

Memo

To: All Pastors, Bookkeepers, and Parish Accounting Staff
From: Gerald Arnold
CC: Finance Council Chairperson
Date: 6/29/2010
Re: June 30, 2010 Fiscal Year End

The end of another fiscal year is just around the corner. I appreciate all of your efforts throughout the year to make sure the parish finances are properly prepared and reported to the parish community. There are a few reminders and some important information that must be communicated to all parishes. Please take the time to read the information contained in this letter carefully.

Enclosed you will find a checklist to be used while preparing the annual report. Many of the problems identified on the annual reports could have been eliminated by following the checklist. Please have someone check the accuracy of each line and section of the report before sending it to the Finance Office. Each line of the report has a line number and certain line numbers must match. To aid you in checking the report, I have enclosed a document, showing which line numbers should agree and where certain line totals should appear on the report. Despite asking that the report be double checked, many reports are still submitted with mathematical errors.

The financial reports submitted are scanned and stored electronically, so they must be typewritten. Reports that are handwritten do not scan very well and are sometimes illegible.

It is MANDATORY that ALL accounts appear on the financial report, including all checking accounts, savings accounts, certificates of deposit, investment accounts (at market value), burses, endowment funds, foundations and any other funds existing for the benefit of the parish and/or school, including any funds that might have inadvertently been established apart from the parish and/or pastor. All accounts used in the normal course of business and for which the activity is included in the financial report, should appear on Schedule G. All other accounts existing for the benefit of the parish must appear on Schedule H. Schedule H must also include ALL parish groups and organizations bank accounts. It is appropriate to remind you that the pastor MUST be an authorized signer on all parish accounts. If the parish has an endowment account, burse, foundation, or similar account, listed and clearly identified on either Schedule G or Schedule H, a copy of the agreement must accompany the financial report if one was not previously submitted in a prior year. If a fund is simply parish savings and the funds are not restricted for a particular purpose then it should not be identified as an endowment fund and must be listed on Schedule G. When listing accounts on the financial report, please make sure that we are able to identify the purpose of the account by listing all relevant information in the title of the account.

The deadline for the report to be submitted to the Diocese will be **August 20, 2010**. I realize that the due date is earlier this year, however, we are making a change to the annual report process that will facilitate meeting the earlier deadline. NEW THIS YEAR: The pastor and the parish accountant are the only persons required to sign the financial report. The mandatory letter that must be submitted to Bishop Lennon bears the signatures of the members of the Finance Council and MUST be signed by all members of the council. We found the requirement of having the Finance Council members sign both the letter and the report to be duplicative. The official statement that the Finance Council has reviewed the finance report will be the letter sent to Bishop Lennon. The letter will become a part of the report after it is received and reviewed by Bishop Lennon. I know that many Finance Councils do not meet during the summer months, so the finance report would be submitted past the deadline due to vacations and summer meeting schedules of the Finance Councils. This step is being taken to encourage the timely submission of the report to the Diocese. Once the Finance Council meets if they approve of the report, they can sign the letter and the letter must be sent to Bishop Lennon. If the Finance Council does not approve the report, then the report must be revised and a revised copy submitted. If a revision is necessary, please make sure to mark it "REVISED". The parish will not receive a letter from the Finance Office detailing the result of our review until the letter from the Finance Council has been received by the Bishop.

In prior years I asked for all support paid to other grade schools to be reported in account 2705. Again, I am asking that all payments made to other schools for students in parishes who do not have schools, support to merged or regional schools and any other support to any combined school be shown in account 2705, "Payment Made to Other Schools." I understand the argument that a combined school is the parish grade school, however, we need to have a standard method to report the support to sponsored or combined schools so that the amount paid to support a grade school is consistently reported.

The series of school accounts should not be used if the parish does not have the total responsibility of operating a grade school without assistance from another parish. The cost of maintaining a school building when the parish school has closed should be expensed to parish maintenance expense accounts and not to school maintenance expense.

The Accounting Practices Committee of the United States Conference of Catholic Bishops has made several recommendations for the annual reporting process. Those recommendations are:

An annual letter from the parish to the Bishop containing:

- The names and professional titles of the parish finance council members.
- Dates when the council met in the preceding fiscal year.
- Dates when the approved parish financial statements and budgets were made available to the parishioners during the preceding fiscal year and since the end of the fiscal year. A copy of the published financial statement should be provided to the Finance Office for the Bishop.
- A statement signed by the parish priest and the finance council members that they have met, developed and discussed the financial statements and budget of the parish.

The Diocese of Cleveland adopted this recommendation in 2006. A sample letter is enclosed in this mailing and is available on our Finance Office website. Please follow the sample letter format, and do not omit select information from the letter. The letter must be sent directly to the Office of the Bishop. An envelope to send the letter to the Bishop is enclosed for your convenience. Two of the most common deficiencies noted on the letters submitted are: 1) Parish staff members are NOT to be members of the parish Finance Council. The pastor, parochial vicars, business managers, school

principals or parish bookkeepers are not members of the council, although they may attend the meetings. 2) The Bishop expects Finance Council to meet at least quarterly. Too few meetings is a frequent deficiency.

The annual reporting process is more than just submitting a signed copy of the parish report to the Diocese. The Finance Council must be involved in the process and the communication of financial information to the parishioners. Please use the enclosed envelope to return your financial report to the Diocese. The financial report should be sent to the Finance Office and the Finance Council letter should be sent directly to Bishop Lennon. Please DO NOT send the financial report to the Office of the Bishop.

It is required that complete and meaningful financial information be made available to the parishioners in a timely manner. A sample report for the parish is included with this mailing, and is available on our Finance Office website. It is strongly suggested that the format of the sample report be followed. The report given must contain at least the information on the report. You may, in the spirit of transparency, make more detailed information available as well. Please be sure to protect the privacy of employees, their salaries, and personal information. Payroll information should be made available in summary form only, and individual salaries and information should not be disclosed. It is encouraged that parishioners' questions be answered as quickly and efficiently as possible.

As we have done in prior years, if you need blank financial report forms, please call the Diocese and request extension 2222. Please leave your name, the name of the parish you are calling from, and the city where the parish is located. Your request for blank forms will be promptly fulfilled. A blank financial report form is available on our Finance Office website for your convenience. To maintain the cost of postage and printing, if you have internet access and need a blank form, please help us to lower the cost of postage and printing by utilizing the internet to fulfill your need.

In reviewing the parish reports for prior years, I found that many parishes report investment activity using very different methods. Several parishes reported investment activity as an extraordinary item and some reported investment activity on the miscellaneous income or expense line.

In order to work towards consistency in reporting, I am asking all parishes to report investment activity as regular operating income in account 1010. Investment gains and losses are also to be reported in account 1010. Some may argue that the losses experienced in the last few years are extraordinary, however when reviewing what can be classified as an extraordinary item, gains, losses, and investment interest do not fit the classification. In the event that investment losses exceed investment gains and income earned, you may have a negative number in account 1010. If a negative number is shown in account 1010, we will know that you experienced an overall investment loss for the year. As a reminder, the amount shown on Schedule G for investment accounts must be the market value of the accounts as of June 30, 2010.

Additionally, the ACS report was not changed from the prior year. If you are currently running ACS version 10 software, the annual report is available at the link below. If you downloaded the report in the prior year, you do not need to download it again. If you are not running ACS version 10 software, you can use the version of the report that you used in the prior year.

[The link to the ACS Annual Financial Report version 10.0.
http://apps.acstechnologies.com/support/downloads/ClevelandReportInstall/.](http://apps.acstechnologies.com/support/downloads/ClevelandReportInstall/)

The link will also be posted on our Finance Office website. The instructions to run the report have not changed and they are also posted on the Finance Office website in the year end reporting section.

Also enclosed you will find an envelope containing Unrelated Business Income Tax (UBIT) information. The blue survey sheets should be completed and returned to the Finance Office before August 13, 2010. You do not have to wait until the annual report is completed to return the UBIT information, it should be returned as soon as it is completed.

If there has been an event at the parish that will cause the parish not to meet the deadline, please send me an e-mail and apprise me of the situation. It is better to know now if a report will not be submitted on time rather than letting me know well after the due date of an issue that will prevent timely submission of the report.

As always, if you have any questions, please feel free to contact any Finance Office staff person listed below. Thank you for your cooperation.

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FINANCE OFFICE WEBSITE ADDRESS:

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