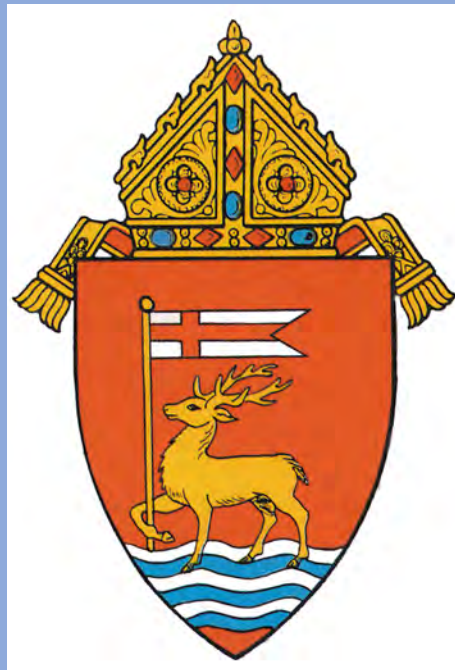


PARISH ADMINISTRATION AND FINANCE POLICY MANUAL

Archdiocese of Hartford



REFERENCE CONTACTS

Archdiocesan Finance Office: (860) 541-6491

Archdiocesan Director of Human Resources: (860) 578-1430

Archdiocesan Office of Property and Assets: (860) 541-6491

Archdiocesan Legal Counsel: Cooney, Scully & Dowling: (860) 527-1141

Catholic Mutual Group: (860) 242-5600

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Overview: Parish Finances & Administration

This Administration and Finance Manual sets forth policies and procedures for the financial administration of parishes within the Archdiocese of Hartford. It serves as a reference guide for pastors and others who participate in managing the financial affairs of the parish and may be amended from time to time. This manual addresses practices and procedures for parish administration, accounting, budgeting, financial reporting, and periodic review, and should be used to establish consistent parish financial accountability.

Parishes are responsible for the financial resources entrusted to them. This responsibility includes safeguarding church assets, exercising prudence in financial matters, providing accountability to those who contribute monetary support to the parish and to regulatory authorities, and complying with Canon and civil laws. The adoption of financial management practices and procedures is necessary to ensure the legal and financial integrity of each parish. Following the practices set forth in this manual will achieve the goals of good stewardship and sound fiscal management. In order to fulfill those responsibilities and to maintain consistent parish financial accountability throughout the Archdiocese of Hartford, all parishes are required to adhere to the policies and procedures set forth in this manual, as may be amended from time to time.

CHAPTER 1 - Acts of Extraordinary Administration

Requiring Permission from the Archbishop of Hartford

A parish is a public juridic person. As such, it is subject to the Canon law of the Roman Catholic Church. Canon law distinguishes two categories of acts of administration for public juridic persons: ordinary and extraordinary.

Ordinary administration includes acts necessary for the everyday life of the parish and for the regular and ongoing maintenance of its property. The Pastor or Administrator of the parish does not need special authorization from the Archbishop to carry out these duties.

Acts of Extraordinary Administration are those that require the Archbishop's permission due either to the significance of the act or to the financial value of the act. Acts of Extraordinary Administration include, but are not limited to, real estate transactions, construction valued at more than a specific dollar amount, refusal or receipt of major donations and of donations subject to restrictions, and purchases of major equipment.

On April 5, 2016, Archbishop Blair issued a *Decree Determining the Acts of Extraordinary Administration for Public Juridic Persons Subject to the Archbishop of Hartford*. This April 5, 2016 Decree partially supersedes the prior Permission/Approval Process Policy that had been issued on August 6, 2015 and revised on November 30, 2015.

The *Decree Determining the Acts of Extraordinary Administration* and the *Permission/Approval Process for Activities of Parishes and Schools* are contained in **Appendix 1**. These documents identify those acts requiring the permission of the Archbishop.

CHAPTER 2 - The Parish Corporation

2.1 - The Parish Corporation

Parishes within the Archdiocese of Hartford must follow the Code of Canon Law (church law), the laws of the United States of America and of the State of Connecticut (civil law), and the particular standards, customs, and practices of the Archdiocese. Each parish is separately incorporated pursuant to the Religious Corporations Act of the State of Connecticut. Each parish operates at all times as a separate and distinct corporate entity with its own Certificate of Incorporation and Bylaws. The parish's corporate records, which include its Certificate of Incorporation, Bylaws, and Merger Certificates, if any, should be maintained at the parish in a secure file. Copies of the parish's Certificate of Incorporation, Bylaws, and Merger Certificates may be obtained from legal counsel.

2.2 - Legal Structure

Each parish corporation has five corporate Members and three officers.

2.3 - Members of the Parish Corporation

2.3.1 Membership and Term of Service

The five corporate Members of each parish corporation are the Archbishop, designated Vicar General, Pastor, and two lay Members. The lay Members (sometimes referred to as Trustees) are appointed in the month of January to serve a one-year term without compensation, and may serve up to a total of five (5) consecutive terms. A lay Member may not be an employee of the parish, related to the Pastor or Administrator by first degree of consanguinity or affinity, or a member of a forbidden society. The responsibilities and qualifications of Parish Corporate Members are set forth in **Appendix 2**. The appointment of lay Members occurs annually by completing the Appointment of Lay Members form. *See Appendix 3*. In the event that a lay Member is unable or unwilling to complete his/her term as a Member, the *ex officio* Members may appoint a new lay Member mid-year. This appointment is made by completing the Mid-Year Appointment of Lay Members form. *See attached Appendix 4*.

2.3.2 The Meetings

The Members of the parish corporation are required to hold an annual meeting in person or by Corporate Consent. All Corporate Members must be given written notice of the parish corporation meeting. At a minimum, three of the five Members, including one lay Member of the corporation, must attend this meeting. Minutes of all Member meetings must be prepared and retained with the parish's corporate records in the parish office. *See Appendix 5, Minutes of Annual Meeting Form*.

The parish corporation may take action without a meeting only if: (a) a Consent is prepared identifying the action(s), and (b) all five Corporate Members adopt and execute the Consent. (The Pastor should contact legal counsel regarding preparation of a Consent.) The Consent must be

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approved unanimously to authorize the corporate action. Fully executed Consents and corporate resolutions adopted at meetings of the Members constitute official records of the parish that the parish should maintain with its corporate minutes and corporate records.

2.3.3 Responsibilities and Actions Requiring Member Approval

The five Members of the parish corporation are responsible for overseeing the management of the parish. Certain actions require the express permission of the Archbishop. *See April 5, 2016 Decree Determining the Acts of Extraordinary Administration for Public Juridic Persons (Appendix 1).*

Before a parish:

- (1) commits to an expenditure of \$25,000 or more, in the aggregate,
- (2) incurs debt in excess of \$25,000,
- (3) acquires by lease or purchase or accepts by gift or devise, in trust or otherwise, any real property or interest therein, or
- (4) mortgages, leases, sells, conveys or otherwise disposes of any real property,

The Corporate Members of the parish must either:

- (a) unanimously agree to the decision and execute a Corporate Consent evidencing the agreement, or
- (b) have an appropriately called and noticed corporate meeting at which a majority of Members present vote to approve such decision. Each of these actions also requires the Archbishop's permission *See Appendix 1.*

In addition, the Pastor must consult with the parish lay Members and the Parish Finance Council prior to making any non-recurring expenditure of \$5,000 or more. (Recurring expenditures, such as payroll, do not require such consultation.) The lay Members must approve all such expenditures, in writing. The parish maintains these approvals with the corporate minutes, corporate consents, and corporate records of the parish. When an expenditure is greater than \$100,000 at the parish, cemetery, or school, a permission request letter must be submitted to the Archbishop that is signed by the Pastor or parish Administrator and by both lay Members.

2.4 - Officers of the Parish Corporation

The officers of each parish corporation are:

President: Archbishop of Hartford

Vice President: designated Vicar General of the Archdiocese of Hartford

Secretary/Treasurer: Pastor or Administrator of the parish

2.5 - Pastor/Parish Administrator

The Pastor is the spiritual leader of the parish community. He also serves as both the Secretary and the Treasurer of the parish corporation and is the administrative officer of the parish. In fulfilling these roles, the Pastor's duties include, but are not limited to the following:

- Being responsible for all of the parish's funds and property;
- Keeping an accurate account of the parish corporation's receipts and disbursements;
- Maintaining parish bank accounts and investments;
- Overseeing the use of parish assets, properties, and buildings;
- Developing budgets;
- Producing, on an annual basis, to the Members of the parish corporation, the Archdiocese, and the members of the parish community, a detailed financial report documenting the parish corporation's year-end results and financial condition;
- Conducting all official correspondence on behalf of the corporation;
- Overseeing the implementation of all parish policies, procedures, and guidelines established by the Archdiocese of Hartford; and
- Performing additional duties as required by the Members of the corporation or by Canon Law.

2.6 - Parish Finance Council

2.6.1 Establishment

Each parish must have an active and competent Parish Finance Council as required by Canons 532 and 537, in accordance with the norms of Canons 1280-1288. The Parish Finance Council is a consultative body of lay parishioners who advise the Pastor in matters pertaining to the financial affairs of the parish, including financial planning, analysis, and compliance with policies and procedures. In addition, the Parish Finance Council assists parish administration in being accountable and responsible to the parishioners regarding matters related to the temporal goods of the parish.

The Parish Finance Council is advisory to the Pastor and its recommendations are subject to the Pastor's final decision-making responsibility. It is therefore important for the Pastor to be central to the deliberations and functioning of the Parish Finance Council. The relationship between the Finance Council and the Pastor should be one of support and cooperation.

2.6.2 Membership and Term of Service

The Parish Finance Council (a body that is separate and distinct from the Parish Pastoral Council) includes the Pastor and at least three, but not more than twelve, reputable and practicing members of the parish: (1) who are discreet, knowledgeable, and respected within the parish community,

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and (2) who collectively possess experience and expertise in business, finance, law, and accounting. The Pastor is an ex-officio member of the Council and should not be included in any votes taken by the Council. The parish bookkeeper, accountant, and lay Members may not serve on the Council, but may attend meetings. Members of the Parish Finance Council cannot be relatives of the Pastor or of any of the associate priests assigned to the parish. In addition, Members cannot be parish, school, or cemetery employees or related to such employees.

Members of the Parish Finance Council are appointed by the Pastor to three-year terms and may serve two consecutive terms only. Thereafter, a Finance Council member may be reappointed only after at least one year has elapsed since the end of his or her last term. When a Finance Council is initially established, the members should be divided into three groups and appointed for staggered terms of one, two, or three years in order to ensure continuity as terms of Finance Council members expire. Thereafter, the Finance Council members shall be appointed for three-year terms. Members of the Finance Council may serve in other volunteer service roles in the parish, provided such dual service will not create a conflict of interest.

2.6.3 Meetings

The Parish Finance Council must meet at least once every quarter. The Pastor presides over all Finance Council meetings and receives the Council's advice on financial matters. Each meeting should include a review of current financial reports, including the balance sheet and budget to actual income and expense report.

Every Finance Council should appoint a chairperson to assist the Pastor in coordinating the work of the Council, in preparing for meetings, and in implementing proposals (only after the Pastor accepts and ratifies such proposals). The Finance Council should also have a secretary, appointed by the Pastor or elected by the members of the Finance Council, who is responsible for taking notes during the meetings and preparing and distributing the minutes to the Finance Council members. The Finance Council minutes should document all significant actions taken and recommendations made during the meeting. Minutes of the Parish Finance Council meetings should be maintained with the corporate records of the parish in the parish office. The Finance Council should also document its review of the Archdiocesan Annual Report. *See Appendix 6.*

2.6.4 Responsibilities

The Parish Finance Council's mission and responsibilities are to assist the Pastor in carrying out duties including the following:

- Creating an annual budget for the parish to develop income and guide expenditures in pursuit of the parish's mission and objectives;
- Preparing and publishing an annual Parish Financial Report for the Parish Pastoral Council and members of the parish community;
- Reviewing the parish's Annual Financial Report in a timely manner for submission to the Archdiocese;

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- Selecting an investment allocation strategy as provided in the PACT Investment Program that includes a socially responsible investing implementation process, and monitoring the investment of liquid assets in accordance with that strategy;
- Developing a long-term plan for financing necessary repairs, renovations and purchases of capital assets, including purchases requiring the approval of the Archbishop;
- Developing a plan for systematic repayment of any parish debt;
- Providing assistance in the oversight of all fund-raising programs;
- Reviewing a detailed inventory of all insurable parish goods and resources, including valuations, for accuracy on an annual basis;
- Assisting the parish in implementing procedures and internal controls to minimize the risk of fraud, asset loss, and false claims;
- Ensuring that the requirements of federal and state tax and employment laws are met, and accurate records are maintained;
- Ensuring proper implementation of all Archdiocesan financial and accounting policies and procedures as set forth herein, including a review of bank reconciliations; and
- Other matters referred to the Finance Council by the Pastor.

2.7 - Parish Pastoral Council

2.7.1 Establishment

Canon 536 provides for the establishment of a Parish Pastoral Council to assist the Pastor in planning, coordinating, guiding, and directing all aspects of parish life. It is the policy of the Archdiocese of Hartford that each parish must have an active and competent Parish Pastoral Council.

The Parish Pastoral Council is a consultative body, comprised of lay parishioners, who regularly meet with the Pastor and offer advice and assistance in matters concerning the Pastoral life of the parish, including the parish's short-term and long-term goals. The Parish Pastoral Council is separate and distinct from the Parish Finance Council, although communication between the two councils is essential to convey information regarding parish finances and to implement the Pastoral plans and objectives. The Parish Pastoral Council advises the Pastor in the areas of policy and mission, whereas the Parish Finance Council advises on the adequacy of resources to accomplish the mission and ministries of the parish. Since the Parish Finance Council relates to the administrative responsibilities of the Pastor, it should not be part of the Parish Pastoral Council

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structure; however, a representative from the Parish Finance Council may serve as an ex-officio member of the Parish Pastoral Council.

2.7.2 Membership and Term of Service

The Parish Pastoral Council shall be comprised of the Pastor (an ex-officio member with vote) and at least five, but not more than twelve, practicing members of the parish, age 18 and over. The Parish Pastoral Council may also include up to two youth members who are under 18 and active in the parish, having the same function and privileges as the adult members.

Either the Pastor may appoint or, as determined by the Pastor and at his direction, the parishioners may elect the Pastoral Council members at the parish's annual meeting. Pastoral Council members are appointed or elected for a term of three years and may serve two consecutive terms. Thereafter, a Parish Pastoral Council member may only be re-appointed or re-elected after at least one year has elapsed since the end of his or her last term. When a Parish Pastoral Council is initially established, the members should be divided into three groups and appointed for staggered terms of one, two, or three years in order to ensure continuity on the Council. Thereafter, the Council members shall be elected for terms of three years as set forth above.

2.7.3 Meetings

The Parish Pastoral Council is required to meet at least quarterly. Best business practices would recommend more than quarterly meetings. The Pastor presides over all Pastoral Council meetings and receives the Council's proposals.

Every Pastoral Council should select a chairperson to assist the Pastor in coordinating the work of the Council and in preparing for meetings. The Council should also have a secretary, appointed by the Pastor or elected by the members of the Council, who is responsible for taking notes during the meetings, preparing the minutes, and distributing the minutes to the Pastoral Council members. Minutes of the Pastoral Council meetings shall be maintained with the corporate records of the parish in the parish office.

2.7.4 Mission and Purpose

The Parish Pastoral Council provides guidance and assistance to the Pastor in areas involving the Pastoral activity of the parish, including but not limited to:

- encouraging active participation in parish prayer and liturgies;
- fostering Catholic family life;
- encouraging community outreach;
- encouraging the performance of spiritual and corporal works of mercy;
- determining the strengths and needs of the parish community;
- engaging in ongoing strategic planning;
- developing Pastoral goals, priorities, and action plans for the parish; and
- evaluating parish programs and processes.

In order to facilitate the work of assisting and advising the Pastor, Parish Pastoral Councils may create committees with specific focus areas. Common committees include buildings and grounds, liturgy, social concerns, stewardship, and vocations. *See 14.2 Buildings and Grounds Committee.*

2.8 - Parish Corporation Tax Exempt Status

The Internal Revenue Service annually issues a Group Ruling Letter to the United States Conference of Catholic Bishops (“USCCB”). The Group Ruling Letter states that all organizations appearing in The Official Catholic Directory (“OCD”) are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code by virtue of their listing in the OCD. The USCCB sends a copy of the Group Letter Ruling to every diocese annually when issued. The ruling can also be found online at the United States Conference of Catholic Bishops website. *See* www.usccb.org.

The OCD requires that every parish corporation be listed in its directory in order to be deemed tax exempt. The Pastor of any parish that is not listed in the OCD must contact the Archdiocese immediately and complete the application process required for inclusion of the parish in the OCD.

CHAPTER 3 - Bank Accounts

3.1 - Opening and Closing Bank Accounts

A Pastor (or Parish Administrator) is the only individual authorized to open or close parish bank accounts that directly support the parish mission. Bank accounts must be opened in the parish's name only, using the parish's tax identification number and mailing address. All parish, school, and cemetery bank accounts should use the parish tax identification number. Only schools that are the missions of two or more parishes or are separately incorporated should have their own tax identification numbers. If a parish organization requires a bank account, the account should include the parish name, address, and the name of the organization. The number of parish bank accounts should be kept to a minimum. Generally, a parish should only have an operating account, a stipend account, a restricted funds account, a bingo or sealed tickets account (if applicable), a savings account, and a PACT investment account. Organization group activity should ideally be processed within the operating account.

When a bank account is closed, the remaining blank check stock for the account should be shredded immediately.

3.2 - Types of Bank Accounts Permitted

The parish must establish an operating checking account for parish business transactions. Other demand deposit accounts should be kept to a minimum to streamline bookkeeping and oversight. All bank accounts should be identified by their purpose and must be listed on the general ledger and in parish financial reports.

Excess operating funds (i.e. funds not needed within 180 days) may be deposited locally in an interest-bearing account with limited risk. Parishes may choose between money market accounts and statement savings accounts. Certificates of Deposit from an FDIC-insured bank (CDs) are allowed, but should be kept to a term of less than three years, and pastors should be aware that CDs carry early withdrawal penalties. When investing in a CD, a copy of the CD and any renewal notices should be kept on file at the parish office.

All monies deposited into bank accounts under the parish's name and federal tax identification number must belong to the parish and can be expended only with the Pastor's approval. Commingling personal funds with parish funds is not permitted.

Funds collected for capital campaigns, building projects, or specially designated purposes must be kept in separate bank accounts apart from operating funds. School, cemetery, and stipend funds also require separate checking or savings accounts, and are not to be commingled with parish operating funds.

3.3 - Choice of Banking Institution

Parishes must utilize a federal insured bank or credit union for their banking activities.

The Federal Deposit Insurance Corporation (FDIC) is an independent agency of the United States government that protects depositors against a loss of funds if an FDIC-insured bank fails. The FDIC insures all types of deposits received at an insured bank, including deposits in a checking account, NOW account, savings account, money market deposit account, and CDs. The FDIC does not insure funds invested in stocks, bonds, mutual funds, life insurance policies, annuities, or municipal securities, even if these products are purchased from an insured bank. The standard insurance amount is \$250,000 per depositor, per insured bank, for each ownership category. When a parish maintains a school or cemetery, those bank accounts are included when determining whether the FDIC limit has been exceeded. To verify that a particular bank is FDIC-insured or to find an FDIC-insured banking institution, visit the FDIC's website: www.fdic.gov.

The National Credit Union Administration, commonly referred to as NCUA, is an independent agency of the United States government that regulates, charters, and supervises federal credit unions. NCUA also operates and manages the National Credit Union Share Insurance Fund (NCUSIF). Backed by the full faith and credit of the U.S. government, the NCUSIF provides all members of federally insured credit unions with \$250,000 in coverage for their single ownership accounts. These accounts include regular shares, share drafts (similar to checking), money market accounts, and share certificates. Individuals with account balances totaling \$250,000 or less at the same insured credit union are fully insured account holders. Visit NCUA website: www.ncua.gov.

3.4 - Bank Account Signatories

The Pastor or Administrator of the Parish, the Archbishop, as President of the Parish Corporation, or the designated Vicar General shall be the only individuals authorized to sign checks or withdraw funds from a parish bank account, except an account restricted for bingo or for sealed tickets. The Pastor is the primary signatory on all parish accounts, including accounts established for parish events or organizations. The Archbishop or Vicar General may be secondary signers as an alternate signatory for emergencies. The only exceptions to this rule exist for: (1) a school checking account for small, immediate disbursements, where the school principal, in addition to the pastor, is permitted to be an eligible signer (the account must maintain a balance of \$2,500 or less and be funded with unrestricted monies from the school operating account), and (2) bingo and sealed ticket accounts as set forth in Chapter 22 hereof.

Funds in bank accounts held by other nonprofit organizations, such as the Knights of Columbus, the St. Vincent de Paul Society, or the Boy Scouts, do not belong to the parish corporation. The Pastor should not be a signer on such accounts, and the parish's tax identification number should not be used on any bank account held by another nonprofit entity.

When there is a change in pastoral leadership, the new Pastor receives a Corporate Consent signed by all corporate Members authorizing him to have control over the financial accounts of the parish

in lieu of the former Pastor. He will need this Consent, his appointment letter, and a photo identification card to change the authorized signatory on each parish account.

3.5 - Automatic Account Debit Payments for Online Banking/Prohibited Debit Cards

Automatic debit payments are allowed from the operating account for ordinary and recurring operating expenses such as payroll and on-line giving fees. Recurring invoices should be attached to match automatic debits posted on the bank statements.

Bank debit cards are not permitted. Debit cards can be hacked by cyber-criminals who can then delete the entire bank account balance thus creating a loss of significant funds. Banks will not cover those losses.

3.6 – Physical Security of Blank Check Stock

Blank checks must be stored in a secure, locked location with restricted access and must be used in numerical order. **Blank checks must never be pre-signed as they over-ride the safeguarding of parish funds, and may be used by a person to defraud the parish. A loss due to a pre-signed blank check would not be covered by theft insurance coverage.**

3.7 - Signature Stamps

Pastors should sign each check. Signature stamps are prohibited as they over-ride the safeguarding of parish funds and may be used by a person to defraud the parish. Use of a signature stamp would not be covered by theft insurance coverage.

3.8 - Monitoring of Parish Bank Accounts

All monthly bank statements must be addressed to the attention of the Pastor at the parish mailing address. The Pastor must promptly open and review all bank statements and investigate any unauthorized transactions or irregularities. After the Pastor completes his initial review, the bank statement should be given to the individual responsible for reconciling the account. Once the bank reconciliation has been performed and the Pastor has assured himself that the accounts are reconciled, the Pastor should initial the document and file the completed reconciliation.

3.9 - Monthly Reconciliation of Bank Accounts

Bank reconciliations are required as they represent the link between transactions recorded by the bank and those recorded in the parish's financial records. Bank statements must be reconciled monthly to the parish's books and records. Reconciliation of bank accounts requires that:

- The reconciliation be signed and dated by the person reconciling the account;
- The reconciliation be reviewed and initialed by the Pastor;

- Each account be reconciled every month;
- The Finance Council performs an annual review of each account's reconciliation. A review of the bank reconciliations must include verification of the following:
 1. The bank balance on the financial report should match the bank reconciliation;
 2. The bank balance on the bank reconciliation should match the bank statement;
 3. All outstanding checks and deposits-in-transit (reconciling items) should be reviewed for timeliness;
 4. Check images reflect that only the Pastor is the signer and that the vendor payee appears valid; and
 5. All identified differences should be researched and resolved.
- Bank reconciliation reports are stapled to the bank statements and retained on file, in chronological order, at the parish office.

3.10 - Reporting of Bank Accounts

All bank accounts using the parish corporation tax identification number must be included in QuickBooks, the parish accounting system, and in the Annual Report submitted to the Archdiocese and to the parish community. Bank accounts opened under the parish tax identification number for an affiliated school or cemetery would be reported in the QuickBooks file for the school or cemetery, respectively, and not in the Parish's QuickBooks.

CHAPTER 4 - Income

4.1 - General Principles

The following policies provide responsible fiscal stewardship of the parishioners' financial support, necessary to preserve the integrity of the Church.

- No one shall ever be alone with cash unless it is sealed in a tamper-evident bag, or the total has previously been verified with at least one other unrelated person and documented.
- Donations received in accordance with the donor's intent, as either defined by specific direction from the donor or by the representation of the parish or school when soliciting or accepting the funds, are restricted for that purpose.
- Procedures to ensure segregation of duties to safeguard assets require a system of "checks and balances" in which no one person has control over or access to the parish's funds. Such procedures are essential to achieve secure financial operations. An important element of internal control is separating custody of assets from the accounting function. Bookkeepers who keep parish accounting records cannot have control over the cash assets. Pastors authorize transactions while bookkeepers record the transactions in the accounting system.
- Clear documentation shall be maintained in an organized manner for all receipts and disbursements.

4.2 - Offertory

4.2.1 Offertory Collections

The parish offertory collection is a free-will contribution taken on weekend, weekday, and Holy Day Masses and devotions. They may occur weekly, monthly, or annually. They may be made in the church offertory basket or through bank debit or credit transactions at the parish office, in person or through the mail or through online giving. All are considered ordinary support.

All collections received at Mass and other liturgies and free will offerings from the faithful, except Archdiocesan Collections (*see* Section 4.2.2) and authorized exempted offertory, are subject to the Archdiocese's assessment.

4.2.2 Archdiocesan Collections

The Archdiocese annually provides a list of required special collections (diocesan, national, and international). These collections are for the benefit of others. Archdiocesan collections are not parish revenues and are therefore exempt from the Archdiocese's assessment. (*See Appendix 7, Archdiocese of Hartford Collections.*) These special collections should be remitted to the correct agency within the AOH immediately following the collection.

4.2.3 Securing the Collection

The offertory collection is the primary source of parish income. Therefore, procedures must be in place to assure the faithful that all money collected is deposited into a parish bank account. If the collection is not going to be taken to the counting area and counted immediately by two or more unrelated individuals, it must be secured in pre-numbered tamper-evident bags at the point of collection and stored in a secure, locked location (e.g. a safe with restricted access) until it can be counted with adequate controls. The procedure for effective use of tamper-evident bags is set forth in **Appendix 8**.

Theft Insurance coverage is NOT available if tamper-evident bags have not been used appropriately by the parish.

No one should be alone with the collection at any point in time. Therefore, more than one individual must be present when the collection is moved to the counting area, to the bank, or to a secure location for temporary storage.

4.2.4 Counting and Depositing the Collection

The collection should be counted as soon as possible and deposited in the parish bank account immediately.

Teams of at least two unrelated individuals should count the collection. The teams must be rotated periodically so that the same people do not always count together. The Pastor, the business manager, and the bookkeeper should not participate in any aspect of the counting or deposit process. Parish employees and volunteers may count or deposit the collection as long as processing and/or recording the offertory in QuickBooks is not part of their job responsibilities.

Count teams must count the collection and tabulate it in ink on a count sheet. The count team must also complete the bank deposit slip in ink. Detailed counting procedures and sample count sheets are provided in **Appendix 9** and **Appendix 10**, respectively. Only collections taken in the church should be processed by the counters.

No checks should be exchanged for cash from the offertory collection for any reason, and no funds should be removed from the collection before it is counted.

4.2.5 Documenting Charitable Contributions

A record of contributions by parishioners shall be maintained at the parish office and statements shall be provided to parishioners in compliance with federal tax requirements. The parish should use the Parish Data Management System (PDMS) to record contributions and census information.

All parishioners must receive a statement, at least annually (by January 31st of the following year per the Internal Revenue Service), of offertory donations and other contributions to the parish. A template for the statement is available in PDMS.

4.3 - Other Collections (Poor Box, Votive Lights, etc.)

The donated funds for the poor box and votive lights, etc. should be collected at least weekly. The handling and processing of these funds should be conducted in the same manner as set forth in Section 4.2.

4.4 - Mass Offerings

Mass offerings are made by the faithful to the priest who will celebrate the Mass applied for their intention. Mass offerings received by the parish do not become assets of the parish, but rather are held as a custodial asset and a liability by the parish for transfer to the priest after the Mass intention is satisfied.

Funds received for the purpose of fulfilling a Mass intention are to be kept in a separate Stipend bank account and are not to be commingled with other funds. The financial activity that flows through this account is not reported on the parish's financial statements, as Mass offerings are not income to the parish, but are paid to the priest who says the Mass. Mass offerings constitute taxable income to the priest. As a result, the priest should maintain a record of such receipts in order properly to prepare his income tax return.

The proper recording of Mass intentions is important. Each parish must maintain a permanent Mass Book documenting: (1) the individual providing the offering, (2) the date received, (3) the amount of the offering, (4) the intention associated with the offering, (5) the date the intention is satisfied, (6) the officiant for each Mass, and (7) the disbursement of the funds received. The Stipend bank account and Mass Book should agree and the two must be reconciled at least quarterly. Unsaid Mass intentions are to be counted and compared to the Mass offering funds on hand. Intentions should not be accepted for more than a year in advance, and it shall not be permitted to accept more offerings for Masses than can be satisfied within one year (Canon 953).

Mass offerings received in cash or by checks should be deposited at least once a week in the Stipend account and should never be deposited into the parish operating account or commingled with parish funds. When a Mass intention check is made payable to the parish, the business manager should endorse the check and deposit it into the parish Stipend account. Priests are to be paid by check from the Stipend account and should have the payment noted in the Mass Book at the time the check is issued (and at least monthly).

4.5 - Collective Mass Intentions

It is not permitted to apply one Mass for several intentions for which individual offerings have been given and accepted.

4.6 - Baptisms, Weddings, and Funerals

The Archdiocese does not set any specific fees in connection with baptisms, weddings, and funerals; however, fees established by each parish should reflect a reasonable estimate of the cost

to the parish for the officiant's time, utilities, and other expenses, and should be commensurate with other area churches.

Priests should always be sensitive to the needs of the people. At no time should the established fees be perceived as a charge for the sacraments, and, pursuant to Canon law, under no circumstance should any person who is unable to pay a fee be refused the sacraments.

4.6.1 Stole Fees

Stole fees are offerings to the parish from the faithful on occasions of the celebration of sacred rites (e.g. matrimony, funerals). Stole fees are paid to the parish treasury as income pursuant to Canon law, not to the priest ministering the sacraments; however, the norm in the Archdiocese of Hartford is for the parish to give a portion of the fee to the celebrant of the Sacrament. As the stole fees are income, the parish should pay the celebrant the stipend portion of the fee on a monthly basis and include it as income for W-2 reporting purposes.

Mass stipends and stipends received by priests who administer the sacraments are considered income for federal and state income tax and for self-employment tax purposes.

4.6.2 Free-Will Offerings

If a free-will offering (including any amount in excess of the established stole fee) is received on the occasion of a baptism, wedding, or funeral, it is to be distributed in accordance with the following applications of Canon Law:

- If the donor intends the offering for the church, the entire offering is to be given to the parish.
- If the donor intends the offering for the cleric performing the service, the entire offering is to be given to the cleric.
- If the donor intends the offering for the cleric and the church, it is to be divided equally.
- If the offering is in the form of a check payable to the church and there is no other indication of the donor's intent, the entire amount is to be given to the parish treasury.
- If there is no indication of the donor's intent (e.g. blank envelope with cash), the offering is presumed to be given to the parish.

4.7 - Other Sources of Parish Income

4.7.1 Miscellaneous Receipts

All funds received at the parish office, including Mass intentions, should be documented using a three-ply Cash Receipt Book following the procedure described in **Appendix 11**. The cash should

be kept in a secure location, such as the parish safe, and all checks should be endorsed “For Deposit Only” prior to being placed in the safe. Miscellaneous receipts should be deposited as soon as possible. The amount of cash retained on parish property should be kept to a minimum.

Basic internal control principles require that the person responsible for maintaining the parish books should have no involvement in counting or depositing parish receipts. Therefore, the parish bookkeeper is precluded from being involved in the counting and depositing of the parish’s miscellaneous receipts. The miscellaneous receipts may be counted and deposited by an offertory counting team. The Cash Receipt Book should be reconciled with the miscellaneous receipts recorded by the counting team on a monthly basis and deposited in the bank as soon as possible, with any identified discrepancies promptly reported and investigated.

Cash received at events (e.g. festivals, dinners, etc.) must be: (1) collected using procedures to secure the money and protect the employees or volunteers from suspicion of misappropriation, and (2) counted with procedures similar to those used for offertory collections, including the use of pre-numbered, tamper-evident bags as described in **Appendices 8, 9, and 10**.

In addition, a good practice is to sell food, drink, and game tickets from one cash booth, eliminating the need for multiple cash boxes, thereby increasing the security of the cash on hand. Cash should be secured on parish property until it can be counted with proper procedures in place and should be deposited promptly. No individual should take cash off parish property unless it is being taken to the bank for deposit. Volunteers should not take cash home after an event and bring it to the parish office or the bank on a subsequent day.

The chairperson of each fundraising or social event should provide the Pastor with a written financial report within 30 days after the event. *See Appendix 12.*

4.7.2 Charitable Contributions (Donations)

A charitable contribution is a donation or gift to, or for the use of, a qualified organization. It is voluntary and made without receiving, or without having an expectation of receiving, anything of equal value in return. Donations may include, but are not limited to, offertory contributions, designated gifts, estate gifts or bequests, and unrestricted donations. Charitable contributions do not include the value of a volunteer’s services, payments made for services rendered, or contributions earmarked by a donor for a particular individual or narrow class of recipients. The value of donated services, including professional or contractor work, is not a tax-deductible contribution.

A donor cannot claim a tax deduction for any contribution of cash, check, or other monetary gift unless the donor maintains a record of the contribution in the form of either a bank record (such as a cancelled check) or a written communication from the parish stating the name of the parish, the date of the contribution, and the amount of the contribution. Further, a donor cannot claim a tax deduction for any single contribution of \$250 or more unless the donor obtains a contemporaneous, written acknowledgment of the contribution from the recipient organization. The written acknowledgement must include the following information:

- The name of the parish;
- The date of the contribution;
- The amount of the cash contribution or a description (but not the value) of non-cash contributions; and
- A description and good faith estimate of the value of goods or services provided by the parish in return for the contribution, or a statement that no goods or services were provided to the individual in return for the contribution, or a statement that the goods and services provided in return for the contribution were insignificant or consisted solely of intangible religious benefits.

Written acknowledgment example:

Thank you for your cash contribution of \$300 that St. Joseph's Church received on December 15, 2016. No goods or services were provided in exchange for your contribution.

Calendar year contribution statements should be distributed to donors by January 31st of each year for the preceding year; however, it is suggested that individual donations of \$250 or more be acknowledged within thirty (30) days of receipt, in addition to the annual contribution acknowledgment (stating the total amount contributed during the year and itemizing the contributions of \$250 or more).

A donor may only take a contribution deduction to the extent that the contribution exceeds the fair market value of the goods or services the donor received in return. Contributions made by a donor in exchange for goods or services are known as quid pro quo contributions. For example, when a donor buys a ticket to a dinner or other entertainment, the value of the dinner or entertainment must be deducted from the amount of the donation. The remainder is the deductible portion of the donation. A written disclosure statement must be provided to a donor who makes a quid pro quo contribution exceeding \$75. The written disclosure must inform the donor:

- that the amount of the contribution that is deductible for federal income tax purposes is limited to the excess of money (and the fair market value of property other than money) contributed by the donor over the value of goods or services provided to the donor by the organization; and
- of the good-faith estimate of the fair market value of the goods or services received by the donor.

The parish must furnish the disclosure statement in connection with either the solicitation or the receipt of a quid pro quo contribution.

4.7.3 Bequests

The Pastor must contact legal counsel and the Archdiocese's Development Office if a parishioner approaches him regarding a planned gift in order to address all tax implications, and to confirm that the gift is structured in the parish's best interests.

Upon receiving notice from a probate court that the parish has been named as a beneficiary in a Will, the Pastor should immediately request a copy of the Will from the executor or estate attorney and have it reviewed by legal counsel to obtain guidance before the probate estate administration is completed.

The parish should retain a copy of the Will on file with a copy of the check received as payment of the bequest to document the restrictions placed on the bequest, if any.

4.7.4 Stock and Other Non-Cash Gifts

The parish must obtain the Archbishop's approval (as President of the parish corporation) before accepting non-cash gifts, including real estate, bonds, insurance policies, or investment interests. The Archdiocese's Finance Office and legal counsel will assist in this process. In addition, the Archdiocese's Finance Office or a certified public accountant should be contacted regarding IRS rules and reporting requirements prior to accepting non-cash property.

Upon receiving donated securities, the Pastor should promptly contact the Archdiocese's Finance Office to arrange for its sale. Parishes should not hold gifts in the form of stock, mutual funds, or other such financial instruments. Such securities must be liquidated as soon as possible after their receipt.

4.7.5 Restricted Donations

Definition: A restriction on a donation arises when a donor imposes limitations on the use of that donation, or when a parish solicits a donation for a specific purpose. The donor can restrict donations, bequests, or gifts at the time of the gift. Donations cannot be classified as restricted by the Pastor; the restriction can only be placed by the donor. Notwithstanding the foregoing, when the parish solicits gifts for a particular purpose (e.g., purchase of new pews), all funds raised are restricted and must be used for the purpose for which the funds were solicited. A Pastor may designate unrestricted funds for special purpose, but only with the consent of the Archbishop.

Documentation: The donor must stipulate, in writing, the amount and specific purpose for which the funds are restricted.

Acceptance: By accepting a restricted gift, the parish agrees to abide by the restriction placed by the donor, under penalty of forfeiture. The Pastor must receive written consent from the Archbishop, as President of the parish corporation, prior to accepting any donation that is subject to a restriction (except for Mass offerings made in advance for no more than a one-

year period). In addition, before parish acceptance, legal counsel and the Finance Office must review restricted gifts in excess of \$10,000.

Segregation: Restricted funds should not be commingled with unrestricted funds unless they are to be spent immediately and in full pursuant to the terms of the restriction. Donations for restricted purposes should be deposited in a separate bank account, with either the original amount designated as permanently or temporarily restricted (depending upon the donor's intention). All disbursements are to be carefully recorded in detail, to ensure that the parish is able to substantiate that the donated funds and income earned thereon were spent as the donor intended. A current financial status of all restricted funds should be available at all times.

4.7.6 Gaming Funds

Bingo, raffles, and other gaming activities must be conducted in full compliance with all applicable local, state, and federal laws. The Pastor is responsible for ensuring that individuals conducting charitable gaming activity on behalf of the parish are familiar with and follow the applicable laws. See **Chapter 22** for further information regarding gaming and fundraising activities.

4.7.7 School and Cemetery Income

School income (tuition, school fundraising income, school development income, grants, before/after school program, etc.) and cemetery income (sales of burial rights, burials, interest income, etc.) must be deposited directly into the appropriate school or cemetery bank accounts and recorded in separate financial records following similar procedures as contained herein. School and cemetery income should not be commingled with other parish income. Cemetery income designated for perpetual or endowed care must be maintained in a separate account specifically for that purpose.

CHAPTER 5 - Disbursements

5.1 - Disbursements

The Pastor is responsible for all transactions conducted with parish funds, and the parish corporation must be able to substantiate that all funds received for its charitable purposes have been appropriately utilized and expended. Therefore, the following fundamental policies are essential for responsible fiscal accountability and stewardship:

- All disbursements from parish bank accounts must be adequately supported, and thoroughly documented and recorded in QuickBooks;
- Procedures must be in place to protect funds from being spent in error and to prevent misappropriation;
- Persons entering accounting data should never approve invoices;
- The Pastor must approve all expenditures of parish funds; and
- The Pastor must sign all checks.

5.2 - Purchases

The Pastor must approve purchases of goods and services over \$300 in writing before the order is placed. The individual requesting the expenditure must complete a Purchase Order form (*see Appendix 13*) setting forth a description of the requested purchase and the estimated cost.

As the parish's budget establishes the general parameters for approved parish spending, the Pastor should review the parish budget and cash availability prior to approving or denying a Purchase Order to ensure that sufficient funds are available to cover the purchase. Approved Purchase Orders should be kept on file at the parish. When goods are received by the parish, an authorized person must verify that the goods received match the packing slip and confirm the parish's receipt of the goods by initialing the documentation. The packing slip or other documentation should be given to the bookkeeper and matched to the invoice when it is received. When an invoice for a purchase is received, an authorized person must review the invoice and compare it to the Purchase Order and packing slip or other documentation verifying receipt. Invoices for goods or services should not be paid until receipt has been verified. Any discrepancies between the Purchase Order, goods, or services received and the invoice should be brought to the Pastor's attention, investigated, and resolved.

In addition to the Pastor's approval, purchases of \$25,000 or more (including expenditures for repairs) and all real property transactions require pre-approval from the Archbishop and the consent of the Members of the parish corporation. See Chapter 1, Actions Requiring the Archbishop's Consent, and **Appendix 1**.

5.3 - Sales Tax Exemption

Parishes in the Archdiocese of Hartford are generally exempt from paying sales tax. Individuals who make authorized purchases on behalf of the parish should make sure that sales tax is not assessed at the time of purchase. All vendors receive a copy of the completed State of Connecticut Department of Revenue Services CERT-119, to which a copy of the IRS group-ruling letter and the specific page from the Official Catholic Directory listing the parish (to document the parish's Section 501(c)(3) tax-exempt status) is attached, and a copy of the parish's sales tax exemption permit (if the parish was formed on or before 1995).

The sales tax exemption must only be used for parish purchases, never for personal purposes. Violation of this law would jeopardize the parish's tax-exempt status.

5.4 - Payment Approval

Every disbursement must be supported by an invoice/bill or a Check Request (*see Appendix 14*), initialed or signed by the Pastor to document approval.

Disbursements documentation requires original invoices/bills. Check Requests must have original receipts attached, not copies or credit statements only.

5.5 - Processing and Recording Payments

Under no circumstances are bills or invoices (or any employee, contractor, or vendor) to be paid in cash. Further, **no check should ever be made payable to "cash"** but should instead be made payable to an individual or business supplying goods or services. Disbursements from all bank accounts must be documented and approved as described in the previous sections and all disbursements should be recorded promptly in the financial records.

Invoices/bills must be recorded on an accrual basis (i.e. the expense is recorded when it is incurred, not when it is paid). Each invoice/bill should be assigned a unique identifying number, either the vendor's invoice number or a consistently formatted six-digit date, to prevent duplicate payments. In addition, all supporting documents should be marked "PAID" once a disbursement is made, to avoid double payments. The check number, date, and amount paid should be included on the invoice with the check stub attached.

5.6 - Signing Checks

Each prepared check should have a supporting invoice or Check Request attached for the Pastor's signature. The Pastor should review the documentation to verify that the amount and payee agree with the supporting documentation before authorizing the disbursement and signing the check. **The use of a signature stamp for the purpose of check signing is prohibited, and blank checks should never be pre-signed.**

5.7 - Maintaining Documentation

It is required that each vendor invoice be consistent with the check being issued. All invoices must be kept on file chronologically by vendor name.

5.8 - Electronic Funds Transfers and Debit Cards

Routine, standard parish operating expenses such as utilities paid with an electronic funds transfer from the operating account should have a printed invoice/bill matching the amount paid. The invoice should be marked with “EFT” and with the payment date to document payment.

When the Pastor reviews the bank statement, he should verify that each electronic funds transfer matches supporting documentation and he should initial the invoice to indicate his oversight.

Transfers from one parish bank account to another parish bank account may be made electronically and should be documented with a bank transfer form (*see Appendix 15*) signed by the Pastor.

5.9 - Credit Cards

The parish may have one corporate credit card with the pastor as the only authorized signer, with a credit limit of no more than \$5,000. **This credit card is to be used for parish business purposes only and cannot be used for personal expenditures.** Credit card incentives (bonus miles, cash back, etc.) belong to the parish and are to be used only for the parish’s benefit.

Before issuing a check in payment of credit card purchases, every transaction on the credit card statement should have an approved invoice/bill or receipt stapled to the credit card statement in the order the charges appear. The pastor approves payment in writing. All credit card statements with attached receipts are held by the parish for at least seven (7) years. See USCCB Retention Policy, **Appendix 26**.

Full payment on credit cards is required each month.

5.10 - Reimbursements

On occasion, it may be necessary for an employee or volunteer to use a personal credit card, cash, or a check to make a purchase on behalf of the parish. All individuals (including priests, employees, and volunteers) requesting reimbursement for out-of-pocket expenses must submit a Check Request Form with original receipts (not copies) totaling the amount requested and a description of the expenditures made on behalf of the parish. The parish should only issue payment for original receipts to avoid inadvertently providing reimbursement for the same receipt more than once.

The parish pays all reimbursements to an individual with a check from the parish’s operating account. Pastors, employees, and volunteers cannot have their personal credit cards, lines of credit, personal debt, or personal expenses paid from parish funds.

5.11 - Petty Cash

A small amount of cash, in an amount not to exceed \$200, may be held in a secure location in the parish office for miscellaneous minor expenditures such as postage.

The petty cash custodian, as assigned by the pastor, is responsible for maintaining records and monitoring the petty cash balance. The custodian must maintain a record book, similar to a checkbook, listing each transaction and calculating the balance. The balance in the book should always equal the amount of cash on hand. Receipts should also be kept on file with the record book to support disbursements.

Disbursements from petty cash must be documented with a petty cash receipt indicating the date, amount, payee, and purpose. The person receiving the money should initial the voucher to acknowledge receipt of the cash. *See **Appendix 16, Petty Cash Receipt***. The parish must keep a copy of each petty cash receipt and provide a copy to the payee.

The Check Request to replenish petty cash should be paid from the parish's operating account, with a check made payable to the custodian, for example, "Jane Doe, Petty Cash Custodian".

5.12 - Celebrations (Priest Ordination, Retirement, etc.)

A parish cannot use parish funds to pay, in whole or in part, any ordination, retirement, birthday, or other such celebration, the gifts associated with these occasions, or travel expenses that are not official parish business.

Voluntary gifts for such occasions by parishioners and friends are permitted. For example, parishioners may organize a retirement dinner event in parish facilities where each parishioner donates toward the cost of the dinner. Parishioners may also donate toward the cost of a gift for the priest or personally give him a retirement gift at the dinner.

5.13 - Loans

Parishes are not permitted to provide loans to clergy, parishioners, employees, and/or needy individuals. The parish should not advance money to any individual for any reason.

5.14 - Charity Disbursements – Assistance to Individuals

Please refer individuals in need of financial assistance to Catholic Charities through the Emergency Assistance Program ("EAP"). The EAP provides assistance for individuals for food, past-due utility charges, and rental assistance. Charity gifts in cash or checks payable to an individual are not permitted.

If a parish has a benevolence fund, then charitable distributions approved by the Pastor must be in the form of food, small-dollar gas cards, small-dollar grocery cards, or checks payable to a utility company or landlord. The parish must maintain adequate records to demonstrate the recipient's

need for the assistance provided and establish that the parish's payments were in furtherance of its charitable purposes.

5.15 - Charitable Activities Abroad

Parishes are responsible for seeing that their assets are used for religious, educational, and charitable purposes; otherwise they risk the loss of their tax exempt status. In supporting charitable projects abroad, additional steps must be taken in order to ensure that donations are in compliance with laws and accounting rules applicable to tax exempt organizations.

A U.S. public charity (an IRS category that includes parishes) may transfer funds to a foreign organization without subjecting itself to excise tax or jeopardizing its exempt status only if the:

- (1) transfer is consistent with the charity's exempt purpose, and
- (2) the charity/parish controls and monitors the use of the funds by the foreign organization.

The domestic charity/parish has the burden of establishing that a grant made for an exempt activity was in fact used for the purpose for which it was made.

Parishes have a fiduciary duty to ensure that the funds under their control are used solely for religious, educational, and charitable purposes. For this reason, the following policies and procedures should be followed by parishes when making charitable contributions abroad:

1. **Obtain basic information about the grantee organization.** Gather information necessary to provide reasonable assurance that the recipient of the funds has the ability to both accomplish the charitable purpose of the grant and that it will protect the resources from diversion to non-charitable purposes.
2. **Check the OFAC list.** Nonprofit organizations, including parishes, can be subject to a variety of criminal and civil penalties, including asset seizures, for inadvertently supporting terrorist groups. Before making any grant to a foreign organization, check the U.S. Treasury's Office of Foreign Assets Control ("OFAC") list to ensure that the grantee/recipient of the donation and its officers, directors and key employees are not on the list.
3. **Obtain a Grant Letter or other written agreement.** The Agreement must be: (1) approved by Members of the parish corporation by corporate consent as to the use of funds, (2) authorized by the Archbishop, and (3) signed by an officer/director of the parish corporation and by the recipient/grantee.

The Agreement should provide that:

- (i) the grant will be used for a specific, stated religious, educational, or charitable purpose within 12 months (this period may be lengthened if required);
 - (ii) the grant may not be used to attempt to influence legislation, to carry on propaganda, to influence the outcome of any specific public election, or for any non-charitable purpose;
 - (iii) any amount not expended for the stated purposes within 12 months (or other specified grant period) will be repaid to the parish;
 - (iv) the grantee organization will maintain records of receipts and expenditures and make its books and records available to the grantor/parish at reasonable times; and
 - (v) a report confirming the use of the grant will be provided to the grantor/parish within 3 months of the date the funds are required to be expended. For grants that are issued over 12 months, the grantee/ recipient will provide interim reports on their use as per Section 4 hereof.
4. **Obtain reports on the use of the funds.** Reports should be obtained from the grantee/recipient regarding the status of the grant including a description of how the funds have been used, compliance with the terms of the grant agreement, and the grantee/recipient's progress toward achieving the grant's purposes. Reports should be submitted a) within 3 months of the date the funds are required to be expended; and (b) for grants over 12 months, at the end of the grantee's annual accounting period within which the grant was received, and at the end of all subsequent accounting periods until the grant funds are fully utilized or the grant is otherwise terminated.
5. **Transfer of funds.** Funds should be transferred to religious or charitable foreign organizations (rather than to individuals) by check or wire transfer pursuant to the Anti-Terrorist Financing Guidelines issued by the United States Treasury Department.

Parishes should structure the collection and expenditure of funds in a way that avoids earmarking and conduit issues. When a charity/parish is obligated to provide donations to a particular organization abroad and has no right to exercise any discretion regarding the ultimate use of the funds, such funds are considered "earmarked" for immediate transfer. The sole function of the parish in this situation is as a conduit between donors and the recipient, making the contribution taxable. In order to be compliant with IRS requirements, parishes need to retain control of donated funds.

A church may contribute money to causes and organizations abroad, but it must control all donations it receives and use the donations for a purpose it determines is in furtherance of its charitable purposes. Money sent abroad must fund specific projects, and cannot be forwarded to individuals to spend as they see fit.

If a parish chooses to support charitable causes abroad, it may do so only with the Archbishop's consent. It should consider establishing an advisory board and involving its Finance Council to oversee the management of donations and approval of funds sent abroad in furtherance of religious, educational, or charitable purposes. All financial activity of the Church, including donations received and funds sent abroad must be documented.

CHAPTER 6 - Payroll

6.1 - Hourly or Salary Classification

The Fair Labor Standards Act defines jobs as either exempt or not exempt from the law's provisions. Employees who are not exempt must be paid an hourly wage, must record their time worked each pay period, and must be paid overtime rates for any hours worked in excess of 40 in one workweek. Generally, the work week is defined as Monday through Sunday but may start on any day, concluding seven days later. Exempt employees are salaried, are not required to submit timecards, and are not or entitled to overtime pay. Classification as hourly or salaried is not at the discretion of the employer or at the choice of the employee, but is determined according to the law.

Full-time and part-time employees may be either hourly or salaried, depending on the job criteria. Those employees holding a ministerial position are paid a salary.

The Department of Labor specifically identifies housekeepers, secretaries, custodians, and bookkeepers as non-exempt (hourly) employees. For other positions, several considerations determine a job's classification, including supervisory or decision-making responsibilities. The Pastor should contact The Human Resources Director at the Archdiocesan Pastoral Center at (860) 578-1430 for guidance in classifying employees as hourly or salaried if he is uncertain as to their proper classification.

6.2 - Independent Contractor Versus Employee

6.2.1 General Rule

An individual is an independent contractor if the payor has the right to control or direct only the result of the work, not *what* will be done or *how* it will be done. Whether a worker is an independent contractor or an employee depends on the facts in each situation.

6.2.2 Classification Issues

Worker classification is important because it determines if an employer must withhold income taxes and pay Social Security, Medicare taxes, and unemployment tax on wages paid to an employee or an independent contractor. Employers normally do not have to withhold or pay any taxes on payments to independent contractors. The earnings of a person working as an independent contractor are subject to self-employment taxes, which are paid by the individual not by the payor.

When classifying a worker, an employer must consider three categories – **Behavioral Control, Financial Control, and Relationship of the Parties** to determine whether the person is an employee or an independent contractor. These categories must be taken as a whole, as one category

is not dispositive of a person's status or whether an employer must withhold income taxes and pay Social Security, Medicare taxes, and unemployment tax on wages paid to an employee.

6.2.3 Classification Tests

A) **Behavioral Control:** A worker is an employee when the business has the right to direct and control the work performed by the worker, even if that right is not exercised. Behavioral control categories are:

- Whether the employer provides instructions such as when and where to work, what tools to use, or where to purchase supplies and services. Receiving the types of instructions in these examples may indicate a worker is an employee.
- More detailed instructions may indicate that the worker is an employee.
- Less detailed instructions reflects less control, indicating that the worker is more likely to be an independent contractor.
- Evaluation and measure of the details of how the work is done points to classification as an employee. Evaluation measuring just the end result points to either an independent contractor or an employee.
- Training a worker on how to do the job or periodic or on-going training about procedures and methods is strong evidence that the worker is an employee.
- Independent contractors ordinarily use their own methods.

Generally speaking, if the employer controls the how, what, where, and when services will be conducted, the worker is more likely to be an employee than a contractor, and the employer must pay employment taxes and must withhold taxes and FICA amounts from an employees' wages or salary.

B) **Financial Control:** Does the employer have a right to direct or control the financial and business aspects of the worker's job? Factors include:

- Investment in the equipment the worker uses will more likely occur for an employee.
- Unreimbursed expenses are more likely to be incurred by an independent contractor than by an employee.
- Opportunity for profit or loss is often an indicator of an independent contractor.
- Independent contractors are generally free to seek out business opportunities.
- An employee is generally guaranteed a regular wage amount for a period of time (e.g. hourly, weekly, bi-weekly) even when that amount is supplemented by a commission.
- Independent contractors are paid for the job by a flat fee.

Generally, employees are provided with the equipment to perform their jobs and are reimbursed for certain business expenses. They do not directly profit from the success of a business for whom they do work, and they do not suffer the losses of that business.

- C) **Relationship of the Parties:** This category reviews how the worker and business perceive their interaction with one another, considering:
- Written contracts that describe the relationship (although a contract stating the worker is either an employee or an independent contractor is not sufficient to determine the worker's status).
 - Workers who receive [employee-type benefits](#), such as insurance, a pension plan, vacation pay, or sick pay are employees. Employers generally do not grant these benefits to independent contractors.
 - Permanency of the relationship with an expectation that the relationship will continue indefinitely rather than for a specific project or period, is evidence that the intent was to create an employer-employee relationship.
 - That the services being provided are a key activity of the employer generally indicates the worker is an employee.

No single category or bullet point determines or identifies whether a person is an employee or an independent contractor. That determination depends on the facts and circumstances regarding the services provided. A preponderance of the facts determined pursuant to an assessment of the foregoing factors tends to guide the employer correctly in classifying a person as an employee or as an independent contractor.

What are the implications for the parish if a person is misclassified, and what is the penalty when that is determined?

Classifying an employee as an independent contractor with no reasonable basis for doing so makes an employer liable for employment taxes. Certain employers that can provide a reasonable basis for not treating a worker as an employee may have the opportunity to avoid paying employment taxes.

Of course, the employer must provide an independent contractor who receives more than \$600 annually with a Form 1099-NEC by January 31st each year or face penalties. The IRS reviews independent contractors' Form 1099s to compare against the worker's Form 1040 Schedule C (self-employment reporting) to ensure that the independent contractor correctly filed his/her return. If an independent contractor has only one Form 1099 to include on his/her Form 1040 Schedule C, then the IRS is likely to send a notice to the provider (employer) of the Form 1099 requesting an explanation about the services provided by the independent contractor.

Some employers classify many service providers as independent contractors to avoid paying employment tax or employee benefits. The employee incorrectly filing his/her taxes may receive notices from the IRS that back employment taxes are owed.

Workers who believe an employer improperly classified them as independent contractors may use Form 8919 to figure and report the employee's share of uncollected Social Security and Medicare taxes due on their compensation.

When dealing with an independent contractor who is not incorporated, the parish needs to receive a completed Form W-9 from the contractor for its records in order for the parish to issue a Form 1099-NEC to the contractor at year-end, using the information from the Form W-9. Failure to have the appropriate W-9 on file for any payment made over \$600 to a self-employed person or to an individual may result in penalties and potential tax payments being imposed on the parish for misclassified persons or for missing Form 1099s.

For assistance with the determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, IRS Publication 15-A, Employer's Supplemental Tax Guide, is an excellent resource.

6.3 - Payroll Processing

Salaries and wages are paid by check or via direct deposit from the operating account, with appropriate taxes withheld, reported, and remitted. Salaries and wages are not paid in cash.

Due to the complexity of administering a payroll system, all parishes are required to use Paychex, a payroll service provider, to eliminate the risk of large fines for errors in tax remittances or filings and to streamline the payroll process. The Archdiocese has contracted with Paychex to provide services to parishes at a discounted rate. The Pastor should contact the Parish Financial Services Group of the Archdiocese at (860) 541-6491 to ensure that the parish is receiving the discounted rate.

All non-exempt or hourly employees must complete and sign a time sheet for each payroll period (*see **Appendix 17***) and submit it to the bookkeeper at the end of the pay period. No one other than the employee may make entries on the time sheet. The number of hours on the time sheet requires communication to the payroll service provider and must match the number of hours on the paycheck for that pay period. If an employee works more than 40 hours in a workweek, the employer must pay the employee overtime rates of time and a half per hour for each hour over 40 hours.

The Pastor's primary responsibility regarding payroll, aside from authorizing hours worked as an input, is to open the payroll mail, review the bi-weekly payroll, and sign the payroll register. He should look at all those employees paid for hours worked and question any difference that comes to his attention. This review provides supervisory oversight and is a best practice for payroll process.

6.4 - Payroll Tax Deductions

All compensation paid to employees for services rendered, including bonuses and monetary gifts, is considered taxable wages and should be paid through the payroll system, subject to payroll withholding and subject to employer payroll tax regulations. Every employee should complete Forms W-4 & CT-W4 when hired. The employee's deductions for federal, state, and local income taxes must equal the appropriate amount for the information provided on the W-4 & CT-W4. If employees want to change their federal or state deductions, a new Form W-4 or CT-W4, respectively, must be submitted to the parish and payroll company.

Clergy/Deacons

The Internal Revenue Service considers clergy (including deacons) as dual-status employees; i.e., the priest or deacon is subject to federal and state income tax withholdings like any other employee, but he is considered self-employed for purposes of paying his own Social Security and Medicare (FICA) taxes.

No Social Security or Medicare taxes should be withheld from clergy or deacon paychecks, and the parish should not include their wages in calculating the parish portion of FICA due. The parish cannot reimburse a priest or deacon for the social security and Medicare taxes owed by him. See Compensation of Clergy, Chapter 12.

6.5 - Payroll Tax Remittances and Reporting

Federal and state payroll tax returns are filed quarterly and annually, and the taxes remitted through Paychex. Paychex sends payroll taxes withheld from employee paychecks with the employer tax and FICA contribution to the appropriate governmental agencies. The penalties and interest charges for erroneous or late tax remittances are significant. One of the primary reasons to use a payroll service provider (Paychex) is that the payroll provider assumes the responsibility for timely tax filings and reporting.

Federal Form 941 (Employer's Quarterly Federal Tax Return) must be completed and filed with the Internal Revenue Service quarterly and a Form W-3 must be filed annually. The parish or its payroll provider must also file a Form CT-941 quarterly payroll return with the State of Connecticut. Before January 31, the parish must provide a Form W-2 (Wage and Tax Statement) to each employee.

No later than March 15th each year, the parish must submit a report of the number of employees and their total salary by job code description, as required by the Connecticut Workers' Compensation Commission, to the Archdiocese's Finance Office.

6.6 - Employee Payroll Changes

All changes to an employee's rate of pay or status (full-time or part-time, standard number of hours, additional compensation such as a bonus, etc.) must be approved in writing by the Pastor.

The bookkeeper should complete a Payroll Change Form (*see Appendix 18*) for each employee and the Pastor should initial his approval before the change is made in the payroll system. The Payroll Change Notice remains in the employee's file.

Terminated employees are removed from the payroll system immediately. The date of the termination and the date of the last paycheck must be noted on a Payroll Change Form and kept in the employee's file.

The Archdiocesan Human Resources Department must be notified immediately of all new hires, all terminations, and all changes to employment status that affect an employee's eligibility for benefits. Please contact the Archdiocesan Human Resources Department whenever there is a change in personnel at the parish.

6.7 - Record-Keeping and Employee Files

Federal law requires employers to keep records on wages, hours, and other items, as specified in Department of Labor recordkeeping regulations. The parish should maintain employee files for all employees that contain the following items.

1. Personal information, including employee's name, home address, occupation, sex, and birth date if under 19 years of age;
2. Job application, resume, and date of hire;
3. Job description, updated annually and signed by both the employee and the Pastor;
4. Federal Form W-4 (employee withholding allowance certificate);
5. Federal Form I-9 (employment eligibility verification);
6. CT form CT-W4 (employee state withholding);
7. Acknowledgement of Standards Relating to Sexual Misconduct;
8. Copies of benefit enrollment forms;
9. Authorizations for automatic deductions for insurance, pension plan, Section 403(b) plan, and tax-sheltered annuity, if the employee is eligible and the benefit is provided;
10. Waiver for health insurance, if the employee is eligible and declines the benefit;
11. Authorization for direct deposit;
12. Approved Payroll Change Notice for each pay rate change or change in status;
13. Records of time away from work (vacation, sick, or personal time).

Employee files are private and must be secured in a locked, fireproof file cabinet or safe.

6.8 - Time Away from Work

The Pastor should document the parish policy regarding paid for and amount of vacation, sick, and holiday time. The policy should also describe any requirement for eligibility for paid time off, e.g. being full-time or having been employed by the parish for six months.

6.9 - Employee Contributions for Benefits

The parish must always timely remit the monies withheld from employees' wages for medical and dental coverage to the Archdiocese's Finance Office with the employer parish's portion of the amount invoiced and due. Failure to remit the funds withheld from the employees' wages for taxes or benefits is illegal.

6.10 - Other Compensation Matters

Please refer to the Archdiocesan Employee Handbook or consult with the Archdiocesan Human Resources Department for guidance regarding issues of compensation or employee relations that have not been addressed above.

CHAPTER 7 - Parish Financial Reviews

7.1 - Objectives

Parish financial assurance reviews are conducted to assist the Pastor in fulfilling his financial responsibilities and to ensure that parish accounting, recordkeeping, and reporting practices comply with federal law, state law, and Archdiocesan policies and procedures as described herein. Reviews provide an evaluation of the parish's operational and financial management. The review is not a financial audit in accordance with generally accepted auditing standards.

The scope of the reviews includes the parish and its related cemetery, if any. Financial assurance review of a parish's related school are performed separately from the parish review.

7.2 - Review Process

The Pastor will receive written notification from the Archdiocese when a review is scheduled and must make the parish's financial records available for review. All parishes within the Archdiocese are generally reviewed on a rotating basis every three years, but may also be reviewed following a change in the assignment of Pastors or upon request.

The financial review process tests and evaluates the parish accounting procedures and internal controls to determine whether controls are adequate to provide reasonable assurance that:

- (1) parish assets are being properly safeguarded;
- (2) financial activities are being properly recorded, summarized, and reported to parishioners and the Archdiocese; and
- (3) the parish is complying with all civil laws and Archdiocesan policies.

7.3 - Review Results, Reports, and Follow-Up

At the conclusion of the financial review process, two written reports (Pastor Report & Checklist Report), that discuss weaknesses and improvements in accounting procedures and internal controls are presented to the Pastor at the Pastor meeting with recommendations for improvement. Following the meeting, the Pastor's comments are added to the reports and the reports are finalized and mailed to the Pastor. The final financial review reports should be shared with the Members of the parish corporation, the Parish Finance Council, or the School Board, as appropriate, and with parish/school employees as necessary and appropriate. Pastors may contact the reviewer or the Archdiocese's Finance Office for additional information and assistance in implementing the recommendations contained in the report.

To ensure that parishes/schools are diligently working towards implementing the recommendations mentioned in the reports, the Archdiocese now requires a Follow-Up Report from the Pastor/Administrator indicating whether the recommendations have been implemented and/or what steps have been taken to implement the recommendations. If a recommendation will not be implemented by the parish, a detailed explanation as to the reason for that decision is

required. The Follow-Up Report is due within three months of presentation of the review reports. Copies of the most recent month ended Balance Sheet and Year-to-Date Income and Expense Report must be submitted with the Follow-Up Report.

CHAPTER 8 - Debt

8.1 - Written Permission Required

A parish must obtain written permission from the Archbishop prior to entering into any debt obligation, such as a mortgage, line of credit, loan, or any other short-term or long-term liability, regardless of the amount. Approval from the Members of the parish corporation (as evidenced by a Corporate Consent) is also required before a parish may incur debt in excess of \$25,000 or obtain a mortgage of any amount. Permission letters where the amount of the debt sought is greater than \$100,000 for capital improvements must be signed by the Pastor and the two lay Members/Trustees.

Refer to Chapter 1, Actions Requiring the Archbishop's Written Consent, and **Appendix 1**.

8.2 - Loans from Individuals Prohibited

Parishes shall not accept loans from any individuals (including the Pastor, parishioners, or employees) under any circumstance.

8.3 - Obtaining Debt Financing

The required steps for a parish to obtain debt financing are as follows:

1. The parish business manager or parish accountant must prepare an analysis of the short-term and long-term effect of the debt on the parish's financial position to ensure that the parish will be able to fund the debt repayment.
2. The Pastor must advise the Parish Finance Council of the proposed debt financing and obtain the Council's advice.
3. The parish business manager, parish accountant, or Parish Finance Council must explore the options offered by various banks/financing companies, including a comparison of interest rates, loan terms, monthly payment amounts, and security required.
4. The Pastor must select a bank/financing company.
5. The Pastor must request permission from the Archbishop to incur debt, and must explain the reason for entering into the debt obligation, the ability of the parish to service the debt payments, and the terms of the proposed debt financing.
6. After the terms and conditions of the debt financing are reviewed by legal counsel and the Finance Office, and the Archbishop has provided his consent to incur the debt, the five Members of the parish corporation must execute a Corporate Consent prepared by legal counsel authorizing the incursion of the debt.

7. The parish must retain copies of the fully executed loan documents/agreements and the executed Consent at the parish office and forward complete sets of copies to legal counsel and the Finance Office.

8.4 - The Hartford Roman Catholic Diocesan Corporation as a Guarantor

The Archdiocese does not guarantee any parish debt.

CHAPTER 9 - Investments

9.1 - Short-Term Investments

The Pastor is the chief custodian of the financial resources of the parish. With the assistance of the Parish Finance Council, the Pastor must assess the parish's short-term and long-term needs and provide for those needs in operational and capital project budgets. When the parish has cash in excess of the budgeted expenses, the Pastor should consider when the money might be needed in order to determine how to invest the funds. Funds that may be needed in the short-term should be deposited locally in a risk-free, interest-bearing savings or money market account. Funds may also be invested in a short-term Certificate of Deposit (CD) from an FDIC-insured bank.

9.2 - Long-Term Investments

The Archdiocese offers two long-term investment options for parishes: the Parish Account Common Trust (PACT) and the Hartford Investment Trust. The Archdiocese's Finance Office evaluates both trusts' investment performance, keeps the portfolio managers informed about restrictions on investments to ensure that holdings conform to Catholic doctrine, and reviews the overall asset allocation for compliance with investment objectives.

Each parish that establishes an account retains ownership of its funds. The parish is responsible for selecting an asset allocation strategy that matches its risk tolerance (an asset allocation matrix is provided for PACT from U.S. Trust). The parish is responsible for monitoring its investment returns. Investment performance reviews should be conducted at least once each quarter. Investments are long term in nature and cyclical in performance. As a result, a parish may anticipate periods of over and of underperformance at times.

9.2.1 Security of Long-Term Investments

It is essential that the Pastor and the parish business manager understand the financial procedures, if any, that the financial institution imposes on the parish to access its long-term investments. The parish should only move funds from its investment account to the parish's operating account in order that the funds may be properly accounted for and that they are not diverted by cyber-thieves. When moving funds from an investment account, the parish must first call its investment advisor and orally confirm all aspects of the transaction, including the amount to be moved and the account to which it is directed. Written instructions should be submitted to the financial institution, which instructions should require the recipient to confirm the instructions with the parish. A notice such as:

Always Remember – Wire Fraud is Rampant

Cyber criminals are hacking email accounts and sending messages with fake wiring instructions. These messages are convincing and sophisticated. Always independently confirm wiring instructions in person or via a telephone call to a trusted and verified phone number.

Should be included on all instructions.

9.2.2 Parish Account Common Trust (PACT)

PACT is a pooled investment fund into which parishes and Catholic institutions within the Archdiocese of Hartford may invest. Each account is the property of the individual parish or institution investing funds. The Fund's custodian and investment manager is U.S. Trust through Bank of America.

A full list and description of investment options is available when a parish establishes its account. US Trust provides six asset allocation strategies to choose based on risk tolerance and the long-term nature of the investments.

9.2.3 Other Long-Term Investments

Parishes are prohibited from placing funds in any other investment accounts without the written permission of the Archbishop.

CHAPTER 10 - Financial Management

10.1 - Budgeting

Responsible stewardship of a parish's assets requires active management of its finances. The budget is a measurement tool for how the parish is fulfilling its mission. It should be clearly integrated into a three-year operational and a five-year capital project budget that expresses the design of the parish's immediate future, as formulated by the Parish Pastor after consultation with the Parish Finance Council.

10.2 - Annual Financial Planning Process

- **First quarter:** The Parish Finance Council should review the parish mission statement for relevancy and revise as needed. The Parish Finance Council should also assess how the parish is fulfilling its financial goals and meeting the needs of the parish community.
- **Second quarter:** The Parish Finance Council should revise the three-year operational budget to achieve new goals that arose after assessing parish activity, and the Finance Council should quantify the resources that will be needed to meet the three-year plan and share that information with the parish corporation Members and Archdiocesan Finance Office.
- **Third quarter:** The Parish Finance Council should assess the capital reserve compared to foreseeable capital needs and plan capital expenditures for the coming year, distinct from the operating budget. After revision, the capital project budget should be shared with the parish corporation Members and the Archdiocesan Finance Office.
- **Fourth quarter:** The Parish Finance Council should develop the next year's budget from the first year of the three-year plan, ensuring that all operational and financial objectives are met. The budget should be approved no later than early December.
- **At least quarterly:** The Finance Council should analyze actual year-to-date financial results against the year-to-date budget and review the parish's assets and liabilities.

10.3 - Parish Mission Statement

Each parish is advised to have a mission statement as a foundation for all staff, volunteers, and organizations to ensure that activities are consistent with the objectives determined by leadership. A mission statement is a succinct expression of why an organization exists and what makes it unique.

10.4 - Budget Preparation

The Finance Council should review and approve the budget or recommend changes to the Pastor for approval in December. The Pastor should submit the final budget to the Archdiocesan Parish Finance Services Office before February 15.

The budget must demonstrate how the parish will meet its operating needs and obligations. If the budget projects a deficit, the Pastor must attach a written explanation of how the deficit will be funded within the context of the parish's three-year operational and five-year capital project plan.

The budget required by the Archdiocese is in summary form. At the parish level, the summary amounts should be distributed among the general ledger accounts that are used in financial reporting and entered into QuickBooks in sufficient detail to provide meaningful comparisons to actual results. The amount budgeted for each account should be further distributed among the twelve months of the year in the pattern expected for actual results, so year-to-date comparisons will be pertinent.

The summary budget provided to the Archdiocese must agree with the detailed budget used by the parish throughout the year.

10.5 – Capital Reserve

Periodically, the Pastor should initiate an assessment of all the parish buildings, property and equipment to compile estimates of when repairs or maintenance will be needed and how much they will cost, by year, for the foreseeable future (five years). The total expected capital outlay needed represents a reasonable goal for the parish's capital reserve. In general, a parish should strive for capital reserves between \$250,000 and \$500,000 per church campus, depending upon the number of its buildings, although an individualized assessment of its buildings is necessary.

Funds accumulated from operational surpluses are not restricted, even if the Pastor designates the money as capital reserve. Such funds are classified as "Unrestricted-Designated for Purpose". The funds may be accumulated in an interest-bearing account but should not be commingled with capital campaign proceeds or other restricted funds (i.e. money that must be spent for a purpose specified by the donor) even if the donor's specified purpose is related to capital reserve purposes.

10.6 - Capital Budget

Major expenditures for buildings and property should be a separate component of the parish planning process, not considered as a line item in the operational budget. One method of determining the approximate replacement cost of an item is to analyze the accumulated depreciation of that capital item and apply an inflation rate given the anticipated year of use.

Annually, the Finance Council should compare the cost of anticipated capital expenditures for the near future to the amount in the capital reserve. If funds are not sufficient, the operating budget should seek to generate a surplus that will be added to the capital reserve. If a surplus cannot be

generated from operations, the Finance Council should assist the Pastor in identifying other funding options.

Only the amount held in savings that is in excess of foreseeable capital needs should be considered as available for expanding the parish mission through operations or a special project.

10.7 - Financial Reporting

Timely and accurate financial reports are essential to effective financial management. Each parish must have bookkeeping and administrative processes in place to ensure that the Pastor receives the information he needs for decision-making support. Pastors must also be able to provide financial information that may be required by the corporate Members of the parish.

Internal financial records should be maintained throughout the year in a manner consistent with the requirements for timely reporting, accuracy, and completeness of all transactions as specified by the Archdiocese for annual reporting.

10.8 - Key Accounting Policies

- Transactions should be recorded on the accrual basis (i.e. income recorded when earned, not when received, and expenses recorded when incurred, not when paid). Parishes are to use the accounts payable module in QuickBooks to record expenses incurred but not yet paid.
- All financial transactions should be recorded in the financial reports on a timely basis.
- The parish must use QuickBooks accounting software for recording all financial transactions and the Chart of Accounts must be structured according to the Archdiocesan standard. *See Appendix 19.*
- The financial reporting for schools, cemeteries, and parishes should be independent. Each should be a separate QuickBooks “company”, but all should use the same tax identification number.
- Activity for capital campaigns, organization bank accounts, and restricted funds should be included in the parish financial reports. These may be recorded under the “class” option in QuickBooks. A separate QuickBooks “company” may be used as a subsidiary ledger, with the transactions recorded in summary (i.e. gross income and gross expense recorded separately, not netted) in the primary parish QuickBooks “company” monthly.

10.9 - Monthly Financial Reports

Each month, the Pastor should receive and review the following reports for all entities within the parish corporation (parish, school, cemetery, daycare center, etc.):

- **Income and Expense vs Actual**, showing actual year-to-date income and expenses compared to budgeted year-to-date amounts. *See Appendix 20, Sample Budget vs. Actual.*
- **Balance Sheet**, listing all the assets of the parish and all the liabilities, and classifying net assets as “With” and “Without” Donor Restrictions. *See Appendix 21.*
- **Capital Campaign Report**, showing funds pledged, collected, spent, remaining, and committed, with a list of expenditures and commitments.
- **List of Unpaid Bills or Accounts Payable** that matches the amount shown on the Balance Sheet. *See Appendix 22.*
- **Bank Statements and Reconciliations** for all bank accounts in the parish name or federal identification number.
- **Event Financial Report** from the chairperson of any fundraiser or event within the parish, provided to the Pastor within 30 days of the event's conclusion. *See Appendix 12.*

10.10 - Annual Financial Reporting – Archdiocesan

Each parish is required to submit a complete financial report to the Archdiocese on or before February 15th of each year. A complete financial report includes the following:

- Balance Sheet (*see Appendix 21*)
- Statement of Revenues and Expenditures (*see Appendix 20*)
- Cash Flow Statement (*see Appendix 23*)
- Schedule of Accounts Payable (*see Appendix 22*)
- Capital campaign report, if applicable
- Cemetery Report, if applicable (*see Appendix 24*)
- School Report, if applicable
- Representation Statement by Parish Finance Council (*see Appendix 6*)

The Pastor and Finance Council members should sign the financial report. The Pastor and two lay Members of the parish corporation should sign the Minutes of Annual Meeting and Election of Secretary Report (**Appendix 5**).

The by-laws further require that the annual financial reports be available for the Annual Meeting of the parish corporate Members.

10.11 - Reporting to the Parish

A year-end financial report must be made to the parish community each year within 60 days of the end of the fiscal year. At a minimum, this report should consist of:

- Balance Sheet
- Statement of Revenues and Expenditures
- Program expenses including school subsidy
- Capital projects
- Status of capital campaign (pledges made, pledges received, in dollars and as a percentage of goal)

This report should be the same as the report provided to the Archdiocesan Finance Office. All financial transactions should be included and properly classified.

At least annually, and no later than January 31 of the following year, written statements should be provided to every parishioner of his/her offertory donations and any other contributions he/she made during the preceding year. The Internal Revenue Service requires parishes to issue a written statement or a letter from the parish corporation for any single contribution received that is greater than \$250 in order for the donor to be able to take a charitable deduction for that donation.

10.12 - Standardized Chart of Accounts

The Archdiocesan standardized Chart of Accounts provides a common platform for recording, summarizing, and reporting financial transactions. Its use is mandatory throughout the Archdiocese of Hartford. Account numbers are four digits in length.

- If an account is applicable, the designated account number must be used. The account description may be modified slightly to provide better information on parish reports.
- The standard accounts are intended as a format design. Each parish may add sub-accounts, and sub-accounts of sub-accounts, to tailor the financial statements to its informational needs.
- Every account added by a parish must be a sub-account at some level of a standard account.

A copy of the Standard Parish Chart of Accounts is included in **Appendix 19**. Please refer all questions regarding the Chart of Accounts to the Archdiocesan Finance Office.

10.13 - Record Retention Standard

The United States Conference of Catholic Bishops (USCCB) has issued record retention guidelines for use by Catholic Dioceses in the United States. The USCCB Diocesan Financial Issues Manual Section XVI presents the record retention standard adopted by the Archdiocese of Hartford. *See **Appendix 26, Record Retention Policy***. All parishes must follow this record retention policy.

CHAPTER 11 - Data Management and Security

11.1 - Parish Data Management System (PDMS)

All parishes and their schools and cemeteries must use the Parish Data Management System (PDMS) for data management. The software was designed by the Archdiocese of Hartford as a standardized tool to manage census and financial data. PDMS integrates financial reporting in QuickBooks, payroll from Paychex, parish demographic information, and billing for schools and cemeteries. By integrating these functions, bookkeeping is streamlined, and information is kept up-to-date.

The Archdiocese funded the development of the software and provides it to parishes without charging a licensing fee; however, implementation of PDMS may require a parish to upgrade its existing hardware and/or software, and implementation costs, including the costs of converting and importing existing census data into the program, are the responsibility of the parish.

11.2 - Security

Parishes routinely process and maintain confidential information pertaining to parishioners, employees, and parish finances. Controls must be implemented to secure the information and maintain its confidentiality. Documents containing confidential information must be filed and stored in a secure location, with access restricted to those individuals who require the information to perform their job duties.

11.3 - Computer Security

Maintaining the security of computer data is also very important, and electronic files should be maintained with the same attention to security. Steps should be taken to ensure that computer data is safe from hardware or software failure and from being intentionally or accidentally changed or accessed by unauthorized individuals.

- **Username and Passwords** - Usernames and passwords must be used to restrict access to computers, networks, programs, and files and to safeguard confidential information. Each authorized individual should have his or her own username and password. It is strongly recommended that users change their passwords on a regular basis. Usernames and passwords should not be shared. In addition, all employees should protect information on their desk or computer terminal from casual observers who may visit the parish office or school.
- **Attachments** - All personnel should be directed only to open attachments from known senders. Some fraudsters gain access to computers by Email Spear Phishing. Email Spear Phishing is an email that appears to be from an individual or business that is known, but is actually from a fraudster who wants credit card and bank account numbers, passwords, financial information, and other data, or access to the parish's computer system. Emails

that are specifically addressed to the parish may have a virus attached. **RANSOMWARE EMAILS CAN RESULT IN THE LOSS OF ALL PARISH DATA.** Parish staff should be advised to be suspicious of emails. Never open an attachment or link in an email unless you are absolutely certain from whom it came.

- **Antivirus Software** - A current version of an antivirus software must be installed on all parish computers.
- **Backups** - A full back-up of computer data must be performed at least weekly, although daily backups are preferred. Parishes are advised to use more than one method to backup data (e.g. secure cloud service/online backup service, external hard drive). Backups should be stored in a secure location offsite. Periodically, each backup method should be checked to verify that the backup procedure is working effectively and the data is up-to-date and accessible.
- **Cyber Liability Coverage** - Catholic Mutual Group has limited cyber liability coverage for data breaches which are broadly defined as hacking, employee error, insider theft, physical theft, and third-party theft. The types of breaches occur through social and employee media sites, employee carelessness, or ransomware (i.e. crypto-locker, etc.). Catholic Mutual should be contacted in the event of a cyber data breach.

CHAPTER 12 - Compensation of Archdiocesan Ordained Clergy

The Committee on Budget and Finance (CBF) of the United States Conference of Catholic Bishops (USCCB) addresses Diocesan Financial Issues (DFI). It adopted the following policies regarding Compensation of Clergy that were approved by the full body of Bishops at the USCCB's November 2002 General Meeting. (The DFI was not intended to be a comprehensive document addressing all financial administration matters that might be encountered in dioceses. The DFI is intended to be a document that addresses and offers best practices in financial administration matters and endorses authoritative guidance in accounting, tax, and financial reporting matters.)

12.1 - Assigned Priest Salary and Benefits

Each priest assigned to a parish shall be paid one full-time salary in accordance with the annual salary schedule that lists the priest's salary in terms of his years since ordination. The compensation schedule is divided by five-year interval periods and is published each December for the following year. In a year where a priest moves from one five-year period to the next period and a higher salary, the change in monthly salary is made in the month following the month of ordination. As an example, if a priest was ordained in May, he would receive the higher monthly salary amount beginning in June.

The parish has the responsibility to pay the salary for the assigned priest and to pay his benefits, which include medical, dental, pension, automobile insurance (for one car owned by the priest), and post-retirement insurance benefits.

The parish is responsible to report a priest's salary and supplements to salary on Form W-2. The automobile insurance paid by the parish is considered taxable income to the priest and should be added to the Form W-2 issued to him.

Although the Internal Revenue Service rules reflect that priests are generally classified as "employees" of the parish for income tax purposes, Congress has ruled that clergy are designated as self-employed for FICA (Social Security and Medicare) tax purposes. As a result, Social Security and Medicare taxes should not be withheld from a priest's pay, and the parish should not pay any portion of Social Security or Medicare taxes for priests. A priest may choose to increase his federal income tax withholding to cover both income taxes and Social Security/Medicare taxes using Form W-4, extra withholding.

12.2 - Accountable vs. Non-Accountable Disbursement Plans for Expenses

Allowances that are paid to priests without documentation to support the expenditures as a business (church-related) expense represent additional earnings to the recipient and are subject to income tax and FICA tax. The IRS rules clearly state that if the parish pays an allowance and requires no proof that the money was actually spent as intended, the allowance becomes taxable income to the recipient.

In order for a parish to avoid including allowances that are given to a priest in his income, the parish must adopt an "accountable disbursement plan." For the Internal Revenue Service to consider a reimbursement to a priest as tax free, the parish must comply with four rules:

- 1) There must be a business/ministry reason for the expense;
- 2) There must be proper documentation of the expense in the form of receipts;
- 3) Excess amounts paid must be returned to the parish; and
- 4) The repayment must occur within a reasonable period of time.

If reimbursements are provided in the form of "allowances" for anticipated expenses instead of reimbursements for actual disbursements based on receipts, those allowances must be reported as taxable income to the priests unless the four previous rules are satisfied and all excess allowance amounts over the actual amounts expended are returned to the parish within sixty (60) days per IRS rules.

In summary, expenditures that are business related for which receipts are provided to the parish are not included in a priest's taxable income. If, instead, an allowance is provided for which the submission of documentation regarding business purpose and receipts is not required, or which allowance exceeds the total of receipts submitted, such allowance must be included in a priest's income. The priest may then take the appropriate deductions on his personal tax return.

12.3 - Stole Fees

Stole fees are payments to a parish from the faithful for sacred rites. Such services include weddings, funerals, baptisms, and other specific liturgical services. The norm in the Archdiocese of Hartford is to give a portion of the stole fee to the celebrant of the Mass. The amounts received by the priest or deacon are not gifts and the IRS does not consider these amounts as gifts whether or not a priest renders the services without requesting payment.

All stole fees received by a parish or a priest belong to the parish treasury. Because the priest is to remit all stole fees to the parish treasury, he does not report the entire stole fee income on his personal income tax return because he has no such stole fee income.

When the priest remits the stole fee to the parish and receives back any portion of that amount as a stipend, the parish includes the stipend as additional salary on the Form W-2 issued to the priest.

12.4 - Mass Offerings/Mass Intentions

Mass offerings (also called intentions) are defined as an amount offered by an individual for a Mass to be said for a loved one or other intention. The individual is not obligated to make payment and the priest would say the Mass regardless of any payment. However, when payment is received, and the Mass is said, the offering received is earned income to the priest subject to Federal income tax and FICA tax. It does not go through the parish treasury and thus the priest must report these amounts received as income on Schedule C or Schedule C-EZ of his Form 1040.

12.5 – Outside Weekly Priest Support

Outside Weekly Priest Support is an amount paid from parish funds to a priest for celebrating a Mass, hearing confessions, or rendering any other weekend service ministry work. Outside Weekly Priest Support would be paid to priests who are **not assigned** to a parish, but who help on weekends or holydays.

The parish reports any amounts paid from the parish treasury for Outside Weekly Priest Support under the Contractual Labor subaccount, Sunday/holyday help. The parish should report Outside Weekly Priest Support in excess of \$600 per calendar year on Form 1099-NEC to be issued to the priest providing such assistance. *See Subsection 12.9 herein.*

12.6 - Room and Board

A. Room

In addition to the priest's salary and benefits, the parish is responsible for the room and board of the assigned priest. Although the value of room and board is sometimes characterized as a tax-free benefit, that characterization is not accurate. Portions of the value of the "board" benefit are or may be subject to federal and state income taxation and the room portion is subject to FICA (Social Security and Medicare) tax.

The room benefit is not subject to income taxation regardless of where the priest resides. The priest is, however, required to pay Social Security and Medicare tax on the value of the housing (i.e. room) per the Internal Revenue Code §1402(a) (8).

The parish may, **but is not required to**, include the value of the housing (room) in box 14 of Form W-2. The value should not be reported in box 1 or 16 on Form W-2.

The Archdiocese of Hartford has established a value for housing within the Archdiocese which value is reviewed periodically. (Please contact the Finance Office to determine the value of housing for a particular year.)

The priest should add the value of the housing to other earnings when computing self-employment tax on Schedule SE of his Form 1040.

B. Board

The Internal Revenue Service treats "board" (food) very differently from "room". In order to be an income tax free benefit, the Internal Revenue Code requires that "board" must meet the following specific qualifications:

- The meals must be consumed on the premises of the Parish.
- The meals must be for the convenience of the Parish.
- The meals must be required as part of the priest's working conditions.

A priest must meet all three of these conditions for the meal itself to be a tax-free benefit. We consider that a priest is “on-call” and thus working at the convenience of the parish. This working condition satisfies the second and third bullets.

The first bullet is literally interpreted; the meal must be consumed on parish property in order to be tax free. The tax-free board benefit only includes the parish providing food and preparation costs of that meal.

If the parish provides the priest with a cash allowance for groceries or food, that payment represents taxable earnings to the priest for both Federal income tax purposes and FICA tax purposes which must be included on his W-2 form (Box 1 and Box 16) unless the allowance is provided pursuant to an Accountable Plan (See Section 12.2). The priest may then take the appropriate deductions for business-related expenses on his personal tax return

12.7 - Compensation of Clerics (Priests and Deacons) at Parishes

Priests are classified as “exempt” employees of the parish and treated as dual status taxpayers. Deacons are also dual status taxpayers for their clerical duties and their monthly pay is established by the Archdiocese.

The parish should not withhold Social Security or Medicare taxes from the W-2 pay of dual status taxpayers, although the dual status taxpayer may elect to have additional income tax withheld from his earnings to cover his FICA tax liability. The priest’s or deacon’s salary is reported in Box 1 of Form W-2 and federal income tax withholding is reported in Box 2. Boxes 3 through 6 of Form W-2 are blank.

A deacon who is also employed by a parish in a lay employee job function is classified as a lay employee for that job and subject to federal & state income tax withholding, and to Social Security tax and Medicare tax withholding. A deacon receives a W-2 at year-end for the salary he earned.

Priests and deacons performing clerical duties should not be reimbursed by the parish for their Social Security or Medicare taxes either in a check or by cash. Reimbursement constitutes taxable compensation in excess of the Archdiocesan Clergy salary scale.

12.8 - Personal Expenses

The parish should not reimburse a priest for purchasing an automobile, for automobile repairs, or for mileage (other than to attend Archdiocesan meetings). These are personal expenditures that should be paid directly by the priest from his own funds. If the parish has made such payments, the parish corporation must include these personal expenses as taxable income to the priest.

The amount the parish pays for a priest’s automobile insurance must be added to the priest’s total compensation for tax reporting purposes as it constitutes taxable income subject to federal and state income taxes, and Social Security and Medicare tax.

12.9 - Priest's Compensation for Weekend Help in a Parish

The Archdiocese has determined guidelines for the rates of payment that a parish should make to priests not assigned to the parish who provide weekend coverage or assistance. This amount may be adjusted in consideration of certain circumstances including but not limited to confessions, number of Masses, overnight commitment and travel distance. A priest who conducts the Mass should also receive the intention for that Mass.

If the parish pays compensation in excess of \$600 per year to a priest who is **not assigned** to the parish but who provides weekend help to that parish, the parish must issue that priest a Form 1099-NEC. The parish must also file annually all Forms 1099-NEC with transmittal Form 1096, Annual Summary and Transmittal of U.S. Information Returns, with the IRS Service Center no later than January 31. See the IRS instruction booklet at www.irs.gov.

12.10 - Guidelines for Rectory Expenses

The expense items that are considered ordinary rectory expenses include food, utilities, supplies, weekly housekeeping, maintenance, newspapers, and certain furniture owned by the parish. Utility costs include telephone, heating, cable/internet, and electricity. The amount that the parish spends for providing meals to the priest(s) for consumption on parish premises must be reasonable and in accordance with Section 12.6 concerning "Board" rules.

Entertainment costs that include meals are not considered food costs and should not be included in food charges to the parish. The parish should account for those expenses as entertainment expenses and request the submission of documentation with receipts including names of those sharing the meal and the business purpose of the meal to ensure tax-free reimbursement. Without this documentation, the payment of restaurant meals is considered by the Internal Revenue Service to be taxable compensation.

12.11 – Priest and Parish Inventories of Rectory Personalty

The cost of furniture owned by the parish should be recorded as Fixed Assets in the parish general accounting records and listed on a parish inventory of parish owned items.

When a priest is assigned to a parish, he should provide the parish with an inventory of those items (e.g. furnishings, artwork, and computer equipment) that belong to him that he has brought to the rectory. That inventory of personal items should be updated annually and the priest should maintain a copy for his personal records.

CHAPTER 13 - Property

13.1 - Real Property

Real property (i.e. land and buildings) constitutes a substantial portion of the assets of parish corporations. Careful administration of these assets is vitally important and must be guided by both the requirements of Canon Law and the parameters established by the Archbishop. Those who are responsible for managing real property assets should operate under the presumption that maintaining the value of these assets is of the highest priority.

In the event that a building, or a portion thereof, is no longer needed for parish purposes, a plan should be developed to address this change of circumstance. The plan should include reasonable efforts to identify suitable uses for the property and must consider the property tax implications of proposed uses. If a tenant cannot be identified within a reasonable period of time, the parish may consider disposing of the property with the Archbishop's permission. Set forth below are specific procedures that must be followed in connection with the sale, purchase, or lease of real property.

13.2 - Sales of and Transfers of Interest in Real Property

Real property should be retained unless there is compelling evidence that its disposition is in the best interest of the parish and the Archdiocese. All sales require a recent appraisal of the subject property that supports the ultimate contract price. In most cases, the contract of sale should include a deed restriction, prohibiting use of the subject property for purposes that are contrary to Catholic Church doctrine.

All dispositions of real property, including mortgages and grants of easement, require the consent of the Archbishop and the approval of the Members of the parish corporation. In addition, pursuant to Canon law, permission for the alienation of property is generally required from the Archdiocesan Finance Council, the College of Consultors, and, depending upon the value of the property being alienated, the Holy See.

A corporate resolution passed at a meeting duly called and noticed of the Members, or a corporate Consent signed by all Members of the parish corporation, including the Archbishop as President, is required under state civil law for sales of real estate owned by parish corporations. The Members should contact legal counsel regarding preparation of the required Consent.

13.3 – Governmental Land Use, Zoning, and Historic District Applications

The parish must obtain the approval of the Archbishop, as president of the parish corporation, prior to submitting applications for zoning or other land use approvals, and prior to submitting any documentation for inclusion in historic registries or in historic districts.

13.4 - Sale of Real Property - Procedures

The Archbishop and the Office of Property and Assets must be consulted when the sale of real property is proposed. After consultation with the Parish Finance Council, the Pastor must submit a written request to the Archbishop for permission to sell the property. The written request from the Pastor should include the following information:

- address/location of the property to be sold and size of the property;
- the estimated sale price;
- the rationale supporting the sale;
- an assessment of the sale addressing the current and future needs of the parish;
- an assessment of the impact of the sale on the parishioners and the local community;
- a statement detailing the financial condition of the parish and the proposed use of the proceeds from the sale;
- a description of the efforts that were made to lease the property; and
- the Parish Finance Council's recommendation/position regarding the proposed sale.

It is important to submit this information in a single package to the Archbishop as early in the process as possible. No significant action (such as listing the property with a realtor or publicizing the matter) should be taken by the parish until the Archbishop issues his response.

Upon receipt of the request, the Archbishop's Office will seek input from the appropriate offices within the Archdiocese. After making the necessary inquiries and completing its due diligence, a written report containing a recommendation will be submitted to the Archbishop. After reviewing the assembled information, the Archbishop will make a determination regarding the proposal and communicate his position to the relevant parties.

As the transaction will require Archdiocesan Finance Council and College of Consultors approvals, the real estate contract will include a term requiring those approvals as a condition precedent to closing on the transaction. Archdiocesan counsel will prepare the real estate contract.

If a sale results in gross proceeds in excess of the agreed upon national norms established by the USCCB, the disposition of such proceeds shall be as follows:

1. All debts and real estate fees owed by the parish to the Archdiocese and third parties (except mortgage loans) will be paid; and
2. Funds necessary for repairs and improvements to remaining parish buildings will be restricted for that purpose and the capital project process will be used to carry out the repairs or improvements.

13.5 - Acquisition of Real Property

Acquisition of real property may be appropriate where it is necessary to service current or future parish needs. Particular attention should be given to acquisition of property adjacent to currently owned buildings or land. Since the acquisition of property may require expenditure of significant funds, every effort should be made to ensure that the need for acquisition and expansion of the parish's land area is substantial and enduring. This is particularly important in cases where the acquired property will be converted to a specialty use that may adversely affect the ability to sell it in the future. No purchase should be contemplated unless the parish can clearly demonstrate its ability to pay the operating costs and expenses associated with the new property.

All acquisitions of real property must be approved by the Members of the parish corporation and require the Archbishop's written consent. See **Appendix 1**.

13.6 - Acquisition of Real Property - Procedures

The Archdiocese's Office of Property and Assets and the Office of the Archbishop must be consulted when the acquisition of real property is proposed by a parish or affiliated entity. After consultation with the Parish Finance Council, the Pastor must submit a written request to the Archbishop for permission to acquire the subject property. The request should include the following information:

- identification of the property to be purchased;
- the estimated purchase price;
- a statement detailing the financial condition of the parish, including the current amount of funds held by the parish in savings, and how the parish will finance the purchase;
- the rationale supporting the purchase and the projected impact of the acquisition;
- an assessment of the purchase addressing the current and future needs of the parish;
- a description of the efforts that were made to satisfy the needs of the parish using its existing property; and
- the Parish Finance Council's recommendation/position regarding the proposed purchase.

It is important to submit this information in a single package to the Archbishop as early in the process as possible. No significant action (such as obtaining an appraisal or publicizing the matter) should be taken by the parish until the Archbishop issues his response.

Upon receipt of the request, the Archbishop's Office will seek input from the appropriate offices within the Archdiocese. The Archbishop will review the assembled information, make a determination on the proposal, and communicate his position to the relevant parties.

13.7 - Lease of Real Property

When land or a building, or a portion thereof, is no longer needed to service the needs of the parish, reasonable efforts should be made to identify a tenant for the property. It is important to select a tenant that will not conduct activities on the leased property that are incompatible with the parish's mission or that damage its relationship with the community. Therefore, a parish should address the stability, mission, and reputation of the prospective tenant before making any commitment to lease the property. In addition, the tenant's use of the property should not create a material conflict with the normal operations of the parish, as the ministry of the parish receives priority over the re-use of available property.

All leases must be in writing and include provisions incorporating the following standards:

- Tenants should be not-for-profit entities.
- Non-clergy individuals or families cannot lease a rectory.
- The tenant's use of the leased premises should be restricted to ensure that the use does not conflict with Church doctrine.
- If the property becomes subject to property tax as a result of the lease, the lease must require that the tenant pay all taxes when due and indemnify and hold the parish harmless with respect to the real estate taxes and any associated interest, penalties, or expenses.
- The term of the lease should generally not extend beyond five years. Lease terms extending beyond five years are permitted only in cases where the tenant is required to invest substantial funds to upgrade the leased premises.
- Leased premises must be utilized in accordance with the existing certificate of occupancy.
- Tenants must provide adequate levels of appropriate types of insurance coverage. Since each tenant has a different risk profile, minimum insurance limits will be established on a case-by-case basis in accordance with Catholic Mutual's requirements. The tenant's insurance must include both the parish and The Hartford Roman Catholic Diocesan Corporation as additional named primary insureds. The tenant must provide the parish with a Certificate of Insurance or declaration page of the policy evidencing the required insurance coverage.
- Tenants may not sublet the property or any portion of the property.

All leases must be approved by the Members of the parish corporation and require the Archbishop's written consent. In addition, all leases must be reviewed by legal counsel and provided to the Office of Property and Assets prior to execution.

See **Chapter 21: Contracts** for additional requirements applicable to all contracts, including lease agreements.

13.8 - Lease of Real Property - Procedures

Parishes must consult the Archdiocese's Office of Property and Assets and the Office of the Archbishop when the lease of real property is proposed. After consultation with the Parish Finance Council, the Pastor must submit a written request to the Archbishop for permission to lease the subject real property. The request should include the following information:

- identification of the property to be leased;
- a description of the proposed transaction, including the proposed lease terms, or a copy of the proposed lease;
- the reason for the proposed transaction;
- the name of the proposed tenant and a description of the tenant's business or activities;
- the proposed use of the property;
- the prospective tenant's financial strength;
- the benefits to be derived from the leasehold arrangement, including the proposed rent and any building improvements or alterations which may be required; and
- the Parish Finance Council's recommendation/position regarding the proposed lease.

Upon receipt of the request, the Archbishop's Office will seek input from the appropriate offices within the Archdiocese. The Archbishop will review the assembled information, make a determination on the proposal, and communicate his position to the relevant parties.

13.9 - Tax Issues

Real property that is used by the parish owner for its religious purposes is tax-exempt; however, newly purchased property and property used for charitable purposes is not automatically placed on a municipality's tax-exempt property list. A Tax Exempt Return (also known as "Form M-3" or a "Quadrennial Report") should be filed with the town assessor to obtain tax exempt status for newly purchased property and to retain the property tax exempt status of property that is owned and used by the parish for certain charitable purposes. Vacant, unused property may be subject to property taxation. Therefore, parishes should not let property remain vacant or unused.

On or before November 1st of a quadrennial reporting year (every fourth year commencing in 1969), municipalities require most non-profit entities to file a Form M-3 to retain their property tax exempt status. Most parish uses (church, parish center, rectory, and convent) are exempt from the M-3 filing requirement. However, some uses (e.g. cemetery, social services) are required to

file Form M-3s. Failure to file a return on a timely basis may result in the denial of a tax exemption for the property for that tax year or the loss of tax exempt status.

To maintain tax exempt status, all parishes must consult legal counsel for assistance in completing Tax Exempt Returns/Quadrennial Reports for parish property and to review appropriate tax exempt uses of a property that must be established prior to October 1, the commencement of the municipality's Grand List year, to maintain the property's tax exempt status. Contact Cooney, Scully & Dowling at (860) 527-1141.

13.10 - Unrelated Business Income Tax

A parish engages in an unrelated business activity that may generate taxable income if:

- (1) it conducts a trade or business; and
- (2) the activity is regularly carried on; and
- (3) it is not substantially related to the parish's exempt purpose or function; and
- (4) it does not qualify for an exemption.

Generally, income derived from the rental of real property is excluded from unrelated business income; however, there are certain situations in which rental income may constitute unrelated business taxable income. When services or personal property are included in the rental, all or part of the rents may be subject to unrelated business income tax (UBIT) and the requirement to file IRS Form 990-T. Pastors must contact the Archdiocese's Finance Office and legal counsel prior to entering into any lease or engaging in any activity that might result in UBIT, as the form and terms of the agreement or activity may materially impact the parish's tax status. Activities that may result in UBIT must be approved by the Members of the parish corporation and require the Archbishop's written consent. Questions regarding the taxability of an activity that generates income for the parish should be directed to the Archdiocesan Finance Office.

13.11 - Personal Property - Vehicles

A vehicle owned by a parish should be used for parish business only. Parish-owned vehicles should not be used for personal travel by the Pastor or any other individual. Use of a parish-owned vehicle must be approved in advance by the Pastor, or other authorized individual, and limited to the approved purpose. The Pastor is responsible for the safekeeping of the vehicle keys, which are to be held at the parish office in a secure, locked location with restricted access. The title to the vehicle must be in the parish's corporate name, as the vehicle is, and must be, insured through the Archdiocesan fleet auto policy.

Parish employees or volunteers who drive a parish owned vehicle must first take the on-line Catholic Mutual Defensive Driving Course.

A mileage log must be maintained in each vehicle and should be completed for every trip. The log should include the odometer reading, the miles traveled, and a description of the purpose for the trip. The Pastor should review the log monthly to verify that the mileage log matches the odometer reading and to ensure compliance with insurance requirements and tax regulations.

CHAPTER 14 - Fixed Assets: Management and Funding (Including Capital Campaigns)

14.1 - Fixed Assets

Responsible stewardship includes managing and maintaining the fixed assets (i.e. the land, buildings, equipment, machinery, furniture, fixtures, and vehicles) of the parish. Funding for maintenance and repairs (routine, minor, and major), and planning for anticipated fixed asset purchases must be included in the parish's operating and capital project budgets.

14.2 - Buildings and Grounds Committee

The Parish Pastoral Council should have a permanent or standing Buildings and Grounds Committee to assist in managing the parish's physical assets. The Committee should include parishioners with experience in construction, engineering, or maintenance trades. The Committee should meet at least quarterly and provide reports of its activities during Parish Pastoral Council meetings. In addition, the Committee should be available to provide assistance to the Pastor and Parish Finance Council as needed.

14.3 - Buildings and Grounds Committee - Mission and Purpose

The Buildings and Grounds Committee provides guidance and assistance to the Pastor in areas involving fixed asset management and planning for the parish, including but not limited to:

- Development and maintenance of a long-term capital project plan, including a schedule of anticipated major repairs and estimated costs;
- An annual review of the condition of the land, buildings, equipment, machinery, furniture, fixtures, and vehicles owned by the parish and updated long-term capital project plans as necessary;
- Advising the Pastor and Parish Finance Council regarding necessary and anticipated maintenance and capital improvement projects;
- Assisting the Pastor in collecting and reviewing bids for capital projects; and
- Assisting with the development of Capital Campaign plans, including the projects to be addressed, and communicating the progress of construction work to parishioners throughout the Capital Campaign.

The Buildings and Grounds Committee serves in an advisory capacity and has no authority to enter into contracts, approve expenditures, or make decisions on behalf of the parish corporation. See Buildings and Grounds Committee, **Appendix 25**.

14.4 - Routine Maintenance

Each parish should maintain a schedule of routine and preventive maintenance tasks that must be performed on a regular basis to maximize the life, safety, and performance of the fixed assets. (Examples of routine and preventive maintenance tasks include cleaning gutters, changing furnace filters, waxing floors, replacing automobile brake pads, and replacing smoke alarm batteries.) The schedule should indicate when each task must be performed, the party responsible for performing the task, the date the task is completed, and the person who completed the task, including contact information if the job was performed by an outside contractor.

The costs for routine and preventive maintenance should be included in the parish's operating budget. The pastor must consult with the parish lay Members and the parish Finance Council prior to making an expenditure of \$5,000 or more. In addition, any expenditure of \$25,000 or more, including expenditures for routine maintenance, must be approved in advance by the Members of the parish corporation and requires the Archbishop's written consent. If the project costs \$100,000 or more, the parish must submit a permission request to the Archbishop that is signed by the Pastor and both corporate lay Members.

14.5 - Capital Projects

Capital projects include all construction, renovation, additions, improvement, major repair, customization projects that are not considered routine maintenance, and repairs that correct inadequacies, extend the life, or change the use of existing spaces. Capital projects also include fixed asset purchases.

All capital project expenditures of \$25,000 or more must be approved by the Members of the parish corporation and require the Archbishop's written consent. The \$25,000 threshold is an aggregate amount that includes the total paid to all contractors and professionals (lawyers, architects, fundraising companies, etc.) involved in the project, regardless of whether individual invoices are less than \$25,000.

All permission letters sent to the Archbishop requesting approval for an expenditure greater than \$100,000 in project value must be signed by the Pastor and co-signed by the two lay Members (Trustees) of the Parish Corporation with an acknowledgement in the letter that the Finance Council was consulted. A copy of the original permission letter sent to the Archbishop should also be sent to the Moderator of the Curia for review by the Permission Review Committee. This permission letter should include copies of the three proposed bids as required by policy. All requests for proposals must have the same project specifications for pricing, including architectural or engineering designs. Until approved by the Archbishop, no contract may be signed, and each contract must include the proper insurance language as required by Catholic Mutual Group.

14.5.1 Capital Purchases

Capital purchases include items that will be used for more than one year and costs an amount that equals or exceeds the parish's established \$5,000 threshold. Examples of capital purchases include

vehicles, landscaping and office equipment, and air conditioning units. Enhancements such as security systems, sound systems, and lighting systems are also capital purchases. When purchasing systems or a group of items, such as a group of computers, the aggregate cost of the entire purchase should be used when determining whether the purchase is a capital purchase and whether it requires the Archbishop's written permission (i.e. whether it is \$25,000 or more).

Capital purchases are recorded as assets in the parish's financial records. The cost of the purchase is then capitalized and subsequently depreciated over the asset's estimated useful life. Vehicles, security systems, and sound systems have useful lives ranging from three to ten years. Buildings, roofs, boilers, and major capital improvements are depreciated over a 25 to 40 year period, depending upon the item. A building has the longest depreciable life while computers have depreciable lives of three (3) years. See Depreciation Schedule, **Appendix 38**.

14.5.2 Capital Maintenance and Repairs

Capital repairs include items such as roof and gutter repairs, façade or structural work, stained glass window repairs, and repairs to sidewalks and paving. Capital maintenance and repairs also include purchases of replacement items that include significant installation, such as heating and cooling components or systems. When necessary, the Pastor should identify a qualified person from the parish to monitor the repair and maintenance work. The individual may be a member of the Buildings and Grounds Committee, the custodian, business manager, or other qualified individual.

Contractors submitting proposals for capital repair projects may vary in their approach to solving the maintenance issue. In addition to comparing elements such as warranties and quality of materials, it is necessary to understand how each contractor's proposed solution to the problem differs from other proposals. The Buildings and Grounds Committee should assist the Pastor in researching and evaluating the various proposals from contractors. In some instances, it may be advisable to seek additional guidance from an objective, qualified professional when analyzing competing proposals.

14.5.3 Capital Building Projects

Capital building projects include additions, new buildings, and major renovations or restorations. One capital building project may include several smaller projects. For example, renovating a church interior may include painting and floor refinishing. Written permission from the Archbishop is required for capital building projects of \$25,000 or more in the aggregate.

The Pastor should decide whether to employ a construction manager to oversee the capital building project or to appoint a member of the parish or a parish employee (e.g. member of the Buildings and Grounds Committee, parish custodian, or parish business manager) to provide the required oversight. Complex building projects require an independent construction manager or clerk of the works to ensure the quality and consistency of materials and workmanship.

A thorough feasibility study is essential when considering a major construction project. The study will assist in determining whether the proposed project is possible considering zoning,

geotechnical, and other factors, and will provide a preliminary estimate of the cost. The Pastor must obtain permission from the Archbishop prior to engaging a professional to conduct a feasibility study.

It is important continually to update the cost estimate for a major project, especially when the funding source will be a capital campaign. The parish must obtain a feasibility study that includes estimated cost projections, updated with the schematic design drawings, and refined upon completion of the project specifications. These drawings should include cost reduction alternatives to ensure that the essential design will still be viable even if funding is less than anticipated. The Pastor and his designated representatives, such as the Buildings and Grounds Committee, should work with the architect to revise the drawings as necessary to keep the budget within the bounds of available funding. In addition, a contingency provision of at least 10% should be included in any project estimate, as costs increase over time and unforeseen expenses arise.

14.6 - Capital Projects - Procedures

The procedures for completing a capital improvement project are as follows:

1. **Feasibility assessment** – Before embarking on a contemplated project or purchase, the Pastor must compile the information needed to determine whether the project or purchase is reasonably possible to accomplish. This step may include a formal feasibility study by a professional to investigate a wide range of possible constraints (written permission from the Archbishop is required to engage a professional to conduct a feasibility assessment).
2. **Determination of funding source** – Before any formal commitment to a project or purchase is made, financing matters must be addressed in the total project cost. See Section 14.8. The Pastor should seek the assistance and advice of the Parish Finance Council regarding development of a funding plan. If the project or purchase will cost more than the parish has available in savings, a capital fundraising campaign may be necessary. A capital fundraising campaign must be approved by the Archbishop before proceeding with the proposed project or purchase.
3. **Initial formulation** – The Parish Buildings and Grounds Committee should assist the Pastor in outlining the project or purchase and refining the cost estimate, and should provide him with advice regarding the scope of work. For construction or repair projects, schematic design drawings must be obtained. The Pastor should contact the Archdiocese's Department of Property and Assets for assistance in formulating the scope of work for larger projects.
4. **Development of specifications** – After the project, purchase, or repair is defined in scope, detailed specifications or design development drawings should be prepared to obtain comparable bids from vendors or contractors. (Permission must be obtained from the Archbishop to employ a professional for design work.) The Buildings and Grounds Committee should advise the Pastor on the specifics of the project design and cost reduction options to be included in bids.

5. **Oversight** – The Buildings and Grounds Committee and the Pastor should determine who will oversee the project work. For projects of any complexity, it is strongly recommended that the parish engage a general contractor or construction manager. A member of the Buildings and Grounds Committee may be involved in the oversight, but no volunteer is permitted to have any official capacity for approval or decision-making.
6. **Contract preparation and review** – All capital project contracts must be prepared or reviewed by legal counsel prior to release of the bid documents and a copy of the approved contract included in the bid package so contractors are aware of the terms, Catholic Mutual insurance requirements, and parameters of the job.
7. **Bids** – Bids must be obtained from at least three contractors or vendors that are qualified in terms of reputation, experience, and financial stability. The Parish Building Committee compares bids to specifications and alternatives from each bidding contractor and recommends a contractor to the Pastor. If the lowest bidder is not selected, the Pastor should document the reason(s) for the decision.
8. **Contractors** – All contractors must be bondable for the full amount of the work to be performed under the contract. Payment and performance bonds should be considered for all contracts in excess of \$500,000, and must be issued by an entity acceptable to the parish and the Archdiocese. The selected contractor must execute the contract approved by legal counsel, submit the required certificates of insurance, and comply with all applicable federal and state laws.
9. **Archbishop's approval and contract execution** – If the total cost of the purchase or project is \$25,000 or more, the Pastor must write to the Archbishop and obtain permission to sign the contract. If the capital project is greater than \$100,000, the lay Members of the parish corporation must also sign the permission request letter. The letter should include:
 - a detailed description of the project or purchase;
 - the proposed contractor and proposed contract amount;
 - a copy of the proposed contract and whether the contract has been approved by legal counsel;
 - a statement detailing the financial condition of the parish, including the current amount of funds held by the parish in savings, and how the parish will finance the project or purchase;
 - the rationale supporting the project or purchase;
 - an assessment of the project or purchase addressing the current and future needs of the parish; and
 - the recommendation/position of the parish Finance Council and Buildings and Grounds Committee regarding the proposed project or purchase.

The Pastor should enclose bids from the contractors/vendors with the letter. If the contractor selected is not the lowest bidder, the Pastor must state his rationale for the choice of contractor. Once the Archbishop grants written permission, the contract may be executed by the contractor and the parish.

10. **Completion of purchase or project** – The parish corporation executes the contract and is responsible for overseeing the project and ensuring that the service/product is delivered as agreed and conforms with the contract deliverables and timetable. Consideration must be given to anticipated or potential disruptions to parish life throughout the duration of the project and adjustments for such disruptions made accordingly. Access to or through parish property must be provided as necessary and safety issues must be addressed proactively.

The Archdiocese's Department of Property and Assets and the Finance Office are available to assist and guide Pastors through the capital improvement project process.

14.7 - Contracts

The parish should exercise care when entering into a contract for construction or repair work. The terms of the agreement with any contractor should be documented by written contract that incorporates Catholic Mutual's insurance requirements to ensure insurance coverage for losses. All contracts must be reviewed by legal counsel prior to execution. Parishes are strongly urged to perform a reference check on the selected contractor prior to executing any contract.

See **Chapter 21: Contracts** for additional information and requirements regarding contracts.

14.8 - Capital Campaigns

A capital campaign is a major fundraising effort for a specific purpose that is distinct from, and in addition to, the parish's normal revenue stream. A capital campaign, designed to raise significant funding over a relatively short period of time, usually for new construction, renovations, debt reduction, and/or parish support, requires multi-level approvals. Capital campaigns involve a long-term commitment with pledges paid to the parish over an extended time. Per Connecticut law, the

proceeds from a capital campaign must be spent on the specified project or group of projects for which the monies were raised. Potential donors should be informed about how donations, including any surplus funds, will be used. Capital campaign funds constitute donor-imposed restricted assets that can only be used for their intended purpose. Income from approved capital campaigns is exempt from the Archdiocese's assessment and should be classified as Capital Campaign Proceeds, not offertory collections.

Before initiating any capital campaign, the Pastor must receive written consent from the Archbishop. In addition, parish and school fundraising cannot conflict with the Archbishop's Annual Appeal in the spring of each year.

There are three phases of a capital campaign: (1) the preparation phase, (2) the fundraising phase, and (3) the project work (project commencement through completion) phase.

14.8.1 The Preparation Phase

1. The Pastor should obtain the support of the Parish Finance Council and the Parish Pastoral Council regarding the general concept of the project and the capital campaign.
2. Funding plan – After assessing the feasibility of the proposed project (see Section 14.6), the Buildings and Grounds Committee should present the estimated cost to the Parish Pastoral and Finance Councils, and the Finance Council should develop a funding plan to be recommended to the Pastor. In general, a fundraising goal should be no more than three times the annual offertory collection. If a loan is considered as part of the funding plan, the parish must obtain the financing independently, without expectation of loans, contributions, or guarantees from The Hartford Roman Catholic Diocesan Corporation, and it must demonstrate its ability to repay the debt.
3. Design – The Parish Finance Council and Buildings and Grounds Committee should design the scope of the capital campaign. Multiple projects should be prioritized. The campaign may be designed in phases, so that work in each phase will not start until the previous phase is complete and funding for the next phase is available.
4. The advisory group and the Pastor should determine which administrative tasks to outsource and which may be accomplished internally, with staff and volunteers.
5. With the assistance of the advisory group, the Pastor must select a fundraising company. The Pastor may also form a Fundraising Committee to interview several fundraising companies and make a recommendation to him.
6. The advisory group and the Pastor must establish the fundraising goal, incorporating project cost information, contingencies, professional fees, inflation, interest, fundraising costs, and administrative costs (staff, postage, printing).
7. The Pastor must submit to the Archbishop a written request for approval of the project concept and funding plan, and for permission to contract with the selected fundraising company to raise the goal amount.

14.8.2 The Fundraising Phase

1. Campaign solicitation – The advisory group or Fundraising Committee, if one has been formed, should broadly design the campaign solicitation, taking into consideration timing (the most advantageous times are in the fall and spring, after the Archbishop's Annual Appeal), the span of pledge payments, and donor recognitions. The advisory group or Fundraising Committee should work with the fundraising company to design campaign materials.

2. Campaign administration – The advisory group or Fundraising Committee, if one has been formed, should assist the Pastor in providing campaign administration, including establishing the protocol for recording pledges and payments, establishing a separate bank account for capital campaign funds, identifying the staff and volunteers to work with the fundraising company and to carry-out campaign duties, and providing for financial reporting of campaign activity.
3. Fundraising Committee – The advisory group should assist the Pastor in forming a Fundraising Committee, if one has not been formed. At this point, the members of the advisory group may be absorbed into the Fundraising Committee.
4. The “quiet phase” – The “quiet phase” of the capital campaign is the first phase of fundraising and consists of the individual solicitation of the largest potential donors who are asked to commit to donations.
5. The “active phase” – The “active phase” of the capital campaign consists of general solicitation guided by the fundraising company and usually lasts six to eight weeks.
6. The collection phase – The collection phase of the capital campaign commences after the receipt of pledges and continues for the duration of the pledge lengths. Throughout the collection phase there must be a consistent and sustained effort to minimize uncollected pledges.
7. Reporting – Accurate and timely reporting of capital campaign financial activity is required. A capital campaign report must be prepared and provided to parishioners and the Archdiocese quarterly throughout the capital campaign and a final report prepared and provided to parishioners and the Archdiocese upon the campaign’s conclusion.

14.8.3 The Project Work (Commencement Through Completion) Phase

When 90% of the fundraising goal is pledged and 80% is collected in cash, the Pastor should request permission from the Archbishop to start the project. Written permission from the Archbishop is required prior to commencing the project work.

Upon receipt of designs and cost estimates, the Buildings and Grounds Committee should compare the cost of the project to the funds received and pledged through the capital campaign, taking into consideration the costs of administration and professional fees, to determine if the project remains feasible as designed. Any redesign of the project necessary for financial feasibility must be consistent with the capital campaign literature. If a redesign is required that deviates from the capital campaign literature, donors must be notified in writing of the change and given the opportunity to have their donations refunded.

All plans and specifications that are prepared for the project must be kept on file in a secure location in the parish office, for reference during repairs or maintenance in the future. Similarly,

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all contracts and warranties must be kept on file in the parish office, clearly labeled and easily accessible for reference, should any problems arise.

A capital campaign is complete when the collection phase of the fundraising is closed and the project work is finished.

CHAPTER 15 - Insurance and Risk Management

15.1 - Archdiocesan Sponsored Insurance and Risk Management Program

The purpose of the Archdiocesan sponsored Insurance and Risk Management Program is to provide an efficient, cost effective, and comprehensive means of providing parishes, schools, and other entities within the Archdiocese with necessary insurance at appropriate limits of coverage. The program provides uniform coverage for all covered entities and covers risk exposures through self-insurance and excess coverage.

The self-insurance portion consists of a fund owned and supported by the participants. Subject to certain limitations and deductibles, parish claims will be paid from the self-insurance loss fund. In cases where claims exceed the self-insurance loss fund limits, protection is provided through the purchase of excess insurance coverage.

The Archdiocesan sponsored Insurance and Risk Management Program is administered by the Catholic Mutual Group. The Archdiocese also works with third-party administrators and various other excess coverage insurance providers.

The Archdiocesan sponsored Insurance and Risk Management Program includes, but is not limited to, the following types of coverage:

- Property, including Boiler and Machinery Coverage
- General and Excess Liability Coverage for bodily injury and property damage
- Auto
- Workers' Compensation
- Crime
- Student Accident
- Priests' Personal Coverage
- Special Events Coverage

Specific questions regarding the types of coverage, scope of coverage, coverage limits, terms and conditions, exclusions, and deductibles should be directed to Catholic Mutual. Catholic Mutual has specific insurance requirements. For example, Catholic Mutual does not allow any entity insured by it to waive rights of subrogation in leases or contracts.

Medical, dental, life and disability insurance are employee benefits and are not part of the Archdiocesan sponsored risk management program. *See Chapter 16: Employee Benefits* for additional information.

15.2 - Minimizing Risk

Risk management involves minimizing the number of incidents causing loss and minimizing the amount of loss resulting from each incident. **Each parish must implement the following protocols to reduce the risk of loss.**

- a) **Report all incidents involving injuries or property damage within 24 hours.** All incidents involving injuries to visitors, parishioners, students, and employees or damage to parish property or property owned by others must be reported within 24 hours of occurrence. *See Section 15.4, Claim Reporting.* If the parish is not aware of the incident until more than a day after its occurrence, the parish must report the incident within 24 hours of the initial notice. Timely claim reporting is the single most effective way to address a claim.

If there is an accident and/or injury to a visitor, student, parishioner, or other individual, or damage to property covered under the Archdiocese's insurance program:

- Obtain emergency assistance, if necessary.
 - Take action to protect life and minimize property damage by restricting access to a hazardous area or by immediately addressing emergency repairs or clean up.
 - Take photos of the area where the injury occurred and of the damaged property. Make sure to note the date and time of the photos and the name of the photographer.
 - Obtain the pertinent facts regarding the incident and the name, address, and phone number of every witness.
 - Do not make statements regarding fault or liability. Parish representatives are advised not to give any statements (except to Catholic Mutual personnel and its legal counsel). All inquiries should be referred to the insurance adjuster for the claim or, if applicable, the attorney handling the matter on behalf of the parish.
 - Complete the Accident Report Form or Parish Report of Property Damage and send to Catholic Mutual. *See Appendix 28 and Appendix 29, respectively.*
- b) **Perform annual safety and maintenance inspections and resolve issues promptly.** Each year, a representative from Catholic Mutual will inspect every parish building for safety and liability issues. In addition, the insurance company that provides boiler coverage will perform an annual boiler inspection at the parish. Following each inspection, a report will be provided to the parish with a copy sent to the Archdiocese's Finance Office. Significant liability issues noted in the reports must be promptly resolved by the parish. Failure to address building or liability issues may result in higher premiums for the parish.

It is strongly recommended that each parish have a Buildings and Grounds Committee to assist the Pastor in overseeing routine maintenance and inspections of parish property. The Buildings and Grounds Committee should inspect the condition of the land, buildings, equipment, machinery, furniture, fixtures, and vehicles owned by the parish at regular intervals and advise the Pastor, Parish Pastoral Council, and Parish Finance Council regarding necessary and anticipated maintenance and capital improvement projects. *See Section 14.3.*

- c) **Obtain proof of sufficient insurance coverage from all contractors before any contract is signed.** Specific minimum amounts of general liability, excess/umbrella liability, automobile liability, and workers' compensation insurance are required to be carried by contractors; however, the minimum insurance limits will vary depending on the risk associated with each contract. Pastors should contact Catholic Mutual or Archdiocesan legal counsel regarding insurance requirements for specific contracts. Contractors must provide the parish with a

certificate of insurance or declaration page of the policy evidencing the required insurance coverage. The certificate of insurance must identify the covered location and must name both the parish corporation and The Hartford Roman Catholic Diocesan Corporation as additional insureds. Catholic Mutual also has specific minimum insurance requirements and indemnity provisions that must be included in construction, renovation, and remodeling contracts. Significantly, Catholic Mutual does not allow its insureds to waive their rights of subrogation in leases or contracts. *See Appendix 27, Insurance Addendum to Construction Contract.*

- d) **Consider requiring contractor bond requirements.** Depending upon the size of the project, the parish should consider requiring the contractor to post both performance and payment bonds by an entity acceptable to the parish and the Archdiocese.
- e) **Have all contracts reviewed by legal counsel before execution to protect the interests of the parish.**
- f) **Follow all Archdiocesan protocol/procedures for employee disciplinary action.** The Pastor should have a written job description for each employee that is reviewed with the employee annually, to establish a mutual understanding of performance expectations. The Archdiocese's Director of Human Resources is available to assist in developing employee job descriptions. Each parish should also have a written employee handbook. The Archdiocesan Employee Handbook may be used as a template and is available from the Archdiocese's Director of Human Resources.

Employee performance issues should be promptly addressed. Pastors are strongly encouraged to seek guidance from the Archdiocese's Director of Human Resources before taking any disciplinary action. Pastors are required to consult legal counsel prior to terminating or discharging any employee as required by the provisions of its insurance policies.

- g) **Implement and follow procedures to ensure the safety of children and vulnerable adults.** The Archdiocese requires all personnel and volunteers who have contact with minors and/or vulnerable adults in their ministerial, employment, or volunteer duties to pass a background check (*see Appendix 30, Background Check Notification and Authorization*) and complete sexual abuse awareness training (VIRTUS). It is strongly encouraged that all parish employees and volunteers undergo background checks and attend VIRTUS training, even if they do not have regular contact with minors or vulnerable adults. During VIRTUS training, each participant must receive copies of the "Code of Ministerial Behavior for Personnel of the Archdiocese Who Have Ongoing Contact with Minors and/or Vulnerable Adults" and the "Policies and Procedures for the Archdiocese of Hartford Relating to Allegations of Sexual Misconduct Involving Minors and Vulnerable Adults".

Pastors should contact the Archdiocese's Office of Safe Environment for additional information and assistance.

- h) **Adhere to Catholic Mutual policies regarding events and the use of covered facilities by outside groups.** Parishes must ensure that groups or individuals renting or using Catholic

Mutual Insurance covered facilities for non-parish sponsored events must have sufficient general liability insurance or purchase special events liability insurance from Catholic Mutual Group. In addition, Catholic Mutual requires outside groups to sign a Facility Use/Indemnity Agreement. *See Appendix 31, Parish Hall Rental/Use - Safety and Insurance Guidelines and Appendix 32, Facilities Use/Indemnity Agreement.* The parish may adopt its own facilities use form, which should be reviewed by legal counsel prior to implementation.

- i) **Obtain guidance from legal counsel upon receipt of legal documents.** All parish contracts must be reviewed by legal counsel prior to execution. In addition, copies of all documentation pertaining to lawsuits (e.g. summons, complaint, notice of deposition, subpoena, etc.), whether served by a Marshal or received in the mail, must be immediately forwarded to legal counsel and to the Catholic Mutual Insurance Group. Documentation pertaining to probate court matters (Wills, Applications, Inventories, Accounts) should be forwarded to legal counsel. It is important to forward the documents upon receipt as the law provides a limited amount of time to file responses on behalf of the parish.
- j) **Require all parish employees and volunteers who use their own vehicles or use a parish owned vehicle in connection with parish business or who transport parishioners or children to complete the online Catholic Mutual Defensive Driving Course.**

15.3 - Recommended Practices

Recommended practices address facility and operational issues that bring unique risks to a parish. Detailed best practices pertaining to specific topics are available from Catholic Mutual, online and upon request, to assist parishes in reducing loss exposure. For example, information is available regarding:

- Healthcare
- Parish Festivals
- Parish Hall Rental/Facilities Usage
- Transportation/Vehicle Use and Safety
- Schools
- Workplace Safety
- Youth Ministry
- Volunteer Administration

Pastors are encouraged to contact Catholic Mutual to obtain additional information regarding recommended practices.

15.4 - Claim Reporting

Despite a parish's best efforts, incidents of loss or liability will occur. These incidents must be reported within 24 hours of occurrence to ensure coverage and to minimize loss.

- Property damage and personal injury claims (for non-employees) must be reported to Catholic Mutual Group. **See Appendix 28, Accident Report Form; Appendix 29, Parish Report of Property Damage.**
- Workers' Compensation claims, including all employee work-related injuries or illnesses, must be reported to the Archdiocese's third-party administrator for Workers' Compensation claims.

15.5 - Parish Events

Any event held on parish property exposes the parish to potential liability. Appropriate risk management information should be reviewed and implemented regarding parish events, including:

- Festivals - **Appendix 33; Appendix 34**
- Hall rental/use - **Appendix 31; Appendix 32**
- Bingo - **Appendix 35**

In addition to the documents in the appendix, specialized policies and guidelines are available for other types of events such as youth trips and mission trips/service projects. The parish should contact Catholic Mutual prior to an event to obtain guidance regarding the risk management and insurance requirements applicable to the activity and to ensure that the necessary safety considerations are followed.

The Event Chairperson, Pastor, and Business Manager should become familiar with the policies and recommendations for special events and ensure that they are followed. In addition, Catholic Mutual is available to assist parishes in managing the risk associated with their events.

15.6 - Special Events Insurance

Special events insurance (covering bodily injury, property damage, and where applicable, host liquor liability insurance) must be obtained whenever a parish allows an individual or organization to use its facilities for a non-parish-sponsored activity. The insurance offers liability protection to the stated third parties and should be required regardless of whether the group is paying to rent the facility or using it free of charge.

Catholic Mutual should be contacted for details regarding special events insurance and minimum coverage amounts.

15.7 - Service of Liquor

Any time liquor will be served or consumed at a parish event or parish facility a parish is required to observe all federal, state, and local laws and ordinances. This includes obtaining liquor licenses when required, adhering to regulations governing the sale of alcohol, prohibiting the distribution of alcohol to minors, and refusing service of alcohol to intoxicated persons.

Prior to holding an event at a parish where alcohol may be served, a parish must contact Catholic Mutual to obtain its guidance, policies, and the procedures to follow.

15.8 – Parish Maintained Inventories

Each parish must maintain two inventory lists. The first inventory list must describe the items that belong personally to the priest, that is signed by the priest, and the second inventory list must itemize parish property, including religious and sacred items. Inventory lists are necessary to facilitate insurance coverage and payment in the event of a loss. The inventory lists should be reviewed annually and updated as necessary. The Pastor should strongly consider documenting property with photographs in addition to a written list. Two copies of each inventory list should be kept, with one copy retained on file in the parish office, and the other copy kept in a separate off-site location in case of damage to the parish office.

Parishes are required to notify Catholic Mutual immediately of any changes that may impact insurance coverage, including the sale, lease, or purchase of property.

15.9 - Parish Exposure Summary

Catholic Mutual provides an annual Exposure Summary to each parish describing the insurance coverage in effect and the specific exposures covered. The Pastor should review this information for accuracy, ensuring that all parish buildings, including affiliated school and cemetery buildings, and vehicles are listed. If a building or vehicle is not included in the Exposure Summary, the parish should contact Catholic Mutual immediately and follow the instructions for updating the information on file, as failure to do so may result in lack of insurance coverage for some exposures. It is the responsibility of the Pastor to ensure that all parish assets and properties are represented on the Exposure Summary each year.

15.10 - Fleet Auto Policy

Parish-owned vehicles must be registered with Catholic Mutual for inclusion in the fleet auto policy. Pastors' personal vehicles are covered under a different policy and are not considered fleet autos. Priests cannot place their personally owned vehicles on the parish-owned fleet auto policy.

15.11 - Transportation Services

All agreements for transporting individuals, including students and groups, must be sent directly to Catholic Mutual for review and approval. Transportation contractors must maintain a minimum of \$10,000,000 (at the time of this Manual's publication) in combined primary and excess automobile liability insurance coverage per accident. The policy must name the parish corporation and The Hartford Roman Catholic Diocesan Corporation as additional insureds. The minimum insurance coverage amount may be increased from time to time.

15.12 - Certificates of Insurance, Indemnity Coverage, Waivers of Subrogation

At times, a parish may be asked by another party to provide a Certificate of Insurance. The parish should forward the request to Catholic Mutual which, after review, issues such certificates. If the request is related to a contractual obligation, the insurance, defense, hold harmless, and indemnification requirements set forth in the contract must be attached to the request. A Certificate of Insurance for a contract will not be issued unless the insurance, defense, indemnification and/or hold harmless provisions have been reviewed and approved by Catholic Mutual and legal counsel.

No parish may agree to defend, indemnify, and/or hold harmless any third party for that third party's acts of negligence. Contracts must indicate that each party will be responsible for its own acts of negligence. If a contract has language contrary to this policy and was signed without the approval of Catholic Mutual, then a Certificate of Insurance naming the outside third party as an additional insured will not be issued.

No parish should ever waive its rights of subrogation in any lease or contract.

CHAPTER 16 - Employee Benefits

16.1 - Basic Employee Benefit Overview

The Group Insurance Plans sponsored by The Hartford Roman Catholic Diocesan Corporation include a comprehensive program of Group Life, Health, Prescription Drug, Dental, and Disability coverage to eligible members of the clergy, religious brothers and sisters, and lay employees of parish and Church related corporations.

16.2 - Participation and Cost Sharing Requirements

Participation in any of the group plans is limited to individuals who are full-time employees of a parish, school, agency, or office in the Archdiocese of Hartford or are employed by an institution or agency properly listed in The Official Catholic Directory, which has adopted and participates in such group plans with the consent of the Archdiocese of Hartford.

Most plans require full-time exempt and non-exempt employees to work a minimum of 35 hours per week to be eligible to participate. The Affordable Care Act (ACA) requires that employers provide employees who work 30 hours or more¹ with medical and dental benefits. The employee cost sharing of the medical and dental programs depends on which plan is chosen: Premium, Preferred, or Practical. The percentage of cost sharing is determined annually and is available from the Human Resources Office.

16.3 - Discriminatory Practice

No parish, school, agency, or office of the Archdiocese of Hartford can deny any full-time employee the benefits offered under the Archdiocesan sponsored multi-employer employee benefit program. No parish, school, agency or office shall require any employee to pay a different cost sharing arrangement than what is specified under the employee benefit plan. Denial of coverage or differing cost sharing arrangements is discriminatory and can result in legal action and a loss of the pre-tax savings afforded to plan participants of the Archdiocese of Hartford sponsored plans. The parish corporation will bear the legal fees and costs associated with or arising out of a violation of this policy.

Non-paid personnel (except members of the religious), volunteers, and independent contractors are not eligible to participate in the Archdiocesan sponsored group plans. Benefit plans are subject to the terms, conditions, limitations, and exclusions of the plan contracts issued by the individual insurance carriers to the group. The Archdiocese of Hartford reserves the right to modify or discontinue any of the group plans at any time.

¹ The calculation for eligibility is performed by Paychex under the existing guidelines for “look back provisions” under the ACA law and regulations.

16.4 - Eligibility for Benefits

There are specific rules governing eligibility for the group plans. Eligibility rules may differ depending on the individual plan and classification of employee. Only eligible employees may participate in and receive benefits from these plans. Since the health benefit plan is self-funded, premiums paid by participating members provide the only pool of funds from which claims are paid to these members. Benefits paid to ineligible members increase the cost of providing benefits to eligible members and directly impact the cost of operating the plan. If it is determined that a participating entity has permitted an ineligible person to participate in the plan, the participating member will be required to fully reimburse the plan for any claims paid on behalf of the ineligible member. Please contact the Human Resources Office with eligibility questions.

16.5 - Summary of Coverage Overview

The following is a summary of the group benefit plans provided through the Archdiocese of Hartford sponsored plan. The descriptions of the coverage are summaries only and may be changed from time to time. Please contact the Human Resources Office for complete and current details.

- **Health coverage** – Health benefit coverage is provided through the Archdiocese of Hartford sponsored plan for members of the clergy and religious (unless special arrangements are made between the order or religious community) and the parish where they are assigned or serving, and for lay employees. Pursuant to the Affordable Care Act, lay employees who work at least 30 hours per week at an Archdiocesan parish are eligible for health coverage for themselves and their eligible dependents. The parish pays the full cost of coverage for members of the clergy and religious. Lay employees contribute to the cost of the health coverage elected.
- **Life insurance** - Non-contributory, basic life insurance is provided for full-time lay employees. The participating institution pays the full cost of coverage.
- **Accidental death and dismemberment insurance (AD&D)** – Non-contributory AD&D insurance is provided for lay employees.
- **Dental insurance** – Dental coverage is provided for members of the clergy and religious who are assigned or serving at an Archdiocesan parish. The parish pays the full cost of coverage for members of the clergy and religious. Pursuant to the Affordable Care Act, dental benefits are also available to lay employees who work at least 30 hours per week, similar to medical coverage. Lay employees contribute to the cost of dental insurance.
- **Long-term disability** – This non-contributory benefit is provided for eligible lay employees by the parish. It provides partial long-term income when an employee is unable to perform his/her job. The monthly income benefit is offset by Social Security disability benefits, pension benefits, and other income benefits, if any, and is subject to income taxation.

16.6 – Retirement Plans

- A. The Archdiocesan Pension Plan, a defined benefit plan, was frozen as to new employees, effective December 31, 2019. It is a church plan and is not subject to The Employee Retirement Income Security Act of 1974 (ERISA).

Contribution: The Pension Plan is non-contributory, meaning that the parish pays the entire cost.

The parish's annual cost is determined by the Pension Plan's actuarial calculation of the contribution needed to fund assets and liabilities as of January 1st. Each year, the Plan's actuaries arrive at a cost to be paid by participating employers on a per capita basis based on the future plan benefits required to be paid.

Annual Benefit Statements: Once the annual cost has been determined, benefit statements are produced for all participants and sent to each participant. The statements display the pension benefit a participant has already accrued, and a projection of the pension benefits at retirement.

- B. Section 403(b) Plan: The Archdiocese has sponsored a defined contribution plan for the benefit of employees of parishes, schools, and affiliates. The plan has various employer matching contributions based upon employee age and years of service. The Archdiocesan Human Resources Office can provide further details and assistance.

16.7 - Terminations, Retirements, Deaths

Any termination, retirement, or death of an employee must be reported in writing to the Human Resources Office. The employee's name, last day worked, and home address must be provided to that office. The Human Resources Office will then notify the employee or spouse of available pension benefits, if any.

CHAPTER 17 - Archdiocesan Annual Appeal, Collections, and Parish Assessments

17.1 - The Archbishop's Annual Appeal (AAA)

Each spring, the Archdiocese conducts the Archbishop's Annual Appeal to raise funds for the support of Archdiocesan programs, including Catholic education and the Mission Office. Through the Archbishop's Annual Appeal, the Catholic community participates in a united effort to respond to the gospel challenge of Jesus Christ to love one another by reflecting on God's blessings in our lives and sharing them for educational, pastoral, and charitable programs and ministries throughout the Archdiocese of Hartford. It is the most important source of funding for Archdiocesan programs and services, and gives parishes the opportunity to practice stewardship beyond their own parish boundaries.

Pastors have a responsibility to actively support the Appeal and to diligently solicit pledges and the payment of pledges for the campaign. Pastors should support the Appeal with bulletin announcements, bulletin inserts, intercessions, and pulpit announcements throughout the Appeal campaign, as outlined in the literature provided to the parish by the Archdiocese's Development Office and the Archbishop's Annual Appeal representatives.

In order to accomplish the work of the local church in the Archdiocese, the Annual Archbishop's Appeal and the parish assessment, jointly, help fund many ministries and social service agencies such as Catholic Charities, Malta Vans, and other affiliated church organizations

17.2 - Archdiocesan Collections

The Archdiocese periodically specifies collections to be taken up at parishes for particular purposes, such as Catholic Relief Services or the Retired Religious. Parishes should distribute separate envelopes to parishioners for Archdiocesan collections and conduct a second collection on the assigned weekend. The second collection must be separately counted and recorded by the count team. In addition, donations received in the designated envelopes before or after the assigned weekend must be included in the total for the Archdiocesan collection. Once all the funds for an Archdiocesan collection have been received, counted, deposited, and recorded, the parish bookkeeper should promptly prepare a check for the Pastor's approval and signature for the total amount of the Archdiocesan collection and remit the funds to the Archdiocese's Finance Office.

The standard Archdiocesan collections that occur annually are set forth in **Appendix 7, Archdiocesan Collections**. Archdiocesan collections are not parish revenues, as the parish is collecting the funds on behalf of another organization, and therefore, the funds collected are exempt from the Archdiocese's assessment. No parish may assess an administration fee in the efforts of collecting such national collection proceeds.

17.3 - Parish Assessments - Cathedraticum

Policy

The Archdiocese of Hartford provides pastoral and temporal services for people, parishes, and institutions in the Archdiocese, and represents the Faithful in the Archdiocese in the worldwide church.

Funding to help support the work of the Archdiocese is primarily provided through an assessment that is paid by each parish. The Code of Canon Law, Canon 1263, provides that “after the Archdiocesan Bishop has heard the Finance Council and the Presbyteral Council, he has the right to impose a moderate tax for the needs of the Archdiocese.” This Canon further states that the **assessment** is to be proportionate to income. The assessment rate in the Archdiocese of Hartford is based upon the following items of parish income:

- ✓ Total offertory income including one-time annual parish collections
- ✓ Value of gifts, bequests, and donations
- ✓ Miscellaneous income

These three line items are **assessed** at these marginal **assessment** rates:

If taxable is:					
Over	But not over	Tax is;	Of the amount over--	Maximum tax of the range	Total Marginal Tax
\$0	\$250,000	6%	\$0	\$ 15,000	\$ 15,000
\$250,000	\$500,000	\$15,000 + 9%	\$250,000	\$ 22,500	\$ 37,500
\$500,000	\$750,000	\$37,500 + 13%	\$500,000	\$ 32,500	\$ 70,000
\$750,000	\$1,000,000	\$70,000 + 18%	\$750,000	\$ 45,000	\$115,000
\$1,000,000	\$2,000,000	\$115,000 + 20%	\$1,000,000	\$200,000	\$315,000
\$2,000,000	unlimited	10%	\$2,000,000		

School Tax Credit:

- A 20% credit against the parish assessment owed is available for parishes that have schools that subsidize the school from their parish treasury. The credit calculation cap is \$100,000 of actual parish cash used to subsidize their school, resulting in a maximum **assessment** credit available of \$20,000.

Remittance

- Each parish is expected to remit to the Archdiocese 50% of its assessment on February 15th of each year for the preceding year. The remainder is billed in equal installments over nine months beginning on April 1st of each year.
- A 5% discount may be applied against the amounts due by the parish if the parish pays the entire assessment amount on or before February 15th with accompanying complete financial reports.

Cathedraticum - Process and Procedure

As noted in the Cathedraticum policy, the assessment is based upon three items of parish revenues applied to the marginal **assessment** rates to calculate the Cathedraticum due. If applicable, the assessment may be reduced by a maximum credit of \$20,000, based on the amount of parish paid school subsidy up to \$100,000 x 20%.

Examples of Parish Cathedraticum **Assessment** Calculation

Parish A has \$500,000 of offertory, gifts, bequests, donations and miscellaneous income combined and no school.

If taxable is:					
Over	But not over	Tax is;	Of the amount over--	Maximum tax of the range	
\$0	\$250,000	6%	\$0	\$15,000	
\$250,000	\$500,000	\$15,000 + 9%	\$250,000	\$22,500	
Total tax due				\$37,500	

Each \$250,000 of taxable income is **taxed** at the marginal rate of 6% + 9% with limits at each \$250,000 added to calculate the tax due.

Parish B has \$1,200,000 of offertory, gifts, bequests, donations and miscellaneous income combined and has a school that it subsidizes for \$100,000.

If taxable is:					
Over	But not over	Tax is;	Of the amount over--	Maximum tax of the range	
\$0	\$250,000	6%	\$0	\$15,000	
\$250,000	\$500,000	\$15,000 + 9%	\$250,000	\$22,500	
\$500,000	\$750,000	\$37,500 + 13%	\$500,000	\$32,500	

\$750,000	\$1,000,000	\$70,000 + 18%	\$750,000	\$45,000	
\$1,000,000	\$2,000,000	\$115,000 + 20%	\$1,000,000	\$40,000	
\$2,000,000		Flat rate 10%			
Total Tax				\$155,000	
School tax Credit				<u>\$ 20,000</u>	
Total tax due				\$135,000	

Purpose of and Use of the Parish Assessment

Globally, the Archdiocese of Hartford is part of the universal Church, and is asked to remit Archdiocesan resources to several organizations on a per capita basis. The Archdiocese supports the work of the Bishops in the United States through the work of the United States Conference of Catholic Bishops. The Connecticut Catholic Conference represents the Catholic Church on public matters throughout the state, such as the receipt of government funding for education, including technology, security, and school nursing services for students enrolled in our Catholic schools. Each diocese throughout the world is asked to support the work of the Holy Father in his ministry. Funds are requested by the Holy Father to demonstrate our fraternal support for the work he undertakes to meet the needs of the Church on a global basis. Funding is provided by the Archdiocese of Hartford to these various state, national, and global ministries. The foregoing do not include national collections taken up in parishes annually.

On a local level, the Archdiocese serves people, parishes, and institutions in temporal and pastoral matters largely by administering and funding the Archbishop's ministries that are best accomplished at the Archdiocesan level, ministries that the parishes cannot do on their own, and ministries that complement all the work that is done at the parishes and other institutions. These Archdiocesan ministries include the works of the Vicar for Clergy, the Office of Catholic Education and Faith Formation, and the Office of Parish Life, as well as offices at the Pastoral Center, the Chancery, and the Archives. Both the Annual Appeal and Parish assessments specifically help support the following:

1. Formation of priests, deacons, and pastoral ministers
2. Vocations and continuing education for clergy, religious, and lay ministers
3. Care and services for clergy and religious, including senior and infirm priests
4. Administration of and resources for Catholic schools, including the ongoing development and training related to the religious education curriculum
5. Catechetical services for religious education and adult faith formation
6. Campus ministry at the universities located in the three counties of the Archdiocese
7. Ethnic ministries, special apostolates, and evangelization
8. Parish life
9. Ministries for the disadvantaged, the poor, immigrants (including targeted nationality-based services), and the incarcerated

10. Maintenance of Archdiocesan archives
11. Operation of the Diocesan Tribunal
12. Cathedral support and Archdiocesan liturgies
13. Worship
14. Consultation on the maintenance of Parish and Diocesan facilities
15. Development for these and many other ministries

Other services provided by the Archdiocese that relate to temporal matters and the basic administration of the Archdiocese are accomplished through the Finance Office, Human Resources office, legal counsel, and the Central Service Offices (such as clergy personnel management, communications and media relations, and Archdiocesan benefits and insurance). Official canonical duties and responsibilities of the Archbishop's Office, the Chancery Offices, and the Program for the Safety of Children ("VIRTUS") are supported by these funds. Although a specific parish or institution may not use all of the services that the Archdiocesan Offices provide, the services of these offices are used frequently in most parishes in the Archdiocese.

In all cases, the resources provided by the parish assessments are carefully used to further the mission of the Church. These resources are under the discipline of an annual budget process, an annual independent audit, and the advice and oversight of the Archbishop's Finance Council.

The following items *are excluded* from the calculation of assessable revenue:

- Archdiocesan collections (*see Section 4.2.2 and Section 17.2*)
- Parish capital campaign contributions and other fundraising income - only if the capital campaign or fundraising event is approved in writing by the Archbishop
- Program revenues associated with direct program expenses in which revenues are offset by expenses (e.g. food banks, scholarship funds)
- Religious Education Fees
- Rental Income
- Mass offerings/Stipends (*see Section 4.4 and Section 4.6.1*)

Parishes are expected to record income consistent with the intent of the Archdiocesan assessment policy. If there are any sources of assessable revenue not covered by the exclusions, it must be reported as assessable miscellaneous revenue.

17.4 - Parish Gifts, Bequests

Parishes are strongly advised to develop a plan to increase long-term income potential and regular free-will offerings to support ongoing parish expenses. In connection with this goal, parishioners should be informed and educated regarding opportunities for planned giving, including tax-advantaged gifts and bequests. The Archdiocese's Development Office is available to assist Pastors in promoting planned giving and to provide further information regarding specific types of planned gifts.

The consent of the Archbishop and the approval of the corporate Members of the parish corporation are required before a parish accepts by gift or devise, in trust or otherwise, any real property or interest in real property. The Archbishop's written consent is further required prior to accepting by gift or bequest any money or other personal property that is subject to a trust or any other restriction or condition.

Pastors should thoroughly document and retain notes of all conversations with potential donors regarding bequests or intentions to remember the parish in a Will as the documentation is often helpful when settling estates in probate court.

Probate court rules require the named executor of a Will to forward a copy of the Will to all beneficiaries. When a Pastor is notified that the parish has been named in a Will, the Pastor should immediately inform legal counsel and forward counsel a copy of the Will for review. The purpose of that review is to identify restrictions that may not be feasible (e.g. Mass intentions in perpetuity) with the goal of addressing those restrictions during the estate administration process).

All bequests, donations, and gifts, or the value thereof, are assessable under the parish assessment calculation regardless of the restricted nature of the bequest or gift.

CHAPTER 18 - Census Data

18.1 - Census Data Integrity

It is essential for a parish to compile accurate and complete census data in order to communicate effectively with parishioners and to maintain a strategic financial plan. Census data for all parishioners should be periodically reviewed and updated as necessary. In addition, census cards should be completed by new parishioners when registering with a parish.

Census data must be updated to reflect various events, including the following:

- Births
- Baptisms
- Weddings
- Deaths/Funerals
- First Holy Communion
- Confirmation
- Changes to parishioner household members
- Change of address or phone number
- Enrollment in the parish school
- Enrollment in the religious education program
- October count

In an effort to maintain accurate data, Pastors are encouraged to contact parishioners annually, via mail or e-mail, to confirm the information maintained on file by the parish (e.g. address, e-mail address, phone number, parishioner status, household members). It is also recommended that parishes periodically provide a change of information form in the bulletin or on the parish website, and to issue reminder notices to parishioners to verify information through the parish bulletin or directly through e-mail.

Parishes must conduct a census at least once every ten years to maintain the integrity of parishioner information. If a parish does not have formal procedures in place to update parishioner information on a regular basis, a census is recommended every 5-7 years. When conducting a census, parishes should proceed as follows:

1. The first step should be an “in-pew census” - Census cards are placed in the pew and parishioners are asked to complete and return them in the offertory basket, in a collection basket at the back of the church, or to the parish office.
2. The response date should be noted on each returned census card to establish when the information was last updated by the parishioner.
3. The information on file should be verified and updated to reflect any new information from the census cards, and the date of the verification/updates noted.

4. Following the “in-pew census,” census cards should be mailed to all parishioners who did not respond, with a letter from the Pastor explaining the importance of the census and the need for a prompt response.
5. As an alternative to the “in-pew census,” blank census cards may be placed in envelopes addressed to the parishioners, filed alphabetically, and left at the back of the church or in the parish hall. Any envelopes that are not picked-up by parishioners should be mailed.
6. The response date should be noted on each census card returned after the mailing to establish when the information was last updated by the parishioner.
7. The information on file should be verified and updated to reflect any new information from the census cards and the date of the verification/updates noted.
8. A list of the parishioners who did not respond to the “in-pew census”, “blank-card census” or mailing should be generated. In addition, a committee of parishioners should be formed to review the list and identify any individuals known to have left the parish or known to attend Mass or participate in activities (“Census Committee”).
9. Those individuals who are known by the Census Committee to have left the parish should be removed from the parishioner list. Those individuals known by the Census Committee to participate in parish life should be marked as “active” and the date of the update noted. All remaining individuals should be marked as “inactive” (these individuals should not have a current “last update” date).
10. The Census Committee should review the list of “inactive” members and determine whether any inactive members should be removed from the parishioner list. *See Section 18.3, Parishioner Status.*

18.2 - Census Data Management/Backups

Census data is the cornerstone of a parish’s administrative relationship with parishioners. Census data must be stored electronically, using the Parish Data Management System, and must be password protected to maintain confidentiality. A full back-up of census data must be performed at least weekly. Parishes are advised to use more than one method to backup data (e.g. secure cloud service/online backup service, external hard drive). Backups should be stored in a secure location. Periodically, each backup method should be checked to verify that the backup procedure is working effectively, and the data is up-to-date and accessible.

18.3 - Parishioner Status

Parishioners must be categorized as “active” or “inactive” on the parishioner list. A parishioner who attends Mass is considered active, even if the parishioner does not use offertory envelopes or is not involved in parish activities. The inactive status is reserved for parishioners who have no known involvement with parish life and have not responded to requests for updated information.

Parishioner lists should be reviewed on an annual basis and changes in status, additions, and deletions made as appropriate. The Pastor may consider establishing a Census Committee to review the parishioner list to ensure that parishioners are not deleted in error or incorrectly classified as inactive. Unless a parishioner has notified the parish that he or she is no longer a member or it is otherwise known by the parish that a parishioner is no longer a member, individuals should be kept on the parishioner list and categorized as inactive for a few years before deletion to ensure that the parishioner has actually left the parish.

18.4 - October Count

During every Vigil and Sunday Mass in October, the parish must count the number of people who attend the Mass. The average count must be forwarded to the Chancellor's office by November 15th.

CHAPTER 19 - Schools

19.1 - Legal Status

Parish schools are an integral component of the parish mission. A parish school is legally a part of the parish corporation, falls under the governance of the parish, and shares the parish's federal tax identification number. Only schools that are sponsored by two or more parishes or that are separately incorporated should have their own tax identification numbers.

The basic principles of effective financial management outlined in this manual apply equally to schools, and schools are expected to adhere to the policies and procedures set forth in this manual. Additionally, the Office of Catholic Education and Faith Formation has also prepared manuals for reference in carrying out school policies and operations.

19.2 - School Support

A school is a mission of the parish and must be supported by that parish. A parish without a school is assessed \$250 for each child from that parish who attends a different parish's school. That assessment per child is paid directly to the parish operating the school.

19.3 - Fiscal Year

The accounting year for all parishes begins on January 1 and ends on December 31 (a calendar year); however, the accounting year for a parish school begins on July 1 and ends on June 30. As a result, the financial records for both schools and parishes should be reviewed and consolidated at the end of December and at the end of June to ensure that all transactions between them have been properly recorded.

19.4 - Budgets

With the assistance of the School Board and the Parish Finance Council, each of which is advisory, the Pastor and school Principal must work together to prepare the school budget. Guidance on certain expenses, such as employee benefits, is provided each year in the parish budget packet issued by the Archdiocese's Finance Office. Tuition rates are established locally by the Pastor and Principal and are ultimately approved by the Pastor. The final school budget for the upcoming school fiscal year beginning July 1 is due March 1st of each year and must be approved by the Pastor, after consultation with the parish Finance Council, the local school board and its finance committee, and by the Office of Catholic Education and Faith Formation. On October 1, after final enrollment counts, an adjusted final school budget must be reviewed by the School Finance Committee, approved by the Pastor, and sent to the Director of School Finance at the Office of Education and Faith Formation.

When the parish is preparing its annual budget in November and December, the school must provide the Pastor with a monthly projection of support needed for the upcoming calendar year. As a result, the quarterly school cash flow projections should be prepared and reviewed alongside

the school budget. This planning is essential to ensure that the necessary support for the school will be available. In addition, the school must include the monthly parish support income in its budget, and this parish support income must be consistent with the monthly expense budgeted by the parish for school support.

The school budget submission includes the following components, which are required to be submitted to the Director of School Finance at the Office of Catholic Education and Faith Formation by the stipulated due date.

- 1) Final Budget Template (due March 1) or Adjusted Final Budget Template (due October 1st) available on the Office of Education and Faith Formation portal for download.
- 2) Budget signature page, signed by the Pastor(s), Principal, School Board Chair, preparer of the budget, and the two parish corporate lay Members/Trustees.
- 3) The year end Compilation (due October 1st)
- 4) An Income and Expense Budget vs. Actual printed from QuickBooks
- 5) A Balance Sheet printed from QuickBooks.

19.5 - School Financial Reporting Requirements

The annual school financial report, known as a Compilation, is required to be submitted to the Office of Catholic Education and Faith Formation by October 1 of each year (three months after the end of the school year). The compilation report should present information for the school year just ended and the previous school year (a comparative two-year report). Additional information and guidance regarding the Compilation and other required financial reports may be obtained from the Director of School Finance.

A quarterly cash flow projection report and accompanying QuickBooks accountant's copy or backup must also be submitted to the Director of School Finance. The first cash flow projection submission for the current school year is due on October 31st, with quarterly reports due every quarter thereafter through the final report due July 31st

Copies of all school financial reports must be provided to the Pastor, and to the parish Finance Council.

19.6 - Bank Accounts

Each school must have a checking account for operations and a savings account for prepaid tuition. In addition, restricted funds, such as scholarships, should be kept in a separate bank account. The Pastor must be the primary signatory on these accounts. The Archbishop, as President of the parish corporation, or the designated Vicar General may be added as an alternate signatory for emergency situations. Debit cards are not allowed for use in either parish or school operations.

Schools may have a second checking account, the Principal's account, for small, immediate disbursements. This account must maintain a balance of no more than \$2,500 and should be funded from the school operating account by check when replenishment is necessary. The school Principal is the second signatory on this checking account.

Parish and school funds must not be commingled. The school should fund all its expenses (including payroll) from its operating account, and parish financial support should be limited to checks transferring money from the parish operating account to the school operating account.

19.7 - QuickBooks

Schools must use QuickBooks accounting software for bookkeeping and a tuition management system ("TMS") such as SMART or FACTS for billing and collection of tuition and other school-related transactions. School financial transactions must be recorded in a separate QuickBooks company file, segregated from parish transactions. The TMS should be reconciled to QuickBooks to ensure financial record accuracy and integrity.

19.8 - Cash Flow Management

School operating disbursements are primarily stable each month, as salaries and benefits comprise a majority of the expenses. In contrast, income is cyclical. To avoid cash shortages, schools must plan ahead and manage receipts and expenditures carefully by analysis of the cash flow projection report and by review of the monthly reconciled school bank account balances.

19.9 - Tuition

19.9.1 Tuition

Tuition represents the school's primary source of income and must be managed effectively. The school may use FACTS or SMART tuition management services as a subsidiary ledger. The school must reconcile tuition management statements to the school's tuition receivable account, and manage outstanding and delinquent balances. A detailed tuition record in the tuition management system must be maintained for every student, including students receiving full scholarships. Tuition is to be recorded gross with any reductions such as scholarships or waivers recorded separately as offsets.

Procedures for safeguarding and recording receipts, similar to those outlined for offertory, must be followed for tuition payments (See Section 4.2). Documentation must be retained for each deposit, itemizing by student the amounts paid, with the total matching the bank deposit. Three-part receipts must be issued for cash payments, and no one should be alone with the cash at any time. At the end of each month, a list of outstanding tuition should be printed which must equal the Accounts Receivable balance on the balance sheet. Monthly, the Principal should review the list of delinquent accounts with the Pastor and ensure that collection efforts are being undertaken in accordance with school policy. Uncollectible balances should be identified as soon as possible

and written off as either bad debt or unfunded financial aid, to ensure that the school's cash flow figures are accurate.

Tuition rates are established by the Pastor, after consultation with the Principal, School Board, and School Finance Committee. Deductions for parishioner status, multi-student families, or other discounts should be recorded as reductions of the gross tuition rate and classified in the financial records as reductions from revenue. Financial aid awards should also be recorded as deductions from billed tuition, for each type of financial aid, the Pastor should receive a list, showing both the total amount of financial aid and the aid itemized by student, for review and approval. Schools must have a written tuition assistance policy and must have a fully executed tuition contract in place for every student each year.

19.9.2 Delinquent Tuition

Every school must have a written policy regarding delinquent tuition. Parishes may take legal action to recover funds owed.

19.9.3 Tuition vs. Donation

Tuition payments are not tax-deductible charitable contributions.

Any attempt to link tuition payments to parish financial contributions jeopardizes the deductibility of contributions and may result in serious consequences to the parish and its parishioners.

19.10 - Employees

19.10.1 Background Checks

All school employees and volunteers must undergo a criminal background check (*see **Appendix 30, Background Check Notification and Authorization***) prior to being hired and must complete sexual abuse awareness training (VIRTUS) within six months of being hired.

19.10.2 Job Descriptions

All positions in the school must have a written job description outlining the qualifications, duties, and responsibilities of the position. All employees must receive a copy of their job description and acknowledge receipt of the job description in writing. A signed copy of the job description must be kept in the employee's personnel file.

19.10.3 Employee Files

Requirements for recordkeeping and employee files are set forth in Section 6.7 hereof.

19.10.4 Benefits

School teachers receive the same benefits that Archdiocesan employees receive even though school is in session for only ten months each year, based upon the annual teacher contract. Current benefit information may be obtained from the Human Resources Office at the Archdiocese. Other school employees (who are not teachers) must work at least 30 hours per week based on a calendar year to be eligible for medical and dental benefits, and must work at least 35 hours per week to receive life, disability, and retirement benefits.

19.10.5 Personnel Policies

The Pastor is responsible for hiring and firing principals and all other school employees. The Pastor **must** consult with the Archdiocesan Vicar for the Office of Catholic Schools and Faith Formation and the Superintendent of Catholic Schools **before** taking any disciplinary action involving a principal. The Pastor must also consult with Catholic Mutual and its designated employment attorney and with the Superintendent of Catholic Schools prior to suspending or terminating the employment of any school employee.

19.11 - Fundraising

Fundraising events for schools must be conducted in accordance with the cash management practices outlined for schools and parishes, including: (1) collecting cash using procedures to secure the money and to protect employees and volunteers from suspicion of misappropriation, and (2) counting cash using procedures similar to those required for offertory collections, including the use of pre-numbered, tamper-evident bags as described in **Appendices 7, 8, and 9**. Fundraising receipts should be deposited directly into the school operating account. Expenses should be paid only by check from the school operating account, not from cash proceeds. Reimbursements for expenditures must be documented with receipts.

The event chairperson must provide the Pastor and school Principal with a written financial report within 30 days after the fundraising event. *See* **Appendix 12**.

CHAPTER 20 - Parish Cemeteries

20.1 - Legal Status

A parish cemetery is a mission of the parish, falls under the governance of the parish corporation, and shares the parish federal tax identification number. It is not a separate legal entity.

The basic principles of effective financial management outlined in this manual apply equally to cemeteries, and cemeteries are expected to adhere to all of the policies and procedures set forth in this manual.

20.2 - Budgets

A parish must prepare an annual budget and annual maintenance plan for its cemetery. The cemetery budget and maintenance plan should be prepared at the same time as the parish budget and submitted for approval with the parish budget.

20.3 - Contracts

The parish should utilize a contract in connection with the sale of burial rights. The contract should identify the parish by its legal corporate name and should establish a portion of the fee for the right of burial (about 50%) and a portion for perpetual care (also known as endowed care) (about 50%). In addition, the contract should specifically include a provision indicating that the purchaser of the burial rights, for himself and his heirs and assigns, agrees to adhere to the cemetery's rules and regulations as then existing and as thereafter amended or restated.

20.4 - Perpetual Care Fund

The State of Connecticut has enacted specific laws pertaining to cemeteries, including laws regarding the segregation and utilization of perpetual care funds. The corpus or principal of a perpetual care fund is restricted and cannot be spent; however, the annual income earned from the perpetual care fund may be determined as of December 31 of the year and used during the following year for the care and maintenance of the cemetery. If income is not used in a particular year, the income becomes part of the corpus of the perpetual care fund and cannot be withdrawn in the future unless reserved for a specific project. Withdrawals from a perpetual care fund in any year cannot exceed the amount of income earned by the fund that year.

Approximately fifty percent of the amount received from the sale of each cemetery plot should be deposited into a perpetual care fund for the maintenance of the cemetery. The interest income from this account is to be used solely for cemetery maintenance, and the principal must be kept intact to ensure that the cemetery will be properly maintained, even after the cemetery is full and there are no new burials. Therefore, a perpetual care fee of fifty percent should be part of the sales price (and specifically invoiced) when burial rights are purchased.

20.5 - Bank Accounts

Parishes with cemeteries must maintain two separate bank accounts for their cemeteries: a general checking account for operations and an investment account for perpetual care funds. A third account for reserve funds is optional.

Parishes with cemeteries must not commingle general, perpetual care, and reserve funds. Funds cannot be transferred from perpetual care accounts to either the general or reserve fund, except that the annual net income from the perpetual care fund may be deposited into the cemetery operating account for annual care and maintenance. Similarly, parish and cemetery funds must not be commingled, and the parish should not borrow from cemetery funds.

All safeguards and controls for parish and school bank accounts apply to cemetery bank accounts. In addition, there should be a separation of duties so those employees who sell burial rights do not also handle the collection or deposit of funds.

20.6 - Investment Guidelines

A parish must prudently invest the assets in its perpetual care fund or it may participate in the Archdiocesan Endowed Care Fund. The Endowed Care Fund is a pooled investment fund sponsored by the Archdiocese that provides a larger investment base and helps maximize return on a parish's perpetual care assets. When perpetual care funds are invested, the account title must clearly indicate that the parish is the account owner and that the account is a perpetual care fund.

20.7 - Financial Reporting Requirements

Separate financial reports (**Appendix 24**) are required for cemeteries and must be submitted to the Archdiocese with the parish's annual reporting package. The reports must include separate balance sheets and income statements for the general, perpetual care, and reserve funds.

In addition, a Perpetual Care Committee, comprised of the Pastor and at least two persons from the Parish Finance Council, must conduct an annual review of the Perpetual Care Fund to ensure proper investment of the assets for the benefit and future maintenance of the cemetery.

20.8 - Chart of Accounts

The Standard Chart of Accounts to be used for cemetery operations is set forth in **Appendix 36**.

CHAPTER 21 - Contracts

Parishes regularly enter into contracts of varying dollar amounts with a variety of companies and individuals for goods and services. Often, these contracts are drafted by the entity contracting with the parish. As a result, such contracts contain provisions that benefit the contractor or vendor rather than the parish. While the dollar amount stated in a contract may appear to be insignificant, the terms of a contract can create substantial liability and problems for the parish that far exceed the contract price. Therefore, contracts should be reviewed by legal counsel prior to execution. Counsel will identify provisions that may be problematic or unfavorable to the parish and may recommend changes to the contract that would benefit the parish. Parishes should allow adequate time prior to the contract commencement date for legal review and follow-up as necessary.

21.1 - Contract Required

All agreements entered into by the parish for goods and services require a written contract that is either drafted or reviewed by legal counsel. The contract must identify the parish by its legal corporate name. If a contractor is performing construction work for a parish, an invoice or quote for the work to be performed is insufficient to serve as a contract and must be supplemented with a contract. All contracts must be signed by the Pastor. A fully executed copy of each contract must be kept on file in the parish office.

The Pastor must consult with the parish lay Members/Trustees and the parish Finance Council prior to entering into a contract equaling or exceeding \$5,000 and must obtain the Archbishop's permission prior to entering into a contract equaling or exceeding \$25,000.

21.2 - Due Diligence

While legal counsel will review the legal aspects of the contract, the parish is responsible for consulting with a person or company holding specialized knowledge regarding the subject matter of the contract (e.g. engineer, architect, or contractor when entering into construction related contracts) to review the technical aspects of the contract. It is also highly recommended that the parish perform a reference check of the contractor before entering into any contract.

21.3 - Written Permission from Archbishop Required

Written permission from the Archbishop is required prior to executing any contract:

- for the lease, sale, purchase, conveyance, acceptance or disposition of any real property or interest therein, regardless of the dollar amount; or
- when the contract payment is for \$25,000 or more; or
- when the parish will incur debt, regardless of the amount.

See complete list, **Appendix 1**.

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21.4 – Insurance Requirements and Contract Payment Provisions for Construction Contracts

When entering into a construction, renovation, or remodeling contract, Catholic Mutual requires certain language regarding insurance and subrogation to be incorporated into the contract, either in the body of the contract itself or by way of an addendum. (See **Appendix 27, Insurance Addendum to Construction Contract**, for sample language required by Catholic Mutual.) Further, when entering into construction contracts, it is recommended that a nominal amount be paid as a deposit and that no more than 25% of the contract price (including the deposit, if any) be paid at the time work commences. Final contract payment should consist of 33% to 50% of the full contract price and should be paid only after the work is completed to the parish's satisfaction, all warranties have been delivered to the parish, and all governmental inspections have occurred and a Certificate of Occupancy, if needed, has been issued.

21.5 – General Contract Provisions

- Contracts (e.g. service contracts, publication contracts, etc.) should be limited in duration, preferably to no more than three years, but certainly for no more than five years.
- Automatic renewal provisions should be deleted prior to contract execution.
- The parish Pastor should not agree personally to guarantee performance and should delete guaranty provisions from the contract prior to execution.
- The parish Pastor is the only person authorized to sign contracts for the parish.

CHAPTER 22 - Gaming, SCRIP, and Other Fundraising Activities

22.1 - Charitable Games

Many parishes use charitable games to raise money and provide volunteer and fellowship opportunities to their parishioners. These “games of chance” include bingo, bazaars, and raffles. Under Connecticut state law, each municipality is responsible for the permitting and enforcement of all bingo games, bazaars, and raffles taking place in their town. The Commissioner of Consumer Protection is the permit-issuing authority for sealed ticket activities. The Department of Consumer Protection (DCP) website includes links to the application forms, instructions, and reports required to be filed for various charitable games (bingo, bazaar, raffle forms, sealed tickets). If your parish is considering any charitable gaming activity, the first step should be to review the charitable games page on the Connecticut Department of Consumer Protection Charitable Gaming website. This website provides a wealth of information regarding charitable gaming requirements, as well as answers to frequently asked questions.

The Pastor must maintain ultimate oversight over any charitable gaming activity. Volunteers running charitable games must be members in good standing of the sponsoring organization for at least six months and must apply for and obtain a Personal Identification Number (PIN) from the DCP. In addition, separate bank accounts are required for charitable games, and the Pastor must be one of the account signatories. Therefore, the Pastor must also apply for and receive a PIN from the DCP. Parishes and schools must keep close track of charitable gaming funds and follow the regulations to the letter in terms of who is permitted to have access to the accounts.

22.2 - Bingo

Any organization wishing to conduct bingo must obtain the appropriate bingo application (there are several types of permits) from the DCP or town police and must submit the application to the town police (please note that not all towns permit bingo).

A parish conducting bingo needs a reliable group of responsible volunteers and one person designated as the Member in Charge. The Member in Charge supervises the entire program and is a signatory on the bingo account(s), along with the Pastor. The Member in Charge must be present on site for every session, although he or she may occasionally appoint a substitute. Any change to the program, such as the days and hours of operation, and changes to the volunteers operating the program, must be reported to the town by way of an “amendment” to the permit. The bingo crew cannot be paid, although they may hire a bookkeeper or accountant.

All proceeds must be placed in a special bingo account (segregated from other Parish funds) from which only very specific disbursements are permitted. Returns are due to the municipality ten days after each session with 5% of the net profit paid to the municipality.

22.3 - Sealed Tickets

This is a pull- or scratch-ticket game with prizes that can be offered at bingo, or in connection with a bazaar or a social function or event. A sealed ticket permit issued by the DCP is required. Volunteers must be qualified by DCP. A special “sealed ticket bank account” is required and must be maintained in accordance with state regulations. Any changes to the schedule, including a temporary suspension of sales, must be reported to the DCP.

22.4 - Bazaars

Bazaars are fundraising events featuring games of chance with prizes and raffles that involve prizes awarded by chance. The application for a permit must be filed with the municipality at least 15 days before the event (this period may vary by town). Any changes to the event must be reported to the municipality by way of an amendment to the permit. A verified statement that includes gross receipts, expenses, net profit, and prizes awarded must be filed with the municipality at the end of the next succeeding month after the bazaar.

22.5 - Raffles

Raffle permits are issued to qualifying non-profit organizations wishing to run a raffle in the parish’s town. There are various classes of raffle permits based on factors such as length of time tickets will be sold and the aggregate value of prizes to be awarded. The application fees differ for each raffle permit type. Examples of raffles are cash prizes, duck races, cow chips. If total prizes exceed \$7,500, the municipality shall investigate the qualifications of the organization and verify the facts on the application.

22.6 - Scrip

Scrip programs raise money through rebates from retailers in the form of discounts off the face value of gift cards. In the simplest version, the purchaser pays face value for the card and the organization retains the rebates. In some cases, the purchaser has the option of paying the discounted price or paying face value and directing the rebate back to the organization as a charitable contribution. This requires a signed agreement between the organization and the scrip purchaser. Another way to use scrip is for the rebate to be shared with the purchaser as a credit for tuition, again using a signed agreement (tuition credits are not tax deductible). A parish or school using anything other than the simplest version (i.e. scrip purchaser pays face value with no contribution or credit) should consult with legal counsel to make sure proper agreements are in place and acknowledgment letters issued.

Scrip cards are valuable and should be treated like cash. Procedures similar to those outlined in Chapters 3 and 4 hereof for safeguarding receipts must be followed for scrip. Scrip must be kept in a secure location. Sales must be recorded and reconciled with inventory on hand and any discrepancy reported immediately to the Pastor. The individual performing the reconciliation should not be involved with the Scrip sales.

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Scrip programs may result in taxable unrelated business income to a parish or school if not properly structured and conducted. As a result, Scrip programs **must** be conducted by volunteers, not paid staff. Compensated individuals such as school or church secretaries can be involved only minimally, providing no more than 10% of the time required to operate the program. Individuals involved with the Scrip program should therefore record their time so compliance with this rule may be demonstrated.

22.7 - Tax Reporting and Withholding Requirements

22.7.1 Reporting

In some cases, gaming activity may result in parishes and schools being obligated to report prize payments and/or collect taxes. Prior to commencing a gaming activity and at regular intervals thereafter, a parish or school should review the current Internal Revenue Service reporting requirements to ensure compliance with them. *For example*, in year 2021, bingo winnings must be reported if they are \$1,200 or more. Winnings from raffles and games other than bingo must be reported to the IRS if (a) the amount paid, reduced by the price of the wager (ticket), is \$600 or more; and (b) the payout is at least 300 times the amount of the wager (ticket). For example, if someone buys a raffle ticket for \$1 and wins \$900, the winnings must be reported to the IRS.

Each time a parish pays reportable winnings, it must complete a Form W-2G, Certain Gambling Winnings, to report those winnings to the IRS and to the person receiving the winnings. The payee must provide two forms of identification, one of which must include the payee's photo. A completed and signed Form W-9 is acceptable as the non-photo form of identification. The parish must obtain the payee's social security number. The winner must either sign the W-2G or furnish a statement on IRS Form 5754, Statement by Person(s) Receiving Gambling Winnings, identifying everyone entitled to the winnings and their shares. The specific instructions on the Form 5754 must be followed.

If the parish uses a paper form, it must file Form W-2G with the IRS by the last day of February of the year following the calendar year in which it paid the winnings. It must use Form 1096 to transmit paper Forms W-2G to the IRS. If the parish files electronically, it must file Form W-2G by March 31 following the calendar year in which it paid the winnings. If the parish completes 250 or more Forms W-2G in a year, it cannot file the paper form; it must file electronically. In addition to filing Form W-2G with the IRS, the parish must give the winner the W-2G by January 31 following the calendar year in which the parish paid the winnings.

22.7.2 Withholding

The Internal Revenue Service publications should be reviewed for accurate and current tax reporting and withholding obligations. For example, when a raffle prize is worth more than \$5,000, the parish or school must withhold 24% from the winnings and report this amount to the IRS on Form W-2G. Parishes and schools must withhold 24% of the proceeds (backup withholding) if (a)

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the amount of the prize, less the wager (ticket price), is \$600 or more and 300 times the wager (ticket price), and (b) the winner fails to provide a valid taxpayer ID number. Backup withholding

also applies to bingo for winnings of \$1200 or more (if the winner does not provide a proper taxpayer identification number). For noncash prizes, the winner must pay the parish or school 24% of the fair market value of the prize minus the amount of the wager (ticket). If the parish pays the taxes required to be withheld as part of the prize, it must pay 31.58% of the fair market value of the prize less the wager (ticket price).

Gambling winnings paid to a nonresident alien are subject to withholding at 30% of the gross proceeds unless exempted by treaty.

Parishes and schools that withhold taxes on winnings must use IRS Form 945, Annual Return of Withheld Federal Income Tax, to report and send withheld amounts to the IRS by January 31 of the year after the year in which the taxes were withheld.

22.8 - Special Fundraising Activities

The Archbishop has determined that the Archdiocese and its parishes, schools, and institutions must avoid any perception that the Church is “for sale.” Therefore, **involvement with programs that offer financial incentives to parishes, schools, and Archdiocesan entities is prohibited.** This prohibition is also based upon “strong caution” from legal counsel and the Office of General Counsel of the United States Catholic Conference.

These offers pertain to telephone services, energy services (including installation of solar panels and changes in electrical providers), private insurance packages, household and personal products, banking services, credit cards, and other products and services.

Any form of express or implied endorsement or promotion of a commercial enterprise or its product or service which encourages parishioners or other constituents to purchase the goods or services puts the parish, school, or institution in the position of favoring one business over another for commercial benefit. This includes announcements, meetings, letters, sharing of mailing lists, or other arrangements. A parish, school, or institution that accepts these incentives also risks being subject to unrelated business income tax liability as determined by the Internal Revenue Service.

In some situations, conflicts of interest may exist, e.g., when an employee, volunteer, or council/board member works for the commercial enterprise involved. It is important that the Church remain above reproach in connection with the business affairs of others.

In addition, if there is customer dissatisfaction, consumer complaint, or if any individual suffers harm as a result of a product or service that was “endorsed by the Church,” the parish, school, or institution, and the Archdiocese might become subject to negative publicity and/or legal action.

Questions regarding proposed contracts/arrangements with businesses should be directed to the Archdiocese’s Finance Office or legal counsel.

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