal entry that debits the dedicated account by \$500 and credits the income by \$500, resulting in income of \$500, expense of \$500, and a remaining balance of \$500 in the dedicated fund to be used later. If the bill for building maintenance was \$1,500, the parish performs a journal entry that debits the dedicated account by \$1,000 and credits the income account by \$1,000. (Note that \$1,000, not the full amount of the bill, is used because the donations for the restriction total to \$1,000. If the full amount of the bill was used in this situation, the dedicated account would become negative which is improper.)

**IMPORTANT NOTE**

Please note that, in all of the above methods, **dedicated accounts should not be negative**. If dedicated accounts are negative after all transactions are made, errors were made. Note that you can only use dedicated funds in the amount you have dedicated for the purpose. If the bill exceeds the amount you have dedicated, you must record the excess as expense with no offsetting income. We strongly recommend that the parish review the dedicated account balances immediately after these transactions occur to verify the correct journal entries were made.

Updated 7/10/2017.

**(d) Non-Cash Gifts:** It is not uncommon for a parish to receive gifts in a form other than cash. Undivided estates, land, minerals and leases, producing oil or gas royalties, stocks, and bonds, to mention a few, come to a parish. Transactions for these types of gifts can contain a wide variety of potential pitfalls if not properly addressed prior to the transfer. Improper transfer may significantly delay the ability to liquidate the asset or may reduce the asset value. Also, the transfer instrument may contain covenants, restrictions or liabilities that the parish or diocese cannot accept. Careful consideration, including financial and legal counsel, may be necessary before accepting these types of gifts. If such an offer occurs, it is highly recommended that the Diocesan Office of Fiscal and Property Management and Office of Stewardship and Resource Development be contacted to assist in the proper setup of the asset

*before* the transfer is made. Additionally, the parish must not establish/determine a fair market value for the donated asset for tax purposes; the donor must establish the value.

**(e) Oil Revenue:** The Diocese recommends that when a parish receives oil lease or royalty income, the checks be run through the parish's demand fund with the Parish Expansion Fund. For this to be done, the parish must communicate with the oil company and have all oil lease or royalty income checks sent to the following address: PARISH NAME, PO Box 1137, Bismarck, ND 58502-1137.

**(f) Scrip Sales:** Special care must be taken with income received from SCRIP sales and sale of religious articles (as well as fundraising), as these items are generally handled by volunteers. The pastor must take an active role in authorizing individuals to perform this service for the parish and must also periodically monitor the activity of these sales and expenditures. Two people should always be involved in these sales; no one person should ever be left alone with cash. The sales must be counted on the parish site by two individuals; these funds must never be taken home by an individual. A tally sheet should be used to count the sales, and the tally sheet should be signed and initialed by the counters, indicating that their count matches what is on the tally sheet. The funds should then be turned over to the parish so that the deposit can be made by the parish, and properly recorded in the accounting software. If the parish splits the profits from these sales with parishioners (i.e. as tuition assistance) proper recording of that disbursement must also be accomplished. One pitfall of the Scrip program is that, non-online sales require large investment of parish funds to maintain a local inventory. This inventory must be verified and reconciled weekly, at a minimum. It is strongly recommended that a parish (or school operating under the parish Tax ID) purchase/subscribe to the Great Plains Scrip software program to manage their Scrip Program. A Parish (or school operating under the parish Tax ID) needs to also ensure they adhere to all program guidelines of [Catholic Mutual Group](#). Finally, a parish (or school operating under the parish Tax ID) must recognize that each Scrip card is essentially its own petty cash fund, purchased with parish funds and must be properly secured, inventoried, and reconciled. As such it is strongly recommended a parish/school NOT purchase Scrip to fund operational needs (e.g. lawnmower gas at a local service station).

**(g) Sale of Religious Articles:** Special care must be taken with income received from the sale of religious articles (as well as fundraising), as these items are generally handled by volunteers. The pastor must also take an active role in authorizing individuals to perform this service for the parish and must also periodically monitor the activity of these sales and expenditures. Two people should always be involved in these sales; no one person should ever be left alone with cash. The sales must be counted on the parish site by two individuals; these funds must never be taken home by an individual. A tally sheet should be used to count the sales, and the tally sheet should be signed and initialed by the counters, indicating that their count matches what is on the tally sheet. The funds should then be turned over to the parish so that the deposit can be made by the parish, and properly recorded in the accounting software. Inventory of unsold articles along with the purchase price must maintained and reconciled monthly, at a minimum. **Additionally, parishes that operate a retail – for profit store, regardless of size, are NOT exempt from charging patrons Sales Tax and must apply for a ND Sales Tax Permit and file quarterly statements. Additional information on Sales Tax is available at:**

<https://bismarckdiocese.com/sales-tax-churches-in-north-dakota>

**(h) Parish Fundraising:** The 2016 Synod ([Appendix 35](#)) requires that when a parish, including any entity operating under the parish tax ID, wishes to conduct a fundraiser, the pastor must submit a letter to the Vicar General seeking approval for each separate fundraising activity. Fundraising is defined as *any* special or extra-ordinary collection. (Ordinary collections are strictly defined as Sunday, Holy Day, God's Share Appeal or approved national collections). Once a fundraiser/collection is approved, the parish should use the Project feature of the ParishSoft accounting software to manage income and expenses for each fundraising activity. NOTE: Once the event/activity is complete, a summary report must also be submitted to the Vicar General for his review. See website <https://d2y1pz2y630308.cloudfront.net/2950/documents/2018/4/FundraisingFAQ.pdf> for additional background information. **Note: the FAQs at the link above still list the Bishop as the addressee for permissions. This has subsequently changed to the Vicar General.**

**(i) Third-Party Fundraising:** The requirement to receive permission from the Vicar General for all fundraising also extends to other Catholic entities, even those not operating under the parish tax ID. Though not under the jurisdiction of the parish, it is recommended that parishes help remind their affiliated Catholic organizations (e.g. Knights of Columbus, Catholic Daughters) of this requirement. The head of that organization, not the pastor, is responsible to request these permissions.

**(5) Additional Resources:** Other online resources for handling cash or other income is available at the diocese website at:

<https://d2y1pz2y630308.cloudfront.net/2950/documents/Finance/ParishInternalControls.pdf>

**B. Annual Giving Statements:** Annually, parishes should provide their contributors with written acknowledgment of donations received if charitable contributions/donations equal or exceed \$250.

**(1)** In accordance with [IRS regulations](#), these notices of contribution must include the wording, "The parish did not provide any goods or services in whole or in partial consideration for the contribution or provided only intangible religious benefit." The Diocesan Office of Stewardship and Resource Development has published guidelines and forms to follow in accomplishing this requirement. Please contact that office if you need assistance or have questions regarding this requirement.

**(2)** The annual contribution report to each parishioner is part of the internal accounting controls checks and balance system. Annual giving reports to parishioners, in accordance with guidelines provided by the Diocesan Office of Stewardship and Resource Development, should be prepared at the very least, on an annual basis. These contribution statements must be reconciled to the books and records of the parish. **Note: The Diocesan Office of Stewardship and Resource Development provides annual giving reports for contributions made to the God's Share & Africa Mission appeals, and all nationally approved collections, regardless of whether the funds passed through the parish or not. As such, in order to avoid duplication of reporting contributions by parishioners, parishes should not include contributions to these funds on their parish giving reports.**

**(3)** A parish may receive non-cash donations (e.g. automobiles, jewelry, etc.). When this occurs, the parish should acknowledge this gift in a letter to the donor. However, an estimated value of the non-cash gift should never be included in this letter. Instead, it is the responsibility of the donor to establish the value of a non-cash gift for his or her own tax purposes. The letter provided by the parish should

simply state what the non-cash gift was. If the non-cash gift was a vehicle, the parish must issue IRS form 1098-C.

**C. Cash Holding and Investing.**

**(1) Bank and Investment Account Setup:** All bank and investment accounts setup under the parish federal identification number must be in the name of the parish. No individual's name (including the pastor's) should appear in the account title. If the account is for a specific fund, the fund name may be included along with the parish name (i.e. St. Joseph Altar Society). Bank statements must be mailed to the official parish mailing address, not to an individual's home address.

(a) In the event a parish is assigned a new pastor or a parish bank is questioning the authority of the current pastor, parish bank(s) need to be notified in writing that the parish is a North Dakota corporation and not an association or other form of organization, see <http://bismarckdiocese.com/resolution-to-open-bank-accounts-template>. Furthermore, the bank documents should note that the parish corporation is exempt from taxation under a national letter of exemption issued to the Catholic Church in the United States. If necessary, a copy of this letter of exemption may be obtained from the Diocesan Office of Fiscal and Property Management.

(b) **Bank Signatory Authority:** [Synod Appendix 31](#) outlines signatory authorities for parishes. The Bishop, Vicar General and Pastor or Parochial Administrator are all signatories on all parish accounts. The pastor serves as the primary signer on all parish and parish organization(s) bank accounts using the parish's federal tax ID number. Should the pastor wish to add additional, secondary bank signers, the pastor must request written permission from the Vicar General before any names are added to the bank's signature card. **Because the bookkeeper controls all the records of the parish, often handles the deposits, and prepares the disbursement checks, the bookkeeper is not allowed to be an authorized signer on any parish bank accounts.**

(c) Current Diocesan policy is that all bank accounts need to be directly controlled by the pastor/administrator. That said, it is the pastor's decision to determine what groups or functions (e.g. Altar Societies, Youth Groups, Cemetery Committees, etc.) maintain a local checking/savings accounts under the parish federal tax ID number. **The pastor/administrator and Vicar General are to be signatory for all such "functional" accounts (the Bishop is not required).** An exception to this policy is granted to Altar Societies alone, which may petition, in writing, for permission have secondary signatories. Given this exception from policy, Altar Societies will:

i. May maintain control of their finances, under supervision of the pastor.

ii. Pastor still must sign checks written for amounts greater than \$500.

iii. Because altar societies operate under the parish Tax ID, all account financial activity and fiscal year end balances associated with their accounts must be maintained within the overall parish financials, be reviewed by the parish finance council, and included within the parish's annual financial report(s).

iv. At the end of the fiscal year, all altar society financial records are to be archived with parish financial records, at the parish – not at an individual’s residence.

**(2) Investments and Loans:**

**(a) Parish Expansion Funds:** Synodal Legislation ([Statute 252](#)) requires that parish investments, which includes all bank and investment accounts operating under the parish federal tax ID number, in excess of 90 days of operating expenses, be invested with the Parish Expansion Fund. Essentially a credit union for parishes, the Parish Expansion Fund normally pays a higher rate of interest than the local banks for this type of demand account and withdrawals can be made with 48-hour notice. In order to move investments to the Parish Expansion Fund, please contact the Diocesan Office of Fiscal and Property Management for assistance. See [Synod Appendix 30](#) and Parish Expansion Fund [website](#) for more information on the Parish Expansion Fund corporation. For long-term investments (5 years or greater), the parish has the option to invest funds in the Catholic Foundation in lieu of investing with the Parish Expansion Fund.

**(b) FDIC Protections:** The Federal Deposit Insurance Corporation (FDIC) provides insurance of checking accounts, savings accounts, money market deposit accounts, and certificates of deposit. This insurance is backed by the full faith and credit of the United States Government. The standard insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. Amounts exceeding this will not be insured by the FDIC. For more information, see the diocesan website for information regarding the FDIC at: <http://bismarckdiocese.com/fdic-information>.

**(c) Endowment or other Investments:** It is important that endowments or other investment funds invested at local institutions have proper oversight and avoid any conflicts of interest with local parishes. **As such, parishes are mandated to invest their endowed funds with the Catholic Foundation or Parish Expansion Fund no later than June 30, 2021.** For more information on the Catholic Foundation corporation, see website: <http://catholicfoundationdob.com/index.cfm>.

**(d) Loans:** Any parish loans should be evidenced by a written loan agreement. To assure proper and timely repayment of even short term notes, the parties should commit in writing to the terms and conditions of the loan along with executing an actual note. Any notes outstanding at years-end should be included in the parish annual financial report to the diocese. In the event a parish decides to take out a loan (either from a local institution, with permission, or from the Parish Expansion Fund), that loan may need to be approved by the Bishop using the resolution process. See the following link for additional information on Parish Resolutions:

<https://d2y1pz2y630308.cloudfront.net/2950/documents/2016/11/Appendix29.pdf>

**(3) Reconciliations of Bank and Investment Accounts:** Reconciliations must be performed in parish accounting software on all bank and investment accounts operating under the parish tax ID number. This includes, but is not limited to, checking accounts, savings accounts, certificates of deposit, Expansion Fund accounts, Foundation agency accounts, locally invested trust accounts, and all other investment accounts. Reconciliations should be performed as frequently as statements are sent by the financial institution (usually monthly or quarterly). All bank and investment statements must be reviewed by the parish pastor; the pastor should initial or sign all bank statements indicating his review. Once the

reconciliations are performed, the bookkeeper should review all outstanding transactions with the pastor/administrator. While deposits and journal entries should clear the bank within a few days, outstanding checks older than two years, unless intentionally returned by the payee, should be reissued to the payee (if possible) or turned over to the Unclaimed Properties Division of the North Dakota State Land Department. For additional information on uncashed checks, see website:

<https://d2y1pz2y630308.cloudfront.net/2950/documents/Finance/Aged%20Uncashed%20Checks.pdf>.

#### D. Cash Disbursements.

**(1) Vendor Payments:** The pastor is the primary signer on all parish checks. He should not sign checks without reviewing the original invoice(s) and receipts (business purpose must be written on each receipt in order to determine validity of the purchase). When the pastor signs the check, he should initial the invoice indicating his review. If the pastor is absent and an approved alternate signer is required, the pastor should then initial and date the invoice and copy of the check indicating his review once he returns to the parish. The pastor, or approved alternate, must never sign blank checks nor should blank checks be removed from the office to be prepared as needed. Signature stamps are not allowed and should never be used to sign checks. Paid invoices should be stamped “Paid,” and the date and check number should be noted on the invoice at the time of payment. Note: Checks should always be used in sequence. Unused numbered checks should be safeguarded in a locked file cabinet and voided checks should be kept but rendered unusable and recorded as such in the accounting system in order to account for all checks by number. See also: <https://d2y1pz2y630308.cloudfront.net/2950/documents/Finance/BookkeepBestPractices.pdf>.

**(2) Reimbursements:** When a parish employee or volunteer seeks payment incurred on behalf of the parish, they should provide proper substantiating documentation for reimbursement. The receipt itself is not adequate documentation; clear business purpose must be written on the receipt by the individual requesting reimbursement. Many parishes develop a request form for use by employees and volunteers to receive reimbursement approval before making their purchase. Mileage reimbursements require use of logs and, per diocesan practice, must contain beginning and ending odometer readings as well as the business purpose of every trip. Examples of reimbursement forms and mileage logs are available on line at: <http://bismarckdiocese.com/index.cfm?load=page&page=545>). Note: The parish should never pay an employee or volunteer without proper documentation.

**(3) Online banking and online/automatic bill-pay:** **If the parish uses online banking to pay bills or move funds between accounts, the corporate board must acknowledge this process as being approved by the pastor/parochial administrator and recorded in annual Corporate Board or Finance Council Minutes. When possible, the business manager should be limited to read-only access to the online system. Online bill-pay or use other electric check writing/ACH services offered by a local bank is NOT an approved practice.** Parishes may, if deemed necessary by the pastor/parochial administrator, establish automatic payments for utilities, namely electric, gas, water, garbage/sewer payments. Cable TV and telephone are not considered utilities under this policy.

**(4) Debit Cards:** Parishes are not allowed use of debit cards for their general fund checking account(s) because they carry an inherent, unmitigated risk of compromise to the parish finances. If a parish requires a “credit-type” card for online or other purchases, it should secure a traditional credit card

from their financial institution. Additionally, checking accounts must not be directly associated with Amazon, PayPal or other online services.

**(5) Credit Cards:** Parish credit card usage is subject to all the accountability requirements of the employee reimbursement plan. Every transaction performed with a credit card should be documented with the original receipt and explanation of the business purpose. These should be retained and attached to the credit card statement on which they appear. Parish credit cards should never be used for personal expenses. Any charges not properly documented need to be reimbursed to the parish. Failure to properly document or reimburse the parish violates the “accountable” reimbursement plan of the parish, requiring any such amounts be either recouped or reported as taxable income on an employee’s W-2 (or 1099 MISC for non-employees). Credit card receipts with documented business purpose should be turned over to the parish as they occur. It is recommended that the bookkeeper enter each receipt individually into the ParishSoft ConnectNow accounting software using the credit card feature (*see <https://d2y1pz2y630308.cloudfront.net/2950/documents/Finance/CreditCard.pdf>*). This allows the parish to track these expenses by vendor and also allows the parish to reconcile the credit card statement with the accounting software. Reconciliations should be performed in the accounting software as frequently as statements are issued to the parish. Best practices surrounding charge accounts with local merchants should be treated the same as credit card best practices.

**(6) Priest Living Expenses:** Parishes sometimes provide the pastor and parish priests with room (housing) and board (food). The value of the meals is a tax-free benefit if they are consumed on the premise of the parish (or rectory) for the convenience of the employer (parish), and the meals are a required part of the pastor’s working conditions. Meals away from the rectory must be for a documented business purpose. If the documentation does not include adequate substantiation of business purpose for eating away from the rectory, the priest must reimburse the parish for the value of the meals or it must be counted as taxable income and reported on his form W-2. Other compensation for priests are outlined annually by the Chancery. Priestly housing allowance is also updated **annually**, see Synod [Appendix 32](#) .

**(7) Substitute Clergy Expenses:** The Chancery issues [guidance](#) on remuneration for diocesan priests and deacons who serve as substitute clergy in parishes. Common pitfalls for non-compliance with this policy include to following:

(a) Assumption Abbey: Assumption Abbey clergy are subject to this policy and should only be paid in accordance with this policy.

(b) Taxable vs. Non-taxable Payments: Substitute clergy fee/stipends as well as Mass Intention Stipends are taxable and should be marked as 1099 transactions in the accounting software if paid to a retired or unassigned diocesan priest. Mileage for a retired priest is higher than the normal IRS allowed rate. The additional allowance is taxable income and needs to be calculated separately from the IRS mileage allowance, which is non-taxable.

(c) Payments to Clergy: Active diocesan priests, with a current parish assignment within the Diocese, are paid by his parish of assignment, not the parish for whom he substitutes. Parishes receiving substitute clergy support are to pay the “loaning” parish remuneration and NOT the clergy directly. (Assumption Abbey receives payment for their priests through a billing process). Therefore, only retired

clergy (and unassigned diocesan priests) should receive direct remuneration from the parish. [Note: the pastor of the loaning parish may elect to pay the substitute remuneration to an associate pastor through payroll; however, remuneration paid for a pastor is always income to his parish of assignment.]

(d) Reconciliation Support: Due to the increased allowance for substitute clergy, parishes are not permitted to pay fees for the hearing of Confessions (or going on sick calls).

**(8) Petty Cash Expenses:** A times, parishes keep a petty cash box for employees to make small purchases on behalf of the parish. Because cash can easily be mishandled, it is important for the parish to exercise strict internal controls over the use of the cash box. Parishes should refrain from keeping a large amount of cash in the cash box at any given time (i.e. less than \$500). All parish purchases made with cash from the cash box must be documented with the original receipt, and business purpose must be clearly written on the receipt (similar to credit card and reimbursement rules). The parish must periodically, at a minimum once a month, reconcile the receipts to the physical cash balance in the cash box. If the parish is consistently short in its reconciliation, the practice of maintaining a petty cash fund should be discontinued.

**(9) Gift Card/Cash Purchases:** Parishes often wish to thank employees and/or volunteers with gift cards, gift certificates or cash. This practice should be avoided. Cash or other cash-equivalent gifts are not considered a *de minimis fringe benefits* by the IRS. Cash or cash-equivalent gifts given to parish employees need to be processed through payroll. Cash or cash-equivalent gifts to volunteers, in any amount, are also considered to be a “taxable event” by the IRS and likewise should be avoided. Instead, parishes should explore alternatives to cash gifts, i.e. clothing, statues, dinners, etc.

**(10) Outreach Payments:** It is not uncommon for a parish to pay outreach expenses to assist individuals in need. In order for the parish to be a good steward of church funds, caution must be exercised and strict internal controls implemented over how outreach funds are used. The parish should have one individual that processes all requests for outreach funding. Adequate documentation must be retained documenting the name of the individual in need, what the need was, and how much the parish will pay on behalf of the needy individual. If the individual is requesting funds for fuel, the individual must provide current copies of their driver’s license, vehicle registration, and proof of insurance. Outreach payments should never be made directly to a needy individual; payments should always be made indirectly (i.e. payment made to the landlord for a needy individual’s rent, etc.). The parish should refrain from directing a large portion of its outreach funds toward one individual. **Additionally, a parish should determine the types of outreach support it provides and develop written policies/procedures for governing these activities. These policies can either be incorporated in the parish’s Financial Controls or be a stand-alone policy.**

**(11) Resolutions:** Capital improvements, major repairs, and any other extraordinary expenditure with a cost estimate of \$10,000 or more must be approved by the Diocesan Bishop and Vicar General through the corporate resolution process before the project may begin or expenditure made. Since each project may require a variety of board actions, it is recommended that the parish involve the Diocesan Office of Fiscal and Property Management prior to commencing with any extraordinary expenditure. For more information see: <https://d2y1pz2y630308.cloudfront.net/2950/documents/2016/11/Appendix29.pdf>.

**(12) Cluster Cost Sharing:** Many parishes are part of a “parish cluster,” and often share costs of particular expenses (most often priest expenses, envelopes that one parish orders for all parishes in the cluster, etc...). There are two approved methods of accounting for this, depending on how the “main” parish determines to bill the “mission” parishes.

**(a) Method 1:** If the main parish bills mission parishes based upon a percentage of shared expenses (example: main parish incurs 50% of shared costs and the two mission parishes incur 25% each), the main parish must setup an receivables account in ParishSoft for each of the mission parishes. When the main parish pays a shared cost bill, an expense should be recorded for the main parish for their percentage and an increase to the mission parishes’ accounts receivable should be recorded for their portion. Monthly, the main parish should bill the mission parishes for the amount recorded in their receivables. When the mission parishes pay their bill, their payment should reduce the receivable, not be recorded as income to the main parish. From an accounting standpoint, this is the preferred method for handling clustered costs because it more accurately portrays the main parishes income and expenses for budgeting purposes.

**(b) Method 2:** If the main parish bills mission parishes based upon a set fee (example: the main parish bills each mission parish \$500 a month for the services the main parish provides to the missions), the main parish will incur 100% of all expenses. When the mission parishes pay their bills, the main parish records the payment as clustered income. *Because this method skews the income and expenses for the main parish (and counts expenses twice across the cluster), it should only be used when the “clustered” parishes are attached to a main parish for support, but not officially clustered.*

**(c)** For more information on how to establish these processes in your accounting software and how to setup a cost share bill see the following pages at the diocesan website:

<http://bismarckdiocese.com/index.cfm?load=page&page=348>

## **E. Tax Considerations for Vendors and Volunteers.**

**(1) IRS Form W-9 (Request for Taxpayer Identification number and Certification):** IRS form W-9 provides information required to determine if the parish is required to file and issue a 1099-MISC for a vendor or individual it pays for rents and services. **This Form should be obtained for all non-incorporated vendors used by a parish. Additional W-9 information included in the next paragraph on 1099-MISC Forms. Note: Procedures for handling vendors refusing to fully complete a W-9, need to be taken prior to issuing payment to the vendor/individual. These procedures are available online at: <https://www.irs.gov/pub/irs-pdf/p1281.pdf>. If this occurs, call the Diocese Parish Services Office for guidance/assistance.**

### **(2) IRS Form 1099-MISC:**

**(a)** If the parish pays an individual or unincorporated service vendor for rents or services and the total of their payments exceed \$600 for the calendar year, the parish is required to report the payments on a 1099 MISC at calendar year end. Mass stipends/fees paid to substitute priests must also be reported on a 1099 MISC if the annual payments exceed \$600.

(b) **Determining 1099-MISC Reporting Requirements:** For business licensed in North Dakota, the ND Secretary of State has established a business search that aids in determining whether a vendor is incorporated, LLC, or using a trade name at <https://firststop.sos.nd.gov/search/business>. For all LLC, the parish needs to obtain the W9 as state in (1) above. From a W-9 Form, the following vendors require a 1099 if receiving over \$600 in one calendar year:

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes.

Individual/sole proprietor or single-member LLC     C Corporation     S Corporation     Partnership     Trust/estate

Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership)

**Note:** Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

Other (see instructions) ▶

(c) For more information on Forms W-9 and 1099-MISC, see the diocesan website at: <https://bismarckdiocese.com/parish-requirements-for-w-9-and-1099-misc-irs-forms>.

(3) **Raffles and Gaming:** Some parishes and their entities (altar societies, etc.) host a raffle or other gaming event in conjunction with a seasonal festival or other event. Raffles and gaming are regulated by both state and local governments. The parish should review requirements with the state and local governments when planning such an event. Also, if prizes are given to event winners, there may be tax reporting requirements, such as a IRS Form W-2G (Certain Gambling Winnings). The parish should review these requirements to ensure they are in compliance with tax reporting requirements. More information is available online at: <http://bismarckdiocese.com/raffles>.

(4) **Gifts for Volunteers:** A great deal of work conducted at a parish is performed by volunteers. It is not uncommon for a parish to reward their volunteers with a gift for their hard work. In such situations, the parish should avoid gifting to their volunteers any monetary gifts (monetary gifts include cash, gift cards, and other cash equivalents). The IRS has strict guidelines when classifying an individual as a volunteer, one of which is that volunteers are not paid for their services. Paying a volunteer for their services could give someone justification to reclassify the volunteer as an employee or contractor, resulting in unfavorable tax liability for the parish and volunteer. Please note that deacons not employed by the parish are considered volunteers under IRS guidelines.

## F. Other Financial Items:

(1) **Closing Months in ParishSoft Accounting Software:** Important financial decisions are made by pastors and finance councils, largely based on the reports and statements provided by the parish staff. These reports must be completed in an accurate and timely fashion. Because accurate monthly reports cannot be given unless the month is closed in the parish accounting software, the parish's finance actions must be completed in a timely manner in order to facilitate closing of the month within 90 days of the month's end. If months are not closed, transactions can be made that affect financial statements the pastor and finance council have already used to make important decisions. Note: If the parish has a

legitimate need to open a month that it has closed, they may contact the Diocesan Parish Resource Office to help them do so.

**(2) Transaction Details:** All transactions in the accounting software should show detailed comments adequately describing what each transaction is for. If adequate comments are not used, and accounting errors are made, it is difficult to identify what each transaction is recording.

**(3) Annual Budgets:** Parish budgets act as an internal control and provide guidance over spending. Parishes must annually prepare a formal budget. This budget should be reviewed by the finance council and approved by the pastor. Once approved, the budget needs to be input into the accounting software.

**(4) Archiving Accounts:** For many different reasons, parishes periodically discontinue the use of certain accounts in their accounting software (asset, liability, income, expense, and dedicated). When this happens, it is advisable to archive the account (or delete if the account was never used). Archiving accounts can help reduce the risk of misclassification errors and reduce the need to reclassify transactions later. It is recommended that the parish periodically review a list of its active accounts and archive unused accounts at that time. A good time to perform this review is when preparing the annual budget.

**(5) Account Number Format:** The diocese has mandated the use of a standardized format for developing account numbers in the accounting software. This chart of accounts is available on the diocesan website <http://bismarckdiocese.com/index.cfm?load=page&page=352>.

**(6) Negative Balances:** Generally, accounts in the accounting software should not have negative balances. If accounts in the parish's accounting software do have negative balances, the parish should review the account detail to verify no errors were made (i.e. incorrect account was used in a transaction, etc.). If an error is found, appropriate adjustments should be made in the accounting software in a timely manner.

**(7) Dedicated Accounts:** Dedicated accounts are used to record restricted/designated funds and diocesan/national collections. Payments to the diocese for diocesan/national collections are paid directly out of the dedicated accounts (acting as a flow through account). Such payments need to be made to the diocese within one month after the collection is taken. Payments of other restricted/designated funds must be recorded as expenses when paid. The parish then must reclassify the portion of restricted/designated funds used from the dedicated account into an income account. Please see the diocesan website for additional information on best practices for dedicated accounts at: <http://bismarckdiocese.com/dedicated-accounts>.

**(8) Parish Financial Record Retention:** Retention of financial records is also an important issue since storage space is often at a premium. State law generally requires that the parish maintain its records for the current fiscal year plus the prior six. These prior years' records must be orderly filed using a system that allows timely, accurate retrieval for proper documentation and support. The details of what must be kept and what may be disposed of may be obtained from the Diocesan Office of Fiscal and Property Management online at:

<http://bismarckdiocese.com/documents/Finance/ParishRecordsRetention.pdf>

<http://bismarckdiocese.com/documents/Finance/Retaining%20contribution%20envelopes.pdf>.

The USCCB has also published guidelines regarding record retention that the parish should also follow. These guidelines can be found at:

<http://www.usccb.org/about/financial-reporting/upload/diocesan-financial-management.pdf>.

**(9) Working from Home:** In some situations, the pastor may allow the bookkeeper to perform parish work from home. This practice, however, is not recommended as it does present some difficulty in proper protection of records from damage or destruction. All parish records should be kept at the parish or rectory in order to be covered by the parish's property insurance. If records are taken home for any reason, they should be returned to the parish property within 24 hours. Note: parishioner collections must never be taken or stored at an individual's home.

### III. PARISH EMPLOYEE PAYROLL.

**A. Federal and State Tax Forms:** The parish, or its contracted payroll agent, is required to file reports to the state and federal governments on an annual and/or quarterly basis.

**(1) IRS Form W-3 (Transmittal of Wage and Tax Statements) & W-2 (Wage and Tax Statement):** At calendar year end, the parish is responsible for the correct preparation of the W-2's to be submitted to the federal government and to be distributed to individual employees for work performed during that calendar year. The year-end W-2 reports must be transmitted to the Social Security Administration via IRS Form W-3. The proper preparation of the W-2 form is very important because it is the basis of employee tax reporting. Errors on W-2 forms may result in errors on employee tax returns. The bookkeeper must verify the proper preparation of the W-2 forms and should contact the Diocesan Office of Parish Services with any questions concerning W-2 form preparation issues.

**(2) IRS Form 941 (Employer's Quarterly Federal Tax Return):** Quarterly, the parish is responsible for the correct preparation and filing of IRS Form 941. The quarterly 941 reports should be reconciled each quarter and again at year-end with the payroll records for Income Tax, FICA and Medicare withholdings. The gross pay reported would include amounts paid to the pastor. At years-end, the four quarterly reports for the calendar year must also reconcile to the W-3 submitted with the W-2 forms.

**(3) North Dakota Tax Form 306 (Income Tax Withholding Return):** The parish should withhold North Dakota income tax from its employee payrolls (priests exempted). North Dakota law requires employers to withhold and deposit quarterly (annually if the state has instructed you to switch to an annual deposit) any state tax withheld using ND Tax Form 306 (when paper filing) or the Taxpayer Access Point (When filing electronically). At years-end, the four quarterly (or annual) reports for the calendar year must reconcile to the W-3 submitted with the W-2 forms.

**(4) North Dakota Tax Form 307 (Transmittal of Wage and Tax Statement):** Annually, copies of all federal W-2 forms issued must also be transmitted to the North Dakota State Tax Department using the North Dakota Transmittal of Wage and Tax Statement Form 307. The information on the Form 307 should match the information filed on the quarterly form 306 submissions and the federal W-2/3s. **As of January 2019, this was no longer a requirement for parishes electronically filing W2s with the State of North Dakota at tax year's end. Parishes do retain the requirement to maintain files of past 307s for 7 years after filing.**

**(5) Third-party Payroll Services:** Though all parishes contract with an outside party to prepare payroll and the forms listed above, it is the parish's responsibility to review these documents for errors and bring any errors found to the outside party so that corrections may be made timely.

#### **B. Other Payroll and Personnel Items:**

**(1) IRS Form W-4 (Employee's Withholding Allowance Certificate):** Payroll records must have a W-4 on file for all employees, with the exception of priests. Priests are exempt from the requirement to have federal and state tax withholdings and should not have W-4's on file if they do not wish to have such withholdings from their paychecks. **A priest not having payroll tax withheld from**

his paycheck needs to have an Acknowledgement of Waiver of Tax Withholdings for Clergy form on file with the parish. This form and additional information on withholdings are available at: <http://bismarckdiocese.com/withholding>.

(2) **USCIS Form I-9 (Employment Eligibility Verification):** The parish must have a Form I-9 on file for all employees, including priests. These forms are required by law and must be added to the parish employee records. More information on the I-9 Form is available at: <https://www.uscis.gov/i-9>.

(3) **Employee Management:** The parish is required by Synod [Statute 266](#) to keep written job-descriptions and goals and objectives for each position within the parish. This statute also requires parishes to conduct annual, written, formal evaluations of performance for each employee. These evaluations should be kept in the individual personnel files. For additional information on items to be kept in employee personnel files see: <http://bismarckdiocese.com/index.cfm?load=page&page=457>. **Note: Pastors/administrators can NOT fire, release, or otherwise remove employees without first consulting the Diocese Fiscal Officer and Diocesan legal counsel.**

(4) **Workforce Safety and Insurance:** In accordance with Synod [Statute 265§1.4°](#), parishes with employees must purchase workers safety insurance from the North Dakota State Office of Workforce Safety and Insurance. This insurance is designed to assist employees with medical bills in the event they are injured while at work. If the parish does not purchase this insurance, it could be held liable for employees injured while working.

(5) **Mass Stipends: Ideally, a parish will not have a separate checking account for Mass Stipends. However, in those rare cases where a separate account is kept, the parish should control the Mass stipend account and write checks only for Masses said (or transferred).** If the parish accumulates more Mass offerings than the parish priest(s) can say within one year, the excess is to be transferred to the diocese where the intentions can be fulfilled by retired priests. Because a Mass Stipend is taxable income, payments are made through payroll and included on the priest's W-2 form. *Binations* (the second Mass, with an intention, celebrated by the same priest in one day) must be paid to the diocese. **Parishes often experience three problems with their Mass Stipend management procedures: (1) There isn't a clear method to ensuring non-standard stipend amounts are accurately recorded and paid to the Mass celebrant, (2) There isn't a clear method of determining which priest fulfilled a particular intention, and (3) ensuring that intentions are not scheduled for more than a year ahead of time.** A parish's Internal Control & Finance Procedure manual should identify how the parish handles Mass Stipends/Intentions from their receipt, scheduling, and final payment. It should also include procedures for periodic schedule to dedicated account reconciliations. More information on Mass Stipends is available in Synod Statutes 268-279, Appendix 18 and in the **Diocese of Bismarck Synod Resource Manual, (to be published in April 2020).**

(6) **Gifts and Bonuses:** Any property/monetary gift (monetary gifts include cash, gift cards, and other cash equivalents) or bonuses paid/given to an employee is taxable income to the employee as a prize. Such prizes paid to an employee must be treated as taxable compensation, included on the employee's payroll, and included on the employee's W-2. **This includes other extraordinary payments to employees such as tuition paid to an educational institution on the employee's behalf.** Some parishes choose to give non-cash gifts to their employees. IRS regulation states that *de minimis benefits*

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(fringe benefits) such as holiday gifts (other than cash) with low fair market value and occasional parties or picnics for employees and their guests are exempt from payroll taxes. Non-cash gifts should not be extravagant. Additional information on *de minimis* fringe benefits is available online at: <https://www.irs.gov/government-entities/federal-state-local-governments/de-minimis-fringe-benefits>.

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#### IV. PROPERTY AND INSURANCE.

**A. Property Deeds:** All property deeds and abstracts are required to be on file with the Diocesan Chancery Office. Also, if the parish owns any mineral rights retained from property sold or received through bequests, these rights must be reported to the Diocesan Chancery Office in order to properly maintain property ownership records for the parish.

**B. Third-Party Facility Use:** If the parish allows third party organizations to use parish facilities, a “Facility Usage Indemnity Agreement” should be utilized. If third parties using parish facilities cannot provide proof of insurance, then applications for 3<sup>rd</sup> party special events insurance coverage should be filed. Please reference the annual letter on “Special Events Guidelines” sent to your parish by Catholic Mutual Group. These guidelines are governed by [Synod Appendix 36](#). Additional information can also be accessed via the diocesan website at: <http://bismarckdiocese.com/parish-post-articles> (See all posts under “Insurance and Safety”).

**C. Contracts and Contractor Insurance:** When a parish needs to enter into a contract for services, there are many requirements that need to be followed to ensure the parish is properly protected from an insurance and liability standpoint. Parishes are strongly recommended to carefully review [Synod Appendix 37](#) for detailed requirements and guidance. After reviewing the appendix, business managers should call the Diocese Parish Resource Office to confirm their requirements and plans before entering into agreements with services vendor and contractors.

#### **D. Physical and Cyber Security:**

**(1) Door Locks:** The parish offices and churches must be locked and properly secured when no one is present. If a church is left unsecured when not properly monitored, there is the potential that someone could desecrate the Blessed Sacrament, not to mention that parish assets are left exposed to potential damage, theft and/or vandalism. We understand that parishioners may wish to have access to the church to pray, even during off hours. If this is the case, the church must still be secured and other arrangements must be made (<http://bismarckdiocese.com/parish-post-articles> - all posts under “Insurance and Safety”).

**(2) Key Control:** Parishes must maintain a key log that identifies all individuals with keys and to which areas/entries they have access. This key log is to be periodically reviewed to verify accuracy and key accountability.

**(3) Electronic Records:** The diocesan mandated accounting system is a cloud-based accounting system and carries with it data back-up services. Parishes are responsible to ensure all other electronic records (to include annual giving/census records as well as other servers and email accounts) are also periodically backed up and that each authorized user have his/her own logon and password. **It’s important to copy important files onto a removable disc and store securely in a building other than where your computer is located. If a different location is not practical, consider encryption software. This software scrambles a message or a file in a way that can be reversed only with a specific password.**

**E. Cemetery Management:** If the parish has one or more cemeteries associated to its parish, these cemeteries should be included on the parish's Catholic Mutual property ledger page. All cemeteries associated to a parish need to have a named Sexton (an individual responsible for the care of the cemetery). Original copies of cemetery records need to be retained at the parish office and never at an individual's residence.

**V. PARISH POLICIES.**

**A. Employee Policy and Procedure Manual:** Parishes with employees must have an employee policy and procedure manual and must follow its instructions. At a minimum, this manual must: define the parish work-week, overtime policies, vacation and sick policies, holiday policies, general benefits provided by the parish, general expectations of employee work (work hours, dress codes, behavior at work, expected involvement in staff events, etc.), and general parish policies. This manual should be periodically reviewed and updated when appropriate. Sample manuals are available from the Diocese Parish Services Office.

**B. Parish Internal Control & Finance Process Manual:** Parishes should have a written process manual outlining how specific processes are to be performed within their parish. This manual should provide walkthroughs of parish procedures. Items to outline in the manual include: collection and walk-in money counting/deposit procedures, parishioner contribution record compilation, guidelines on inputting transactions into the accounting software, purchase/reimbursement approval and documentation procedures, outreach payment and approval procedures, etc. This manual should be periodically reviewed and updated as appropriate. Sample manuals/policies developed by other parishes are available from the Diocese Parish Service Office.

**C. Emergency Preparedness Manual:** Parishes must have a written policy concerning emergency preparedness. Along with this manual, parishes must provide emergency preparedness training to employees and key volunteers within the parish. This policy manual should provide instructions on what should be done if: (1) An armed intruder enters the church/school, (2) Fire or other related emergency, and (3) Natural disaster. This policy should be periodically reviewed and updated when appropriate. Many parishes use the green binder produced by Catholic Mutual Group. That binder should be tailored to include parish specific contact and other information. Additionally, emergency procedures should be reviewed and practiced with parish staff and volunteers at least annually. Sample manuals/policies produced by other parishes are available from the Diocese Parish Services Office.

**D. Fixed Asset Inventory and Policies:** While a parish's fixed asset value is not normally recorded on the parish financial statement, Canon Law ([Can. 1283](#)) does nonetheless require pastors and other administrators to prepare and sign an accurate and clear inventory of parish fixed property before assuming their duties, once assigned to a new parish. As such, parishes need to have a written policy regarding the treatment and inventory of equipment and fixed assets owned by the parish. This written policy needs to be in keeping with the following guidelines in accordance with the Diocese Fixed Asset Policy Guidance:

(1) In order to adequately manage fixed asset inventories, each parish must develop a written policy outlining how the parish manages its fixed assets. This policy can be published as a stand-alone document or as a part of the parish's Internal Fiscal Control Procedures & Policies and signed/dated by the pastor/administrator.

(2) All parishes and entities operating under the parish Tax ID will establish a written inventory listing of all its Fixed Assets.

**(3) Written inventory will include: Description of Item, Date of Acquisition (purchase or donation), Cost/Value of item, and Removal/Destruction Date.**

**(4) Total cost/value of a fixed asset includes costs to ship, install and make the asset functional and include all items within a set (e.g. a bedroom set would be described as "bed, nightstand, chest/dresser). Donated assets are recorded at fair value as of the date acquired based on appraised/assessed value. (Note: Formal appraisal of donated items is not required but documentation on the method of determining the value needs to be retained. Parish may determine value from internet search of like item(s). Cash value of donated items is determined for inventory purposes only, NOT for tax/contribution valuation).**

**(5) Receipts, invoices or other documentation substantiating the acquisition of the fixed asset needs to be maintained until the asset is removed from the inventory. This requires parishes to maintain two copies of receipts/invoices, one with the Fixed Asset Inventory File and the other in parish financial records, substantiating the original purchase.**

**(6) Purchase and disposal of fixed assets is authorized by the pastor/parish administrator.**

**(7) Newly assigned pastors and administrators must review the fixed asset inventory listing for completeness and accountability. This inventory/review must be signed before beginning their assignment. Subsequent annual inventories are recommended.**

**(9) Parishes will maintain written inventory lists of personal property within rectories (owned either by priest or authorized tenants). Inventory lists are provided at the time of a priest's assignment and updated as needed.**

**10) For parishes deciding to include values of their fixed assets on their financial records – either by choice or to meet requirements of an independent financial audit, see DOB Fixed Asset Policy available online at:**

<https://d2y1pz2y630308.cloudfront.net/2950/documents/2020/4/FixedAssetPolicy.pdf>

**E. Tuition Policy:** Parishes that operate a school should have a written policy regarding the handling of tuition. This policy must identify the individuals responsible for: (1) Determining the price of tuition, (2) Billing of tuition, (3) Collecting of tuition (past-due and current), and (4) Recording tuition in the accounting records. This policy needs to require corporate board approval of the write-off of uncollectible tuition as well as contain policies regarding reduced tuition (scholarships, tuition forgiveness, etc.). As with other parish policies, this policy should be periodically reviewed and updated when needed.

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*This guide is offered as a resource for parishes of the Diocese of Bismarck. While the guide itself not directive in nature, it is meant to outline established diocesan business practices and highlight Federal Regulations, State Codes, Canon Laws and Synodal Legislation which are regulatory in nature. It is meant as a tool for management of the temporal goods of the Church at the parish level. Errors, suggestions, and questions should be directed to either the Diocesan Internal Auditor or Parish Resource Manager.*