

## **Chapter 10: Parish Business Practices within the Territory of the Archdiocese**

### **Canonical Overview**

Consistent with Canon Law and the norms of the Archdiocese set forth in Chapter 1, (Ref: Section 1.1) the Archbishop is responsible to exercise careful vigilance over the administration of all goods belonging to the public juridic persons subject to him, including all parishes within the territory of the Archdiocese (Canon 1276). In the exercise of this responsibility, the Archbishop is required to issue instructions for the proper administration of these persons (Canon 1281) and to define the acts which exceed the limit and manner of ordinary administration (Canon 1281). The norms contained within this chapter are given to guide the parishes in their proper administration and to define ordinary administration. Pastors and administrators cannot go beyond the limits of their authority as defined in this chapter without the authorization of the Archbishop (Canon 1281). Beyond the precepts defined within this chapter, no action may be taken that would worsen or damage the stable patrimony of a juridic person (a parish) without permission of the Archbishop (Canon 1295).

As more fully discussed in Chapter 2 (Ref: Clerical State - 2.2.2.2 (a)), parishes are established on a stable basis whose pastoral care is entrusted by the Archbishop to a priest as its proper pastor. The Archbishop does not administer these parishes but must entrust each juridic person to a pastor, administrator or a team of priests (Canon 519). The Archbishop places the parish in possession of the pastor (Canon 527). A parish is entrusted to a pastor under the authority of the diocesan bishop and exercises pastoral care and the duties of teaching, sanctifying and governing (Canon 519). Each parish within the territory of the Archdiocese is to have a parish finance council (Canon 537).

Each parish has a right to acquire temporal goods to accomplish its mandate (Canon 1259). Such goods belong to the parish and do not belong to the Archdiocese of Denver (Canon 1279). As more fully discussed in Chapter 8 and in harmony with civil (secular) law, parish property is held in trust by the Archbishop for benefit of the parishes within the territory of the Archdiocese; the beneficial owner of the parish property is the applicable parish as set forth in the official records of the 25 different counties comprising the territory of the Archdiocese.

### **Purpose**

This Chapter provides an overview of the business practices for the parishes within the territory of the Archdiocese, including parish schools. Pastors, principals, and all employees of parishes shall observe the applicable civil and Canon Laws, the particular law of the Archdiocese and instructions promulgated by the Archbishop or his designee pertaining to the administration of the parishes within its territory.

## **Part 1: Parish Financial Governance**

In January 2007, the Budget and Finance Committee of the USCCB reviewed and approved the recommendations concerning parish finance governance developed by the Accounting Practices Committee (APC) of the USCCB. Such recommendations of the APC were made in view of increasing financial scrutiny about parish finances from parishioners and our duty to be good stewards and faithful ministers of the patrimony of the parish. Likewise, governmental requirements such as Sarbanes Oxley and other initiatives are increasingly impacting the not-for-profit industry.

The parish financial recommendations, developed by the APC include “best practices” to improve Diocesan policies relative to financial governance at the parish level. Accordingly, these “best practices” have been incorporated into the particular law of the Archdiocese for the parishes within its territory. Such guidelines and norms are as follows:

### **10.1.1. Significance of Guidelines**

These guidelines are to be followed by parishes and their parochial schools; auxiliary organizations related to parishes (such as altar and rosary societies, parent-school organizations and school foundations) are also to follow these guidelines. Reference is made to Chapter 4 – Office of Catholic Schools (Part 3) for an overview of business practices and guidelines applicable to parish schools. Such parish school guidelines are supplementary to the information contained in this chapter.

10.1.1.1. It is the obligation of the pastor to assure implementation of these guidelines; this will necessarily involve the pastor’s periodic reexamination of the protocol for parish financial and business operations and of the financial reports. It is always important to remember that the Pastor sets the tone and interest in proper business procedures and controls. If the Pastor expresses and models an interest in proper business procedures, in order to protect the Church, the staff will emulate the same interest. Consistent with Archdiocesan policies concerning Conflicts of Interest (Ref: - Chapter 7 – Finance, Administration and Planning - Archdiocese of Denver and Related Ecclesiastical Organizations -7.1.5.) and Professional Conduct (Ref: Chapter 7 – Finance, Administration and Planning - Archdiocese of Denver and Related Ecclesiastical Organizations - 7.1.6.), the pastors within the Archdiocese must implement Conflict of Interest Policies for their respective parishes as set forth in Section 10.1.26. of this chapter and encourage their employees to act in a fashion that represents the parish in a professional and courteous manner. The parish finance council is to assist the pastor with the implementation of these policies and recommendations. **Exhibit II** of this Handbook includes the Conflict of Interest Policy and Gift Acceptance Guidelines applicable for the parishes within the territory of the Archdiocese.

### **10.1.2. Stewardship of Assets**

Pastors are to supervise the financial and business operations of the parishes. If there is no pastor, the administrator of the parish is to oversee the parochial financial and business administration. Pastors and parish personnel may not undertake transactions or represent

directly or indirectly any express or implied authority beyond the scope of authority defined by this Pastoral Handbook and pursuant to the Guidelines of Authority as noted in 10.1.3.

10.1.2.1. Parishes are not to take up collections for, distribute funds to, accept gifts for or act as a conduit for funds to any charity or entity outside the United States without first contacting the Office of Parish Finance.

10.1.2.2. Each parish is to maintain the parish financial information utilizing an integrated accounting software program, including the standardized chart of accounts, as set forth by the Office of Parish Finance. Parishes are to use the modified cash basis of accounting. Exceptions to the cash basis are allowed to record fixed assets, debt obligations, including principal amortization, depreciation, deferred school revenue, and unrealized gains or losses on investments.

10.1.2.3. Pastors are to ensure parish compliance with applicable civil law including, but not limited to, sales tax collection and remittance, employment taxes, fundraising, and copyright laws.

10.1.2.4. Proper stewardship of parish assets requires that those hired to assist a pastor with management of a parish's finances be competent in business matters. Pastors are to hire individuals who are trained, experienced, and skilled in business and accounting and are to involve the parish finance council in hiring this individual. Prospective employees are to submit resumes that detail business expertise. In addition, parishes are to check references and perform such background checks and screening as required within this Handbook thoroughly to ensure the prospective employees have sufficient skill and experience to perform the required tasks and are qualified to be employed within the territory of the Archdiocese.

10.1.2.5. Parishes that cannot afford to pay a salary sufficient to attract a person qualified to manage parish finances should consider partnering with other parishes to share in the cost of a qualified person.

10.1.2.6. Parishes are required to provide Mass attendance statistics during the month of October on forms furnished by the CFO or his designee.

10.1.2.7. Parishes and schools are prohibited from loaning any parish or school monies to any individual or organization without the written permission of the Archbishop. In addition, parishes may not mortgage, pledge or commit parish assets, resources or funds without prior written approval of the Archbishop.

### 10.1.3. **Parish Guidelines of Authority – Authorization Limits**

The following authorization limits are defined to identify the point at which certain defined parish activity moves from ordinary administration to extraordinary administration requiring approval of the Archbishop or his designee (Canon 1281). As set forth in Chapter 1 (Section 1.2.5.) the maximum and minimum sums for alienation of ecclesiastical goods are addressed, including what constitutes an act of extraordinary administration for the parishes

within the Archdiocese. Specifically, an extraordinary act is set at the minimum amount, \$27,373 as of January 24, 2007, or 5% of that juridic persons' ordinary annual income. A pastor is free to act in areas of ordinary administration that are not restricted or do not require other approval or review as defined within this chapter or throughout the Pastoral Handbook.

10.1.3.1. For capital expenditures (defined as the purchase or construction of an asset with a useful life > 1 year), a pastor may approve any singular expenditure or commitment up to \$25,000. A project may not be disaggregated to create elements below \$25,000 to avoid this limitation. All elements of a project are conjoined for the purpose of determining the cost impact and approval limitation. Capital projects with a cost in excess of \$25,000 requires approval of the Archbishop or his designee.

With respect to any parish capital expenditure recommended by the PFRC, a sub-committee of the AFC and subsequently authorized by the Archbishop or his designee, if it is subsequently determined that a significant overrun is expected to occur, the transaction shall be returned to the Director of Construction for submission to the CFO or Moderator of the Curia for further action (Ref: Chapter 8 – Building, Property and Construction Project Guidelines - Project Financing Review Committee, 8.3.).

10.1.3.2. A pastor and his business administrator must consult with the parish finance council when operating expenditures, not included in the approved parish budget (defined as the purchase of goods or services that will be expensed in the parish's statement of activities) are greater than 2.0% of the parish's annual budgeted offertory revenue.

10.1.3.3. For personnel, pastors may approve salaries up to \$50,000 for new hires. New hires exceeding \$50,000 require consultation with the Office of Parish Finance or the Moderator of the Curia.

10.1.3.4. For fundraising, pastors may approve fundraising initiatives of up to \$300,000 in estimated revenues except for capital campaigns (defined as those that relate to the establishment of a pledge campaign for funding a construction or renovation project). Any capital campaign is first evaluated by the \$25,000 limitation noted above. Therefore any capital campaign for projects estimated to cost in excess of \$25,000 require approval of the Archbishop or his designee. Non-capital fundraising in excess of \$300,000 requires approval of the Moderator of the Curia.

10.1.3.5. Any real estate transaction (purchase, sale, lease or encumbrance) requires approval of the Archbishop or his designee.

10.1.3.6. Alienation of temporal goods<sup>1</sup> in excess of \$27,373 or 5% of that parish's annual ordinary income, requires approval of the Archbishop or his designee (Canon 1291). Disposal of historical property or assets that would effect the stable

---

<sup>1</sup> A canon law concept referring to (1) corporal goods (tangible assets) and incorporal goods (intangible assets); (2) moveable or immoveable goods and (3) fixed or stable capital (donations that are fixed for specific purposes) and free capital (cash without any restrictions).

patrimony of the parish may also require approval (Ref: Chapter 8 – Building, Property and Construction Project Guidelines - 8.2.6.3 and 8.2.6.4.).

a. Transfer of ownership of parish assets (other than through payment of ordinary operating expenses) to any other organization including catholic or non-catholic organizations, with or without shared interest, vision or ministry is defined as alienation of property and requires approval of the Archbishop or his designee. No action may be taken that would adversely affect the stable patrimony of the parish. In addition to real property owned by the parish, stable patrimony is defined as savings and investments the parish may hold for the long term benefit of the parish and excess savings the parish may hold without a defined purpose.

#### 10.1.4. **Cash Management and Oversight**

It is recommended that the parish pastor be the sole signer on the bank accounts. If this is impractical due to the volume of checks to be signed or because of frequent absence of the pastor, a second signer can be added. The second signor should be either the Parochial Vicar, Parish Deacon or Pastoral Assistant. On an exception basis only (principally for parishes without a Parochial Vicar, Parish Deacon or Pastoral Assistant and solely at times when the Pastor will be absent for an extended period of time), another qualified individual may be approved to sign such checks for a limited time frame. Such approval should be requested in advance and obtained in writing from the Director of Parish Finance. If approved, this other qualified individual cannot be the one who prepares checks and records financial activity in the parish accounting system.

10.1.4.1. The signers on the bank accounts can not be the staff or volunteers who also prepare the checks, perform the bank reconciliations or have control over the parish accounting program or financial reporting system.

10.1.4.2. The following internal control procedures are to be implemented in order to provide a high degree of protection:

- a. The pastor should sign all checks and if impractical as noted above, the Parochial Vicar, Parish Deacon or Pastoral Assistant should be added.
- b. Wire and/or telephone transfers of funds are not to be utilized except for Colorado withholding taxes, for transfers to or from the Revolving Fund, payments for capital expenditures from the Revolving Fund and transfers to a payroll service.
- c. The use of a check for transferring funds between parish accounts should be the norm. Checks used to transfer funds must be made payable to the account and never to cash or to the bank. On-line transfers are restricted to transfers between parish bank accounts unless approved by the pastor.

- d. A blank check is never to be signed. If the Pastor is going to be unavailable for a period of time an appropriate secondary signer should be selected and designated by the pastor as discussed in 10.1.4. and 10.1.4.2(a).
- e. The pastor is to be a signer on all parish-related bank accounts using the parish name or taxpayer identification number.
- f. Parishes are to instruct banks that they wish to receive copies of all cancelled checks and deposits or original cancelled checks with each bank statement for all parish bank accounts. The pastor is to receive all bank statements unopened, examine the check copies or canceled checks and deposit slip copies, review bank transfers or cash withdrawals, and to investigate any unusual items, payees or endorsements. It is recommended that the pastor review the bank statement again after reconciliation to insure questionable items have been clarified, and initial the documentation to indicate review of the documents. The pastor may utilize a member of the parish finance council to assist with these duties.
- g. The parish is to review and update signature cards on a regular basis and whenever the pastor or administrative staff changes.
- h. The parish is to send a letter, signed by the pastor, to each bank with which the parish has accounts, instructing the bank not to open or close any bank accounts using the parish name or employer identification number without written authorization from the pastor or the administrator of the Parish.
- i. For a parish school, a petty cash account of no more than \$1,000 may be established, solely at the Pastor's discretion, in order to assist in managing the day-to-day school activities. Such account, if established, must be monitored and reconciled monthly.

10.1.4.3. The pastor and parish finance council are to maintain a parish bank account list. The list is to include the financial institution, account number(s), purpose of the account(s), and the authorized signers for each account operated by the parish or parish ecclesiastical related organizations

10.1.4.4. Blank checks are to be limited to a one-year supply and stored in a locked place. Checks are to be used in their consecutive number order. Parishes are encouraged to maintain a log of checks. It is recommended that the pastor and parish finance council occasionally review the unused portion of checks to verify an unbroken check number sequence.

10.1.4.5. Parish funds are to be deposited into an institution that is insured by the FDIC (or for credit unions, the N.C.U.A.), covering up to \$100,000.00 per banking

institution. The parish should closely monitor the total balance of all accounts located at a single institution (not just the branch location).

10.1.4.6. All bank accounts established using the parish Employer Identification Number are parish bank accounts and their activity is to be recorded on the parish financial system. In addition to the parish accounts, parish schools, childcare centers, school enrichment programs, and before and after school programs are to account for all receipts and expenses (including payroll) through the parish accounting system.

10.1.4.7. Miscellaneous bank accounts should be combined into a central account and included in the accounting program. If needed, these accounts may be tracked on a separate ledger, workpaper and/or spreadsheet. Each parish is to limit the number of parish bank accounts to necessary accounts: for example, checking, bingo and raffle, savings/revolving fund, investments and building/revolving fund. Proper management of designated or restricted funds from donors will necessitate using a restricted funds account. While encouraging parishes to limit the number of bank accounts, there also are times when opening a separate account is appropriate, especially when restricted donations are obtained. When contemplating whether to open an additional account, parishes should remember the following: all bank accounts must be reconciled monthly, the pastor is to receive the bank statements unopened, the pastor must be a signor on all accounts and the pastor is encouraged to sign all checks.

10.1.4.8. Only those bank accounts that are specifically for parish business may use the parish tax identification number (EIN). All parish activities utilizing the EIN (including auxiliary and related parish organizations such as the women's guild, men's club or athletic programs) are to submit their financial information to the pastor for review as inclusion in the parish accounting system. The pastor must be a signer and receive the bank statement for all accounts using the parish EIN including parish auxiliary organizations. All accounts of auxiliary organizations are subject to the authority of the pastor.

10.1.4.9. Parishes are to obtain and use their own EIN, sales tax licenses, state and city sales tax exemption certificates and payroll withholding accounts and should never use the Archdiocese of Denver's identification numbers.

10.1.4.10. Fundraising at the parish may never occur without the pastor's prior permission.

#### 10.1.5. **Cash Expenditures**

10.1.5.1. All payments of parish funds must be supported by appropriate documentation such as original receipts, invoices, contracts, etc. This documentation must be maintained in an orderly filing system. The documentation or receipt is to be marked in a manner that identifies payment. Parish funds may only be used for a proper parish or charitable expense. Borrowing parish funds or assets for personal use is forbidden. If any parish employee suspects inappropriate use of parish funds or assets, the pastor of the parish

or, in his absence, the directors of Parish Finance or Internal Audit, and/or the Moderator of the Curia are to be notified immediately.

10.1.5.2. All payments of parish or school bills are to be entered into the parish accounting system.

10.1.5.3. Whenever possible, all parish expenses are to be paid by parish check.

10.1.5.4. Parishes are prohibited from maintaining bank account debit cards.

10.1.5.5. Parishes are discouraged from using credit cards. Most parish expenses can be incurred utilizing an ordering system with specified vendors, through establishing an account with regular vendors or through reimbursing employees. If the parish determines the need for a credit card, appropriate financial controls must be maintained on the card including defining custody of the card, who can use the card, inspection of purchases and invoices and matching of the invoices to the review of the billing statement.

10.1.5.6. Payments to vendors for services rendered should not be made until the parish is in the receipt of a W-9 form from the vendor, substantiating the vendor's IRS status, unless the vendor is a known corporation, not-for-profit, or governmental entity. The W-9 information will be necessary if the parish is required to issue a 1099-Misc. form.

#### 10.1.6. **Cash Collections**

Parishes are to take all necessary precautions to protect the cash of the parish by implementing safeguards to prevent unauthorized use.

10.1.6.1. Supervision of cash collections is to include secure handling of cash receipts and cash disbursements of parish funds in a manner that minimizes the potential for waste, fraud, or abuse, and establishes accountability for financial activities.

10.1.6.2. Each parish is to safeguard the offertory collection and to assure that the offertory is in the possession of more than one person at the time of collection, counting and depositing the receipts. Offertory counting teams must include three or more unrelated members and should be rotated on a regular basis. The best practice is to have separate count teams that rotate. If only one count team exists, ensure that it has sufficient members to rotate functions and to have sufficient people in the event some are missing.

10.1.6.3. Secure storage of offertory collections and an established procedure for making deposits in a rapid and safe manner are to be implemented.

10.1.6.4. Parishes must deposit offertories intact. No monies are to be withdrawn from the offertory prior to deposit for any purpose, including (but not limited to) funding petty cash, cashing checks, or paying reimbursements.

10.1.6.5. Likewise, cash and check receipts from sources other than offertory collections (tuition, fundraising events, etc.) should also be in the possession of more than one unrelated individual at the time of collection, counting, and deposit.

10.1.6.6. Every parish is encouraged to have a safe. Safes should be located in a discrete location and attached to a structure so that they are not easily moved. Although there are various types of safes available, the drop safe is preferred for a parish within the territory of the Archdiocese. A drop safe permits anyone at the parish to “drop” funds into the safe without opening the safe. In addition, unauthorized individuals are prevented from opening the safe without the key or combination.

10.1.6.7. Cash and checks from all sources should be retained in a safe at all times other than collection, counting, or deposit at the bank. These funds should be deposited into a bank account as timely as possible.

10.1.8.8. Access to the safe is to be restricted to only those individuals who have valid business purposes for access, and access must be approved by the pastor. Keys or combinations to safes should be changed as staff changes and periodically for proper controls.

10.1.6.9. Parishes are strongly encouraged to use tamper-evident, pre-numbered bags or other tamper-evident, pre-numbered devices to secure the offertory after mass. After the offertory is placed in the device, it is sealed, and placed into a safe until it is counted.

10.1.6.10. For any funds collected other than offertory, the parish should issue receipts. One copy of the receipt should be given to the payor; one copy to the parish accountant for recording in the financial system, and one copy is attached to the check(s) or cash.

10.1.6.11. Parishes should always reconcile receipts from tuition, fees or other fundraising efforts to the amounts recorded in the financial system.

10.1.6.12. Upon receipt of bank statements, parishes should agree the deposit count sheet total amounts to the deposit slip and deposit on the bank statement. Any significant discrepancies should be investigated and reported to the Pastor.

10.1.6.13. “Second” collections required of each parish fulfill the responsibilities of the Archdiocese for the support of local, national, and international works of charity and education. Every parish should permit a full opportunity for people to participate in these appeals. They are important in showing worldwide communion with the poor, the underprivileged, and the needy.

- a. The collections established for this Archdiocese shall be defined annually by the Archbishop (Canon 1266).

b. Many other appeals are received by the Archbishop. Occasionally certain appeals and emergencies that appear especially worthy are brought to the attention of the pastor and his people for consideration of their support. Such collections are optional, and the pastor and his advisors are to determine whether their parish will participate.

c. The “second” collections must be accounted for as restricted funds in the parish’s financial reporting system. In addition, parishes must remit them to the appropriate party in a timely manner, according to the program rules.

#### 10.1.7. **Parish Financial Reporting**

10.1.7.1. *Annual Report to the Archdiocese* – The Archbishop is required to receive an annual report from the parishes within his territory (Canon 1287). Within the Archdiocese, parishes are required to send to the Office of Parish Finance the Annual Report. The Annual Report is due August 30<sup>th</sup>. The Annual Report includes the following:

- a. Year End Parish Financial Statements, including comparative statement of net assets (balance sheet) and statement of activities (income statement) for the current year and prior year.
- b. An investment report as of the balance sheet date (see 10.1.7.4.).
- c. An indebtedness report as of the balance sheet date (see 10.1.7.5.).
- d. A summary of capital expenditures for the latest fiscal year.
- e. A summary of significant financial events for the latest fiscal year.
- f. A listing of past-due obligations.
- g. A listing of restricted gifts received.
- h. Consistent with the recommendations of the USCCB in January 2007, a parish is to include in its Annual Report, a supplementary form that includes the following:
  - i. The names and professional titles of the members of the parish finance council.
  - ii. The dates of the finance council meetings during the past fiscal year.
  - iii. The dates when the Annual Financial Report, including the parish financial statements and budget, were approved and given to and made available to the parishioners.

iv. A statement signed by the pastor, the parish finance council members and the parish business manager (if one exists) or parish accountant/bookkeeper that the financial statements submitted as part of the Annual Report to the Archdiocese of Denver fairly and accurately reflects the financial activity of the parish and that the parish finance council has met, developed and reviewed and approved both the Annual financial report and budget and, if not, the reasons clearly disclosed.

v. A statement signed by the parish finance council members that no action was taken in the prior year and that no action is anticipated in the forthcoming year that give rise to a conflict of interest for the members that has not been reviewed by the parish finance council, that the appropriate Parish Conflict of Interest Forms have been signed by all applicable parish personnel, and that no report was received by the members, anonymously or otherwise, of any suspicion of fraud, embezzlement or the misuse of parish funds.

10.1.7.2. *Parish Financial Reporting to its Parishioners.* Parishes are to report to their parishioners, at least annually, the operating budget and financial statements, including a summary balance sheet and income statement, reflecting the total parish financial activity.

10.1.7.3. *Interim Parish Financial Statements.* In order to fulfill its responsibility to assist the Archbishop in his supervision of parishes, the Office of Parish Finance may require interim financial reports from parishes. This may result in monthly reporting (particularly for manual parishes) or other less frequent financial statement reports. At a minimum, all parishes will report their mid-year financial results through December 31, no later than January 31<sup>st</sup>. Although the Archdiocese generally requires summary monthly information, the parish may be required to submit detailed transaction information on an as-needed basis.

10.1.7.4. *Other Financial Information.* All parishes are required to submit an Investment report listing of the bank accounts and investments held, including Certificates of Deposits, and the individual(s) or advisor(s) managing such investments on behalf of the parish as of June 30<sup>th</sup> and December 31<sup>st</sup>. The reports are due August 30<sup>th</sup> and January 31<sup>st</sup>.

10.1.7.5. All parishes are required to submit an Indebtedness report listing of outstanding indebtedness owed to banks, the Archdiocese or other financial institutions including amounts payable to the Revolving Trust Fund as of June 30<sup>th</sup> and December 31<sup>st</sup>. The reports are due August 30<sup>th</sup> and January 31<sup>st</sup>.

10.1.7.6. *Parish Budgets.* Consistent with Canon 1287 and guidance from the USCCB, each parish must provide the Archbishop, the annual budget of the parish. A parish budget is to be developed and reviewed by the parish finance council and submitted

annually by June 1 to the Office of Parish Finance. As part of the budgeting process, each parish is to make provision for savings to insure the long-term financial health of the parish. Savings should include amounts established for future building repair and maintenance, emergency funds, and general use.

10.1.7.7. Parishes may not submit a deficit budget unless the deficit results from a short-term cash deficiency due to a construction project.

a. Parishes are to utilize the budget guidelines as issued and amended by the Office of Parish Finance.

b. The parish finance council is to assist with the development of the parish budget and must give its approval to the parish pastor before the budget can be completed or adopted.

10.1.8. **Parish External Certified Public Accountant (CPA) Review Program**

At the request of the Archdiocesan Finance Council, and as promulgated by the Archbishop in June, 2002 and modified effective as of July 1, 2006, all parishes with total revenue for the fiscal year under consideration greater than or equal to \$2,000,000 are to submit annually by October 15 to the Office of Internal Audit a copy of that parish's financial review and additional agreed upon procedures report (as defined by the Parish Review Program Manual, a document separate from this Pastoral Handbook).

10.1.8.1. Should parish personnel or the pastor notice discrepancies or unusual transactions which are not readily understood or reconciled, the Office of Internal Audit or the Office of Parish Finance are to be informed immediately.

10.1.8.2. The Office of Internal Audit utilizes the Parish Review Program to maintain a consistent and professional financial review of parish operations for the larger parishes within the territory of the Archdiocese.

10.1.8.3. While each parish may select the independent certified public accountant firm, the reports are to be issued to the pastor, his parish finance council and to the Office of Internal Audit, which will review the reports on behalf of the Archbishop.

10.1.8.4. The parish finance council is to assist the Pastor in preparing a written response to all of the findings documented in the external CPA Management Letter or the Parish Review Program. This letter must be submitted to the Office of Internal Audit according to the timeline set forth in the Parish Review Program Manual.

### 10.1.9 **Parish Internal Financial Control Reviews**

10.1.9.1 As recommended by the Presbyteral Council and approved by the Archdiocesan Finance Council, effective July 1, 2006, parishes with total revenues for the fiscal year under consideration estimated to be less than \$2,000,000 are not required to follow / participate in the Parish Review Program. Instead, the Office of Internal Audit will visit and perform a review of internal financial controls of these parishes individually. This review is separate and apart from the Parish External CPA Review Program discussed in Chapter 10.1.8.

10.1.9.2 With stringent regard for safekeeping and confidentiality, the Office of Internal Audit will have access to all parish financial records and activities (in both paper and electronic format), property, and parish personnel in order to accomplish the stated purpose. This authority extends to parish auxiliary organizations, as well as to third parties performing services delegated to them by the parish. Access to third parties will be handled in accordance with contractual terms.

10.1.9.3 The internal financial control review process does not in any way relieve parish staff from the responsibilities assigned to them. Responsibility for complying with policies and procedures, maintaining good business practices, and reliable financial statements rests with the pastors and parish staff.

### 10.1.10. **Investments**

Parishes with savings or reserve funds must develop an investment strategy and policy. Parishes must also consider the investment policies adopted by the Archdiocese, as set forth in Investment Policies and Guidelines, Chapter 9.

Investing parish funds can strengthen a parish's overall financial position. A well developed investment strategy helps insure that church funds earn income to provide for the ministry of the church. An investment's risk and the expected return must always be considered. Before investing parish savings on a long-term basis, a parish is to evaluate its overall liquidity, including its short-term needs and any restrictions on its savings. Thereafter, it should determine the appropriate length of investment time in order to determine an appropriate investment. For example, savings held for emergencies or intended to be used within the next three years should be invested in a manner that does not subject the principal to investment risk (consider CD's and money market accounts). Monies held for longer periods of time (3+ years) could be considered for investment in either the stock or bond markets. The parish is to consider the potential risks of the investment and whether a particular investment strategy may entangle the parish in potential liability. Specific items that are required to be included in a parish investment policy are the following:

10.1.10.1. Parish Finance Councils should review the parish investment portfolio on a quarterly basis and must hold stock investments in a socially responsible manner.

Accordingly, parishes should carefully review and consider the Social Responsible Investment Policy of the Archdiocese as set forth in Chapter 9.

10.1.10.2. Parishes may not invest funds in a manner that results in an ownership interest in privately held stocks not traded on the public exchanges.

10.1.10.3. Parishes may not hold securities in the form of certificates. All stocks are to be held for the parish, "in street name"<sup>2</sup> by a reputable brokerage house.

10.1.10.4. Interest based investments (treasury bills, certificates of deposits, interest based mutual funds) may be held for income purposes and may not be held for interest rate speculation purposes.

10.1.10.5 Parishes are discouraged from investing directly in foreign business interests as these tend to be impacted significantly by fluctuations in the exchange rate and may incur a detrimental and uncontrolled impact on the investment portfolio.

10.1.10.6. Parishes with investments in bonds are not to convert bonds into stocks, equity or an ownership position without prior approval by the Office of Parish Finance.

10.1.10.7. Parishes may utilize managed funds or investment brokers. Such arrangements should clearly identify the role of the broker and the authority to invest according to documented investment guidelines approved by the pastor and parish finance council. Parishes should not grant unlimited investment authority to an investment broker. Parishes are to utilize reputable investment brokers with a proven track record. If a parish is considering using an investment broker, it should consult with the Office of Parish Finance prior to committing funds. The parish finance council should periodically review the guidance and authority given to the investment manager.

10.1.10.8. Parishes may hold bonds with a bond rating of AA or better from reputable companies.

10.1.10.9. Parishes are to ensure that investments are protected from liquidation without the pastor's approval. Only the pastor has the authority to invest, liquidate or transfer funds and investments. The pastor should consult with the parish finance council on all investment activities and typically act in concurrence with the parish finance council.

10.1.10.10. Parishes are encouraged to deposit excess reserve funds in a parish account in the Revolving Fund Trust (Ref: Chapter 8 – Building, Property and Construction Project Guidelines - Irrevocable Revolving Trust Fund Management Committee, 8.6 and

---

<sup>2</sup> "Street name" means that the broker holds title to the investment in trust for the investor. When parishes hold investments in certificate form, the ownership is identified on the certificate and is held as a record by the company issuing the stock or bond. This complicates the parish's ability to sell the investment, as the investment requires ownership authentication by the issuing company. When the investment is held in "street name", it can be bought or sold readily through a broker. Paper certificates can take 6 weeks to clear the title and transfer title before the investment can be sold.

Chapter 12 – Roman Catholic Organizations - Archdiocese of Denver Irrevocable Revolving Trust Fund, 12.11.). While it is proper stewardship to invest parish funds, the Revolving Fund is the primary lending source for parish construction projects. By placing reserve funds in the Revolving Fund, the parishes receive a competitive interest rate and its funds support and assist other parishes who, without this fund, would incur significant borrowing costs and a higher rate of interest expense.

#### 10.1.11. **Records Retention Requirements**

Parishes are to maintain an accurate filing system and store critical records in a fireproof and waterproof cabinet or safe. Parish offices are to be locked whenever unoccupied.

10.1.11.1. By state and federal law, certain parish business records must be retained for certain periods of time. The records retention policy provides the minimum number of years for the safe and complete storage of documents. The Archdiocesan policy and accompanying **Exhibit III**, entitled Record Retention Policy, are to be utilized by the parishes.

10.1.11.2. If there are documents which the pastor or business administrator believes should be kept, but the type of document is not listed on this schedule, the parish is advised to maintain the document(s) and to consult with the Office of Parish Finance.

#### 10.1.12. **Parish Fundraising, Capital Campaigns, and Gift Acceptance Guidelines**

Only the Archbishop may accept a gift or bequest consisting of real estate, a building or a business interest (Ref: Chapter 11 - Fundraising and Charitable Gift Acceptance Guidelines, 11.1.6.). Detailed guidance for Fundraising and Charitable Gift Acceptance for both the Archdiocese and parishes within its territory is provided in Chapter 11, consistent with requirements of Canon 1262. However, a summary of key parish guidelines is as follows:

10.1.12.1. Parishes must obtain the approval of the Archbishop or his designee before accepting gifts consisting of partnership interests and/or assignment of rights under a contract of real estate, including developed property, undeveloped property, and/or time-shares in property. The Moderator of the Curia or the CFO of the Archdiocese is to be consulted with and given an opportunity to advise and recommend to the Archbishop as to whether to accept the gift.

10.1.12.2. Without prior approval by the Archbishop, a parish may accept unrestricted gifts of cash, stock and bonds to the parish so long as such gifts do not convey an ownership position that could give rise to potential liability.

10.1.12.3. Parishes should consult with the CFO of the Archdiocese, the Director of Parish Finance and/or the President of the Management Corporation before accepting or agreeing to planned gifts or complicated bequests or will arrangements. Planned giving can require and result in legal issues that need to be evaluated before agreeing to a planned gift. Planned gifts must be reviewed according to the policy on Fundraising and Charitable Gift Acceptance Guidelines, Chapter 11, before these gifts are

accepted. These include charitable lead trusts, charitable remainder trusts, donor advised funds, split-interest agreements, perpetual trusts, charitable gift annuities, and pooled income funds.

10.1.12.4. Parishes should be cautious in accepting restricted gifts. Parishes should review any restriction or condition placed on a gift to determine whether there is a reasonable expectation that the restriction can be met within a reasonable time period. Pass through, agency or exchange transactions or arrangements may not be accounted as charitable gifts to the parish. If a parish is considering such an arrangement, it should consult with the Office of Parish Finance.

10.1.12.5. On an annual basis, a parish is to supply a written acknowledgment of contributions more than \$250.00 or non-cash items worth more than \$250.00 in order to assist donors in obtaining tax deductions on their tax return. If an individual contributes \$75.00 or more to a parish and receives a benefit (such as participation in a fundraising event like a dinner or golf tournament), the parish is to provide a written acknowledgment of the gift and to note the value of the benefit received by the individual.

10.1.12.6. A record of each parishioner's contributions is to be maintained by a parish staff member who has no responsibility for counting collections or handling mail receipts.

10.1.12.7. Parishes must send parishioners annual acknowledgment of their contributions and such acknowledgement is to contain the following confirmation request:

"This statement is for your records. Please examine it carefully. If it does not agree with your records, please contact the pastor."

10.1.12.8. The acknowledgment is to include the donor's name, amount of cash donated and/or a description of any property other than cash contributed. The value of any property donated is not stated (as it is to be determined by the donor) unless there is an appraisal or documented value. The acknowledgment includes a statement of the goods or services, if any, provided by the parish to the donor in exchange for a contribution. The acknowledgement is to include a good faith estimate of the value of any goods or services provided to the donor by the parish.

#### 10.1.13. **Restricted Gifts**

Parishes will receive funds from donors for a variety of purposes. The nature of the gift and any conditions thereon will determine if the funds are unrestricted, temporarily or permanently restricted. Also the parish is to consider the intention of donor(s) and may not contradict or defeat this intention without permission from the Archbishop.

Monies raised by the parish during normal operations, through a general solicitation, cannot be restricted. Such funds are unrestricted and are considered internally designated. Only a donor can restrict a donation. Such restriction can occur if the donor specifically restricts the use of their gift to an identified purpose in writing. A parish that accepts a restricted gift

is required to honor the intentions of the donor. If a parish cannot reasonably expect to fulfill the donor restriction, if any, it should decline the gift. Parishes may not use monies given for a restricted purpose for other purposes without the permission of the donor.

Proper accounting requires the identification and separate accounting for general, temporarily restricted and permanently restricted funds. Funds collected for a restricted purpose are to be recorded into the financial records of the parish as restricted gifts and identified and maintained as such until the restriction has been met, satisfied or has passed.

Canon Law also addresses the concept of restricted gifts. Canon 1267 §3 “The offerings given by the faithful for a definite purpose can be applied only for that same purpose.” Canon 1284 §3 “observe the prescriptions of both Canon and civil law or those imposed by the founder, donor or legitimate authority...” §4 “accurately collect the revenues and income of goods when they are legally due, safeguard them once collected and apply them according to the intention of the founder or according to legitimate norms;”

At a minimum, all restricted funds must be accounted for separately on the parish general ledger. If the solicitation for the restricted funds is intended to recur as part of a regular solicitation or an ongoing program or is an amount greater than \$5,000, then the funds should be maintained in a separate bank account. For example, a one time restricted donation of a small amount does not require its own bank account. However, a program where restricted funds are received monthly would require its own bank account. All funds raised as part of a capital project / campaign must be maintained in a separate bank account.

It is required that restricted gifts not be commingled with general parish operating funds. In those rare exceptions when this has occurred and where the funds have been deposited in the general parish checking account, they should only be held there as long as it takes to transfer the funds to the separate restricted funds account.

Parishes receiving restricted monies must establish a separate depository account and general ledger account in the parish’s financial system in order to accurately track the donor’s gifts.

Parishes need to keep a record of restricted gifts including the date of the gift, the donor, the amount, the restricted purpose, when or how the restriction may be satisfied, whether the restriction has been satisfied and when the funds were released from restriction.

The following pertains to restricted funds solicited during an approved capital campaign in conjunction with the conditions set forth in Chapter 8.

Prior to solicitation, the pastor and his parish finance council should review the restricted purpose and give their recommendation for soliciting the funds. The parish must clearly inform the parishioners and potential donors of the project and fundraising and that any funds received for this project will be restricted to the defined project. The parish should review the purpose for the fundraising, the timing

of the campaign, the estimated timing of the fundraising and the estimated timing for completion of the restricted purpose.

In materials and solicitations, pledge cards, pledge envelopes, follow-up reports, communications and individual contribution statements the parish should always include a note that the donations, pledges and pledge payments are restricted for the identified purpose of the campaign.

At the completion of the project, the parish should provide a written summary of the campaign to the parishioners and donors. The summary should include the project accomplishments and the cost of the project. In addition, the pastor should disclose the source of funds used to complete the project including, parish savings, restricted gifts and pledge payments, fundraising activities, debt financing and repayment terms.

Throughout the project, the parish finance council should meet to review the project and the minutes should reflect that the finance council has reviewed the status of the campaign and the use of the restricted gifts. At the completion of the project, the finance council minutes should reflect that the finance council has reviewed the status of the project and determined that the restricted purpose has been completed and that the restricted purpose for which funds were solicited has been met.

#### 10.1.14. **Other Fundraising Programs**

10.1.14.1. Parishes should be aware of unusual fundraising programs that may jeopardize the parish's tax-exempt status or result in unrelated business income tax. Parishes considering fundraising through product marketing must receive written approval from the Office of Parish Finance. Examples of such marketing/fundraising include long distance telephone group discounting and group credit cards.

#### 10.1.15. **Conducting and/or Sponsoring Bingo, Raffle or Other Gaming Activities**

Parishes that conduct any gaming activity must comply with federal income, employment and excise tax regulations and the laws and rules as established by the State of Colorado.

State of Colorado rules include, but are not limited to, obtaining and posting a state license, certification of a games manager, accounting for sales, expenses and prizes, quarterly reporting to the state, and maintaining a separate bank account. Federal rules include, but are not limited to, reporting prizes on a Form W-2G and transmittal Form 1096 as well as following the withholding and backup withholding requirements, including reporting such withholding on Form 945.

To avoid subjecting the parish to unrelated business income tax, substantially all of the work in conducting the gaming activity must be performed by volunteers, that is, without compensation including free or reduced tuition.

Parishes must collect withholding taxes from winners of non-cash prizes based on the fair market value of the prize. There are special reporting requirements for non-resident alien prize winners.

Proceeds must be retained in a separate account. Monies can only be used to further the exempt purposes of the parish. Clear accounting of bingo, raffle and gaming activity must be maintained.

#### 10.1.16. **Real Property, Fixed Assets and Other Parish Assets**

As discussed in Chapter 2, in connection with particular law and norms concerning The Priesthood and the Faculties granted to the pastor (Ref: – Chapter 2 – The Clerical State - 2.2.2.1. (a)), each parish as its own or public juridic person owns their own property (Canon 1256). The pastor of a parish administers the parish and its property and represents it in its juridic affairs (Canons 532 and 1279).

Accordingly, each parish pastor, by virtue of his authority as pastor, administers the parish and its property. The pastor is responsible for the use, possession and management of such property. As administrator of parish property, the parish pastor is not the representative or delegate of the Archbishop.

As such, the pastor, his parish finance council, and his parish staff are to make all attempts to safeguard the parish property.

10.1.16.1. Some of the methods a parish may use to protect its physical assets would include: securing furniture and fixtures to the floors or walls; locking the church doors, when possible; maintaining smoke detectors and fire sprinkler systems; preparing outside plumbing for winter weather; inspecting building exteriors and interiors, furniture, and fixtures for routine maintenance; and maintaining and reviewing a fixed asset inventory list.

10.1.16.2 It is recommended that routine maintenance be scheduled and performed to prolong the life of assets and to prevent expensive repairs. When maintenance projects are scheduled, the parish tends to plan more effectively to provide the funds for these repairs through current and future budgets. Areas in the physical plant needing routine inspection and maintenance include the roof, exterior of the buildings, parking lot, play equipment, carpet and floors, furnace, and paint, heating and air conditioning units. The inspections may indicate areas where recent repairs may not be holding up and may involve some warranty work.

10.1.16.3. It is recommended that parishes properly record and capitalize fixed assets. Likewise, it is recommended that a parish depreciate its fixed assets using the straight-line depreciation method. Most importantly, it is critical that parishes keep an inventory list of fixed assets, including land, land improvements, buildings and related improvements, equipment, furniture, fixtures, and vehicles. The list would include: asset description including model and make; serial number; purchase date; warranty period;

vendor name and address; cost; physical location; and disposal date and amount when applicable.

10.1.16.4. An annual physical inventory of all fixed assets is to be conducted to assure that property of the parish has not been misplaced or stolen. It also provides an opportunity to determine when repairs and/or maintenance may become necessary to prolong the life of the asset, or when assets with no useful purpose can be taken off the list and disposed. Each parish is encouraged to either take digital pictures of each room and identify values or, at a minimum, take a digital video of its fixed assets and personal property and have the video stored in a fireproof safe or safety deposit box so that proof of loss can be accessible in the event of fire or other catastrophe.

10.1.16.5. In addition, parish administrators are to maintain an inventory of moveable or immovable goods that is periodically revised.

10.1.17. **Borrowings**

Parishes may not incur indebtedness from the Archdiocese of Denver Irrevocable Revolving Fund Trust without the written approval of the Management Committee of the Trust, the Management Corporation and/or its Board. Other parish indebtedness funded from other financing sources must have the approval of the Archbishop or his designee. Only the Archbishop or his designee may sign debt instruments obligating the Archdiocese to a long-term obligation on behalf of the Parish.

10.1.18. **Employment**

When assigned to a new parish, pastors are strongly encouraged to work with the personnel employed in a parish. Removing personnel without cause to provide employment for someone with whom the pastor is familiar cannot be justified as an action consistent with Church teaching, values or employment practice. Pastors are expected to communicate their approach, expectations and directions to employees. Employees are to perform their functions appropriately and to meet reasonable expectations of the position. Employees are to adapt to new directions as may come from the assignment of a new pastor. Pastors are requested to contact the Human Resources Department if they need assistance with employee matters.

10.1.18.1. Employment contracts are utilized exclusively for schoolteachers, school principals, or other school employees only in accord with the norms established by the Office for Catholic Schools.

10.1.19. **Payroll**

10.1.19.1. Salary or pay rate information in the payroll system is confidential and may not be added, changed or deleted unless there is proper written documentation and approval from the pastor. Payroll changes are not to be made based upon verbal information.

10.1.19.2. The person preparing payroll may not authorize pay rate additions, changes, and deletions.

10.1.19.3. Employees are always paid by check, payroll card or through a direct deposit to a financial institution, not by cash.

10.1.19.4. After checks are signed, the supporting documentation is to be filed. The payroll checks are to be hand-delivered or mailed to each person. No checks may be given to anyone other than the employee, unless the employee has granted written permission.

10.1.19.5. A payroll check is not to be cashed by using petty cash, monies held for deposit or offertory collection monies.

10.1.19.6. Advances on wages or salaries are not permitted unless approved by the pastor in writing, who, having met with the employee, has agreed to the advance in a time of extreme need. The idea of an advance on salary is not to loan the employee money, but to simply accelerate the payment of the next regularly scheduled paycheck. Therefore, the advance should be limited to the amount of the expected net pay and the entire advance should be withheld from the next paycheck. An employee should never have more than one advance outstanding at any one time. An advance that is not repaid in the next paycheck is actually a loan and loans are prohibited.

10.1.19.7. The Archdiocese, its related organizations and parishes within its territory have exercised the option to opt out of unemployment compensation insurance through the State of Colorado.

#### 10.1.20. **Gifts and Bonuses**

Prudent and reasonable decisions are to be carefully made in the matter of gifts or bonuses.

10.1.20.1. A gift to the parish remains with the parish subsequent to the departure of an employee, including the pastor or other ordained staff members. If the gift is clearly intended for individuals (including the pastor), the gift is not to be treated as a donation to the parish. The parish may not issue a tax-deductible donation letter for such pass through gifts. Pass through gifts to individuals should not run through the parish statement of activities / income statement unless part of charitable outreach except that such gifts may be made to the employee and subject to payroll tax reporting.

10.1.20.2. As a general guideline, gifts (farewell, appreciation, anniversary, etc) from the parish budget should be limited to small “token” gifts. No one, including the pastor, may give a gift to oneself or pay personal expenses with church funds. Approval by the parochial vicar or parish finance council is inadequate authorization as these votes are strictly advisory. Gifts from the parish may include appreciation or reasonable anniversary gifts.

10.1.20.3. All gifts or bonuses (cash and non-cash) to employees in any amount, must be reported through the parish payroll system and is subject to withholding taxes, unless specifically excluded by IRS regulations.

10.1.20.4 Any and all gifts or bonuses to employees must be approved, in writing, by the pastor in advance of the payment and a record of the gifts must be maintained in the parish records.

10.1.21. **Business Expenses**

10.1.21.1. Expenses must be made according to an accountable expense reimbursement plan. An accountable expense reimbursement plan pays an employee for actual expenses incurred on the parish's behalf. Employee expense reimbursements are not reported on a 1099-MISC under an expense reimbursement plan.

10.1.21.2 Expenses to be reimbursed must be a legitimate parish expense and incurred on behalf of the parish. These expenses are to be substantiated on an expense reimbursement form, with original receipts and a written description of the expense, time, place, business purpose and for meals and entertainment, the people present. Credit card statements are insufficient for reimbursement. Credit card receipts and the store register receipt must be submitted to obtain reimbursement.

10.1.21.3. If an expense is for automobile mileage, the documentation would include a schedule detailing the date, number of miles, destination, and business reason for the trip. Each parish can establish the rate it will reimburse for mileage, but the amount cannot exceed the rate established by the Internal Revenue Service. The number of miles submitted for reimbursement must exclude the employee's normal commute to their primary work location.

10.1.21.4. Allowances for automobile expenses are prohibited.

10.1.21.5 Employee expense reimbursements are paid solely by parish check. Only when the expense is infrequent and minor in amount (under \$25.00) may the reimbursement be made through petty cash.

10.1.21.6. Parishes are to maintain a personnel file on all full-time, part-time, current and temporary employees. This file should contain, as applicable:

- a. Employment Application Form and Resume, if applicable
- b. Performance Evaluations
- c. Documents showing salary changes (pay rate authorizations)
- d. Copy of W-4 form

- e. Unemployment exemption status form
- f. Acknowledgment of Receipt Page of Archdiocese of Denver and its Related Entities Employee Handbook
- g. Acknowledgment of the Receipt page of the Code of Conduct
- h. Employer copy of Insurance Enrollment/Change/Termination Form
- i. Copy of the Profile Form for Part-Time Lay Employee
- j. Copy of the Archdiocese of Denver Lay Employees' Money Purchase Pension Plan (for those employees who work more than 30 hours per week)
- k. Flexible Spending Election Form/Pre-tax Premium Election Form
- l. Letters of commendation
- m. Written warnings memorandums/forms
- n. Worker's Compensation Acknowledgment (Work Injury and Illness Form)

10.1.21.7. Parishes must maintain two additional personnel files separate and apart from the personnel file noted in 10.1.21.6. The first file must contain the I-9 Employment Eligibility Verification, copies of the I-9 identity documents, the Affirmation of Legal Status for each employee (one file for all employees). The second file must contain the Background Check and Release Report and the verification that the employee has attended the required safe environment training (one file for all employees). This verification is satisfied if either the Safe Environment Training Certificate (Certificate) is present for each employee, or if the Certificate is missing, then the master report from the Office of Child and Youth Protection must clearly indicate the employee has completed training.

10.1.21.8 Parishes are to comply with the requirements of the Office of Child & Youth Protection Code of Conduct and include the safe environment training documentation for each employee in a separate file (Ref: Chapter 3 – The Teaching Office - 3.2).

10.1.21.9. Although parishes are required to pay just and livable wages, defining an amount of just or fair wage can be difficult. Care should be taken to pay a fair wage, but care must also be taken to insure church resources are not used to pay excessive wages. The Human Resources Department of the Archdiocese may be consulted in establishing an appropriate salary range for a specific position. Pursuant to 10.1.3. – Parish Guidelines of Authority, pastors are not allowed to hire personnel with salaries greater than \$50,000 without consulting the Moderator of the Curia or the Vicar for Clergy.

### 10.1.22. **Taxation**

As a general rule, the parishes in the Archdiocese are exempt from paying sales taxes on parish purchases if the parish is the end-user of the product. If the products are to be resold (such as fundraising products or books to be sold to people taking a class), the sales tax must be collected and remitted to the appropriate authority in accordance with local and State sales tax regulations.

10.1.22.1. Parishes are to comply with payroll tax laws including timely remittance of payroll taxes and withholding tax.

10.1.22.2. Each parish must issue a 1099-Misc form to each vendor if the vendor is paid \$600 or more in a calendar year (for services or a combination of parts and services), and if the vendor is not either a: 1) corporation; 2) not-for-profit entity; or 3) governmental agency. Vendors include clergy providing services. If the payments were payable to a religious order, a 1099-Misc. is not required.

10.1.22.3. Vendors must provide a taxpayer identification number (EIN) on Form W-9. Form W-9 should be requested from the vendor prior to paying the vendor. If a vendor does not provide a EIN, the payment may be subject to withholding tax.

10.1.22.4. Mass stipends paid must be reported to the recipient. The mass stipends are included on a W-2 for an employee regardless of the amount or on Form 1099 for a supply priest provided such payments for Mass stipends and supply priest stipends (Mass, confession, etc.) totaled \$600 or more in a calendar year. Mass stipends paid to the priests employed at the parish are subject to payroll reporting and applicable payroll taxes.

10.1.22.5. A priest's earnings are subject to different IRS reporting rules depending on the nature of the priest's employment.

A priest, assigned to a parish in the Archdiocese of Denver is treated as an employee for payroll reporting purposes. While payroll tax withholding is required for employees, it is optional to a priest. Priests are encouraged to participate in payroll income tax withholding. Priests' earnings are subject to federal, state, and local income taxes. In contrast to typical employees, priests are treated as self-employed for social security tax purposes; therefore, priests do not have social security taxes withheld. The parish may not pay the "employer" portion of the Social Security taxes on priests' salaries. At year-end, the priest receives a W-2 as do all other employees.

If a priest is assigned to a parish and belongs to a religious institute, the priest may be paid without tax consequences or reporting provided the payroll check is made payable to the religious institute and the priest. In this example, there is no payroll tax reporting of the payments to the religious institute or the priest. The priest does not receive a W-2 at year-end and no payroll taxes are withheld.

Priests who assist in a parish but are not regular employees (supply priests) are subject to Form 1099 reporting provided they are paid a minimum of \$600 in a calendar year. For example, if a priest, assigned to a parish, assists at another parish, the other parish would report the supply priest payments and Mass stipends on Form 1099 provided the payments equal or exceed \$600 in the calendar year.

#### 10.1.23. **Computer Usage**

Copyright laws protect most computer software. Software is intended for the use of the purchaser only and is not to be "passed" around from person to person. The parish is to forbid the parish's use of software that was not purchased by the parish. The parishes are to incorporate the Archdiocesan policies regarding use of e-mail and voice mail (Ref: Chapter 7 - Finance Administration and Planning - Archdiocese of Denver and Related Ecclesiastical Organizations -E-mail and Voice Mail Communications 7.1.7.), as well as the use and protection of computers (Ref: - Chapter 7 - Finance Administration and Planning - Archdiocese of Denver and Related Ecclesiastical Organizations - Computer Hardware and Software, 7.1.9. and Information Systems Data Protection Plan, 7.1.10.).

10.1.23.1. Computer security entails the protection of the equipment itself, the software, and the data files on the computer.

10.1.23.2. The parishes are to keep computer equipment in a secure place such as a locked office.

10.1.23.3. The parish computer is to be backed-up no less than weekly with backup copies stored at a remote location in water, fire and humidity proof safes or file cabinets so that if fire, flood, or vandalism destroys the computer, the back up diskettes are still secure. On a regular basis, a backup should be made and stored in an off-site location.

10.1.23.4 The parish is to document computer backup and restore procedures.

10.1.23.5. Password protection is encouraged to prevent others from accessing or destroying records.

10.1.23.6. The pastor should retain a file with all computer and software program passwords in a secure location.

#### 10.1.24. **Categories for Reimbursement of Priests**

The parish may not pay for personal expenses of the priests. Accordingly, personal expenses must be separated from business expenses.

The following table is utilized for reimbursement of priests assigned to a parish as pastor or parochial vicar. If there are any questions, call the Vicar for Clergy or the Director of Parish Finance.

**PARISH VS. PERSONAL EXPENSE**

<b>PARISH EXPENSES</b>	<b>PERSONAL EXPENSES</b>
<p>Salary according to the Clergy Benefit Schedule</p> <p><b>Automobile:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Reimburse the priests for parish business miles, utilizing published IRS reimbursement rates</li> <li><input type="checkbox"/> Auto travel in the conduct of his duties (e.g. to meetings, visit the sick, visit parishioners)</li> </ul> <p><b>Housing:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Providing a rectory</li> <li><input type="checkbox"/> Providing food/meals to the priests</li> <li><input type="checkbox"/> Furniture: beds, tables, chairs, lamps, drapes, artwork</li> <li><input type="checkbox"/> Household supplies: cleaners, soap, towels, toilet paper, light bulbs</li> <li><input type="checkbox"/> Vacuums, pots and pans, utensils</li> <li><input type="checkbox"/> Housekeeping</li> <li><input type="checkbox"/> Basic cable</li> </ul> <p><b>Clothing:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Vestments (that remain at the parish)</li> <li><input type="checkbox"/> Laundry of church linens and priest personal clothes</li> <li><input type="checkbox"/> Dry cleaning of vestments</li> </ul>	<p>Bonuses (or other compensation arrangements) to priests require approval from the Archbishop or the Moderator of the Curia</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Providing a car</li> <li><input type="checkbox"/> Auto insurance</li> <li><input type="checkbox"/> Maintenance: oil, gas, tires, tune-ups</li> <li><input type="checkbox"/> Vacation trips, personal visits</li> <li><input type="checkbox"/> Hotel rooms for friends and family</li> <li><input type="checkbox"/> Meals with friends</li> <li><input type="checkbox"/> Vitamins, dietary supplements</li> <li><input type="checkbox"/> Furniture/furnishings the priest takes with him when he moves</li> <li><input type="checkbox"/> Toiletries (shampoo, razors, etc.)</li> <li><input type="checkbox"/> Cigarettes, alcohol</li> <li><input type="checkbox"/> Exercise equipment</li> <li><input type="checkbox"/> Expanded cable, including movie channels and/or cable services beyond the level above basic service.</li> <li><input type="checkbox"/> Vestments retained by the priest when he moves</li> <li><input type="checkbox"/> Shoes, daily clerical clothes, jackets, dry cleaning of personal clothes or clerics</li> </ul>
<p><b>Parish Office:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Office furniture: desks, filing cabinets, tables, chairs, lamps</li> <li><input type="checkbox"/> Office equipment, computers, copiers, faxes</li> <li><input type="checkbox"/> Phones and phone lines</li> <li><input type="checkbox"/> Office supplies, pens, paper, folders</li> <li><input type="checkbox"/> Internet for business purposes</li> </ul> <p><b>Other:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Parish gifts (gifts to employees may have tax consequences)</li> <li><input type="checkbox"/> Parish entertainment: taking staff out for meals or entertainment, meeting and visiting parishioners or non-parishioners over meals at reasonable cost in the conduct of parish business or ministry</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Furniture or equipment that the priest takes with him when he leaves</li> <li><input type="checkbox"/> Computers, equipment the priest takes when moved</li> <li><input type="checkbox"/> Personal telephone line, cellular telephones not used for parish operations, personal long distance calls and internet solely for personal use</li> <li><input type="checkbox"/> Personal gifts to parishioners, friends, family, staff</li> <li><input type="checkbox"/> Personal gifts to parishioners, friends, family, staff</li> <li><input type="checkbox"/> Personal entertainment</li> <li><input type="checkbox"/> Excessive parish entertainment.</li> </ul>

**PARISH EXPENSES**

- Archdiocesan priest's retreat : hotel, travel, meals, registration <sup>1</sup>Priest's education: books, magazines, classes, travel, conferences, registration, hotels, meals <sup>1</sup>
- Archdiocesan priest convocation <sup>1</sup>

<sup>1</sup> Up to the amount defined in the annual Clergy Benefit Schedule.

**PERSONAL EXPENSES**

- Medical co-payments or co-insurance, deductibles or medical costs not covered by insurance.
- Archdiocesan priest's retreat expenses exceeding <sup>1</sup>
- Retreat expenses exceeding <sup>1</sup> Education expenses exceeding <sup>1</sup>
- Vacations, hobbies including equipment to support these activities.

**10.1.25. Legal, Governance and Other Matters**

Parishes may not file a legal action with a civil court or governmental entity without the prior written authorization of the Archbishop (Canon 1288). If a parish or parish employee is named, subpoenaed, or given other notice (formal or informal) of litigation, intention to file a lawsuit, or governmental action, the parish is to notify the Archbishop or his designee immediately. Legal services required by a parish and approved by the Archdiocese, will be the responsibility of that parish unless agreed otherwise in writing by the Archbishop or his designee.

10.1.25.1. Parishes may not lend their name or sell naming rights to any organization. Parishes may not enter into or sell sponsor arrangements without written approval of the Archbishop or his designee.

10.1.25.2. Parishes may not enter into a joint venture, partnership, legal alliance, create a separate 501 (c)(3) entity or civil corporation, merger, consolidation or reorganization without the prior written approval of the Archbishop. Likewise, no parish may independently seek or modify an existing corporation's status without the written approval of the Archbishop or his designee.

a. Establishing any form of endowment agreement, or a separate parish foundation, wherein the parish relinquishes control or ownership of its assets, requires approval of the Archbishop or his designee.

10.1.25.3. Excluding situations of spiritual direction or the sacrament of Penance, should any member of the parish personnel suspect criminal behavior, the pastor is to be informed as soon as possible. If the pastor is unavailable or not the best person to inform, the Vicar for Clergy or the Office of Internal Audit is to be notified immediately.

10.1.25.4. Parishes may accept bequests given as a result of vows only with the written approval by the Archbishop.

10.1.25.5. All parishes are to permit the use of tax exemption only to those organizations or individuals purchasing items strictly for the use of the parish.

10.1.25.6. Parishes need to follow the policies and guidelines as outlined and issued by the Office of Risk Management of the Archdiocese of Denver Management Corporation. Parishes are to maintain a copy of and utilize the Archdiocese of Denver Insurance Manual (Ref: 10.1.20.).

10.1.25.7. Parishes need to follow the policies and guidelines as outlined and issued by the Office of Human Resources of the Archdiocese of Denver Management Corporation as they pertain to employment practices and benefits administration. Parishes are to incorporate the Employee Handbook as issued by the Office of Human Resources from time to time into the employment practices of the parish.

10.1.25.8. Parishes with schools are required to utilize the Administrators Manual as issued by the Office of Catholic Schools in the management and operation of the school (Ref: Chapter 4).

10.1.26. **Parish Conflict of Interest.**

A Parish conflict of interest policy has been developed (see **Exhibit II**) to remind all who work for or on behalf of the parishes within the territory of the Archdiocese of Denver of their special degree of accountability as faithful servants of the Church and the need for operating with the highest ethical standards. The manner in which parish employees and council members provide service to their parish demonstrates to those around us the nature of our beliefs and how our faith guides our actions. It is incumbent upon all to demonstrate the highest level of integrity and honesty in the conduct of their responsibilities.

All who work on behalf of a parish within the territory of the Archdiocese of Denver have a responsibility to administer the parish affairs with their best skill, care and judgment for the highest benefit of the parish. Those who work for the parish may never use their positions in conducting the business of the parish for personal gain.

These protocols are issued and pertain to all who work or volunteer at a parish. Any parish employee or finance council member who is concerned about a potential or real conflict of interest should report their concerns to the pastor. If the conflict of interest includes the parish pastor, the Vicar for Clergy for the Archdiocese should be notified.

A conflict of interest arises whenever a decision to enter into a transaction would convey significant benefit to the pastor, employee, a parish committee member or their immediate families. If such conflicts of interest should arise it must be disclosed to the pastor and his parish finance council before the action is taken.

A summary of potential conflicts of interests are contained in the actual policy (see **Exhibit II**).

10.1.26.1. Procedures to address a conflict of interest are contained in the actual policy (see **Exhibit II**).

#### 10.1.27. **Parish Assessments**

Parishes are required to pay an annual assessment for the support of the Archdiocese. This assessment is based upon a formula that takes into account parish income, reserves, debt, and whether the parish has a school. The assessment is calculated in on an annual basis. Changes in the method of calculation must be recommended by the Presbyteral Council and approved by the Archdiocesan Finance Council (Canon 1263).

10.1.27.1. Monies received through fundraising for a capital project are only exempt from assessment if the fundraising has been approved by the Archbishop or his designee prior to the solicitation of pledges and if the project has been approved in advance. Monies received as general offertory are to be recorded in the manner consistent with guidance issued by the Office of Parish Finance. No part of these monies may be recorded in separate accounts. All money received by the parish as part of the general offering of the faithful is assessable income. How a parish decides to use this money does not affect whether the money is assessable, nor does it change how the money is recorded. All offertory contributions are recorded in one account, unless it is a second collection. Separate collections for maintenance or schools are considered offertory. If a parish decides to subsidize the school or pay off an existing parish debt from parish funds, the parish has made a budgetary expenditure decision. This end use decision does not affect the classification of the monies when received.

#### 10.1.28 **Parish Risk Management**

A consideration of parish risk management includes study of the nature and extent of the risk to which the applicable parish is exposed. All practical methods of eliminating the risk and/or preventing or minimizing losses must be explored in order to reduce the overall exposure to possible material losses. Events, situations or changes in parish business operations, including new programs, may present additional or new risk exposures to the ongoing operation of the parish. Accordingly, a parish may need to obtain proper insurance coverage and/or other means to protect assets. Such items must be brought to the attention of the Director of Risk Management of the Archdiocese of Denver Risk Management Property/Casualty Insurance Trust (Insurance Trust) – reference should be made to Chapter 12 – Roman Catholic Organizations (12.13) for a more complete description of the Insurance Trust.

Parish properties must be insured through the Insurance Trust program. This insurance program includes: property insurance, builders risk insurance, general liability, automobile insurance, crime coverage, umbrella liability, directors and officers liability, morality liability, etc. Parish personnel are encouraged to contact the Risk Manager of the Trust in the Office for FAP for any specific coverage questions or for the cost of insurance, to review leases, for certificates or proof of insurance, to report property or bodily injury claims, etc. Each parish should be familiar with the nature and extent of the insurance provided by the Archdiocesan insurance program.

Education and consultation are provided in the areas of public safety, loss control inspections and recommendations, environmental protection, compliance with governmental regulatory agencies and risk management.

10.1.28.1. If a parish makes available a portion of its property to individuals or groups, the principles and practices of the individuals or groups must be compatible with the teachings of the Catholic Church. In addition, if the individuals or groups require the use of the property for an event, a license agreement shall be provided and kept on file by the parish office, with a certificate of insurance naming the parish and the Archdiocese as additional insured parties. The license agreement shall be maintained during any period in which the facility is used and shall be required regardless of whether rent is charged. Discussion with the Director of Risk Management is strongly encouraged in these situations.

- a. Parishes renting or leasing property must have a signed written lease agreement outlining the terms of use and payment.
- b. Consistent with the Archdiocese's commitment to promote and help assure a safe environment for children and young people in her care (Ref: Chapter 3 – The Teaching Office – Child and Youth Protection – 3.2.1.), who use and occupy parish-owned buildings and other premises for parish activities, the Archdiocese and parishes within its territory are to:
  - i. Pre-screen those organizations or individuals that lease or request a use agreement for parish properties.
  - ii. Require background checks on such tenants as a condition for tenancy when the proposed tenant and the parish share use and/or access to all or any portion of parish property, excluding parking areas.

## **Part 2: Parochial Consultative Organizations**

To assist the pastor or parochial administrator in the exercise of his office in the governance of the parish, the following consultative organizations are established. The pastor is not a member of these consultative organizations, but presides over them and carefully evaluates the advice given. These consultative organizations are not to exercise authority directly or to mandate any act, as this would undermine the personal authority of the pastor. To serve on a council, the individual must demonstrate him/herself to be an active participant in the life of the parish. All parochial consultative organizations, including the parish finance council, are required to record minutes of meetings and maintain the minutes in a permanent file at the parish offices.

### **10.2.1. Parish Pastoral Council**

The parish pastoral council is obligatory in the Archdiocese and serves the pastor in a consultative capacity.

10.2.1.1. The parish pastoral council consists of at least 5 members of the parish, but not more than 10 selected by the pastor. At his discretion, the pastor may remove the council members. The members serve for a 3-year period and may be named for 1 additional term; after this time, there is to be at least 1 year off the council before any member can be re-appointed. The pastoral council is presided over by the pastor.

10.2.1.2. The parish pastoral council advises the pastor on developments of pastoral priorities. The Council helps the pastor to identify pastoral needs and to implement and evaluate pastoral programs. The Council assists with encouraging volunteerism and participation by the parishioners in the life and ministry of the Church.

### **10.2.2 Parish Finance Council**

Every parish is to have a parish finance council to assist with the responsible stewardship of resources, and to be of assistance to the pastor (Canon 537). In some circumstances, parishes administered by the same priest may have one parish finance council that acts on behalf of all the parishes administered to. In that circumstance, it is recommended that the parish finance council reflect the membership of the faithful from the participating parishes.

The parish finance council is to adhere to the laws governing the administration of ecclesiastical goods under Canon Law and this Pastoral Handbook.

10.2.2.1. The pastor is to preside over the parish finance council. In the event of a change in pastors, the finance council and the existing members continue in existence.

The council shall consist of at least 3 members of the parish. The members are to serve for 3 years with the possibility of reappointment. A member who has served 6 years may be eligible to serve on the council again, but the pastor should consult with the Vicar for Clergy

or the Dean of the parish deanery. The majority of members are to be qualified in financial administration and, where possible, in matters of civil and Canon law as applicable to parochial circumstances. It is recommended that the parish finance council designate 1 member as liaison with the parish pastoral council and 1 member as a liaison with the parish school committee (if one exists). The pastor appoints and may remove the members. However, the pastor may only remove members for extraordinary reasons and after consulting with either the Dean of the parish deanery and/or the Vicar for Clergy.

10.2.2.2 The Parish finance council should recommend a chairperson from amongst its members annually for the pastor to appoint. The chairperson is to work with the pastor and parish business manager (if any) to set an agenda, identify key business issues that need to be addressed by the council and to communicate with the pastor and business manager on behalf of the council.

10.2.2.3 The finance council should meet at least quarterly (more often is recommended) and minutes of these meetings must be documented and retained at the parish.

10.2.2.4 The parish must submit to the Office of Parish Finance, an Annual Report which includes a list of all finance council members by August 30th of each year. (Ref: Chapter 10 – Parish Business Practices within the territory of the Archdiocese - 10.1.7.1.)

10.2.1.5. The parish finance council must review and approve the parish budget for approval by the Pastor.

10.2.2.6. The duties of the parish finance council are to provide assistance to the pastor or parish administrator in administration of parochial goods and in assessing parish needs for present and long-term financial support. Such duties are numerous and include the following:

- a. Assisting the pastor in preparing the annual budget of income and expenses according to the guidelines of the Archdiocese.
- b. Assisting the pastor in monitoring the budget throughout the fiscal year and in advising the pastor in all financial matters of parochial administration, including the coordination and development of the parish school budget (if one exists) into the total budget of the parish.
- c. Assisting the pastor in reviewing the monthly or quarterly parish financial statements and monitoring payment of all obligations of the parish.
- d. Assisting the pastor with an ongoing review of internal control procedures.

- e. Assisting the pastor to insure there is active and informed participation of the parishioners in the Archbishop's Catholic Appeal.
- f. Assisting the pastor in keeping current with and conforming to Archdiocesan policies.
- g. Insuring that the parish remains current with its obligations to the parish employees, parish vendors and Archdiocesan organizations, including the payment of assessments, insurance premiums, retirement premiums and payroll taxes.
- h. Assisting the pastor in monitoring and establishing just, fair and non-discriminatory salaries and benefits for parish employees and in the recruitment and hiring of the parish business manager and/or parish accountant.
- i. Assisting the pastor with reporting the parish financial results and the budget to the parishioners on an annual basis.

In addition, the finance council shall have such other duties or responsibilities as may be identified elsewhere within this Pastoral Handbook.

10.2.2.7 The parish finance council is to review and assist the pastor in responding to issues identified in the CPA management letter, from the review conducted as part of the Parish Review Program. The parish finance council must meet with the CPAs and/or Internal Auditors from the Management Corporation when a review or internal audit are completed at the parish. The parish finance council members, in addition to reviewing the findings, are to discuss with the CPAs or internal auditors any concerns they may have over the management of the funds or resources of the parish. A written response to the External CPA management letter must be signed by the pastor and the chair of the finance council and must also be sent to the Office of Internal Audit.

10.2.2.8 In the event the parish finance council members become aware of any action by the parish that may give rise to a conflict of interest, the member is to report the action or activity to the Chairperson and Pastor immediately. The matter must be disclosed to the parish finance council and a determination of appropriate action, whether the member must resign from the council or recuse themselves from a particular issue must be documented in the minutes.

10.2.2.9 In the event any member of the parish finance council receives a report from someone of suspicion or evidence of fraud, theft or misuse of parish funds or property, they must report the incident to one of the following depending on the nature of the report, the Pastor and/or the Chairperson of the Parish Finance Council. The report is to be raised in the parish finance council meetings and, if deemed credible, must be reported to the Vicar for Clergy.

### 10.2.3. **School Advisory Council**

In those parishes with a parish school, a school advisory council is required.

10.2.3.1. School advisory councils in the Archdiocese are established by the pastor to advise the principal and pastor in matters of planning, policy formulation, finances, development, marketing, and public relations. The council is consultative in nature, and is not to meet without the principal or pastor in attendance.

10.2.3.2. School advisory councils in the Archdiocese are not to engage in matters regarding discipline, parent grievances, program development, approval of materials, and the hiring, evaluation, or termination of teachers and principal.

10.2.3.3. School advisory councils are to develop and operate by a mission statement, constitution, and by-laws that have been approved by the pastor and Director of Catholic Schools.

10.2.3.4. Council membership and term limits and renewals are to be specified in the by-laws. The pastor and principal are ex-officio members of the council, and the principal serves as chief executive officer of the council. Employees of the school or parish may not be members of the council. Members of the school advisory council, other than the principal, are to be appointed by the pastor or principal.