Memo

To: Pastor/Bookkeeper
From: Gerald Arnold
Date: 6/26/2019
Re: Fiscal year information

The end of Fiscal Year 2019 is just around the corner and there are many items that need to be communicated to you regarding fiscal year end activities and other important topics.

ANNUAL FINANCIAL REPORT

With the end of the fiscal year comes the task of preparing the annual financial report to the Diocese and the parish community. The toolkit that has been in use for many years will once again be used to facilitate reporting to the Diocese. You are required to use the toolkit to submit your report unless you are an ACS user. ACS users are permitted to use the fiscal year report generated by the system, however we are strongly suggesting that ACS users utilize the toolkit to submit their reports. If you are submitting the ACS system generated report, you must submit the balance sheet for the current year and the prior year as of June 30th. ACS users who submit the system generated report must also be sure to provide the detail on the income statement of the detail for miscellaneous receipts, including the amount received for Rooted in Faith for the current year. ACS users will also need to submit the annual budget for the next fiscal year since it is not on the ACS system generated report. The annual financial report is due in the Finance Office on FRIDAY, AUGUST 16, 2019. Earlier submission is encouraged. Toolkits are submitted electronically to the following address:

parishaccounting@dioceseofcleveland.org

The toolkit and all related annual reporting information will be available on the Finance Office website by June 30, 2019.

Each parish Finance Council is required to submit a representation letter to the Diocese. Please submit the representation letter to Mr. James Gulick in the Finance Office. A sample letter is found on our website. The letter can be sent electronically as a PDF along with the annual report, or can be mailed directly to the Diocesan Finance Office.

Each parish is also required to complete an Unrelated Business Income Tax survey. Please read the form carefully and consider the activity of the parish as well as parish groups and organizations when completing the tax survey. All parish groups and organizations that use the tax identification number of the parish must be evaluated when completing the UBI form. UBI information will be sent under separate cover.
RESTRICTED FUNDS

All cash and investment accounts on the annual report must show if there are any restrictions on the funds. The designation would be unrestricted, temporarily restricted or permanently restricted. When evaluating the cash position of the parish, we will need to know if the amount reported is available for general operation of the parish. The indication is found on Schedule A and Schedule L in the toolkit. If you are an ACS report user, you will need to indicate in the margin of the report if there are any stated restrictions. A definition of each classification is included in the 4th tab of the toolkit.

ACCRUAL OF FINANCIAL INFORMATION

All parishes with grade schools must accrue for salaries and matching FICA/Medicare amounts that were incurred through June 30, 2019 and will not be paid until July or August of 2019. Parishes with schools will also be required to show income received in advance. Income received in advance would be tuition and fees that have been paid by the parents and not earned by the school. Typically, registration fees and tuition fall into this category. All schools must book tuition receivable at the end of the fiscal year. The amount recorded as tuition receivable must be fully supported by a subsidiary ledger showing the amount due. Any tuition that is not deemed collectible should be written off. The amount written off requires the approval of the pastor (in writing) and consultation with the Finance Council of the parish. Parishes without schools are also permitted to accrue any material expenditures or income received in advance such as rental deposits and Parish School of Religion receipts. All parishes need to accrue any outstanding balances owed to the Diocese of Cleveland including collected but unremitting designated collections. Additionally, unpaid Workers’ Compensation and Unemployment premiums for the parish and school are to be accrued if they are not remitted before June 30, 2019. Large projects or items for which a contract has been signed, must be shown as an accrued item.

DESIGNATED COLLECTIONS

At the end of the fiscal year, all parishes must accrue designated collections received, but not forwarded to the Diocese or other agency. It is strongly suggested that each collection be reconciled during the final week of the fiscal year, and the amount remitted before the end of the week. Any amount received, but not remitted is shown as a liability on the balance sheet at year end. The parish is NOT PERMITTED to keep any of the funds received for designated collections. Money received after the parish has remitted the collection must be sent to the appropriate agency, the amount received is not a determining factor.

UNCLAIMED FUNDS

The Unclaimed Funds Report to the Ohio Department of Commerce is due on or before November 1, 2019 for funds unclaimed through June 30, 2019. The outstanding checks on all checking accounts, including those of parish/school groups and organizations, must be examined to see if check(s) have been outstanding long enough to be eligible to be sent to the State as unclaimed funds. You may not void the check and keep the money. The amount of unclaimed funds is required to be sent with the report to the State of Ohio. A report indicating that no funds exist is required by the State if there are no unclaimed funds. Here is the URL for the Ohio Department of Commerce site, where you can find the blank form to be submitted: https://www.com.ohio.gov/unfd/. A best practice is to examine all outstanding checks regularly to ensure none of the checks are more than a few months old. If the parish has credit balances in Accounts Receivable, these items must be analyzed and possibly reported as unclaimed funds if they meet the reporting requirements.
PARISH BUDGET

Each parish in the Diocese is required to prepare a budget. The budget must be shared with the parish community and submitted to the Diocese during the annual reporting process. The budget is generally shared during the reporting process to the parish, but it can be shared separately from the financial report to the parish. Ideally, the budget should be prepared prior to the beginning of the fiscal year. The budget MUST be balanced (i.e. it may not reflect a planned deficit). The Bishop and Finance Office will not accept an operating budget from a parish that shows deficit spending. We recognize that the timing of capital campaigns versus planned or unplanned capital expenses as well as periodic capital repairs funded from savings may cause the parish to incur a deficit but this expense should be viewed as “non-operating” and would not be included in calculating a normal operating surplus or deficit (the form provides for subtotals that will separate these amounts). A detailed narrative must be submitted, with documentation, to show that aside from the project or special item, the budget is in balance.

There are several methods that can be employed to prepare the parish budget. One method would be to review what was spent during the current fiscal year, and add a percentage to both revenue and expenses to come up with the new budget. While this method is acceptable, we do not recommend it. Zero-based budgeting is a useful and powerful management tool to use in preparing the budget. This method suggests you start the process with a clean slate, examining the mission of the organization, and decide what resources are necessary to fulfill the mission of the parish. The zero based budget methodology suggests that every single line item in the budget be justified and accurately projected.

Once prepared and reviewed with the parish Finance Council, the budget must be monitored. The actual to budget results should be shared with the Finance Council on at least a quarterly basis. The analysis will enable the pastor and the Finance Council to identify and correct financial issues as quickly as possible.

REPORTING PARISH GROUPS AND ORGANIZATIONS

Schedule L in the toolkit and Schedule H for ACS users, is a listing of ALL parish groups and organizations with separate bank accounts. The RECONCILED balance must be reported at June 30th. It is imperative that the group and organization treasurers complete the reconciliation as quickly as possible after year end and get the information to the accounting office for inclusion in the annual report.

ACCOUNTS AFFILIATED WITH THE PARISH NOT UTILIZING THE TAX IDENTIFICATION NUMBER OF THE PARISH

In the past, included in the parish report were only the accounts that utilized the tax identification number of the parish. We are now requiring all accounts that benefit the parish to be listed on the report, even if the account is in another tax identification number. This means that any organization accounts using another tax identification number but exist for the benefit of the parish or school, must be listed. Foundations, Trusts, and any other account benefitting the parish or school must be reported even if they are separate from the parish. These accounts should be reported in the second section of Schedule L on the toolkit. ACS users not using the toolkit will need to include the information in an attachment to the report.

If you have any questions about any year end reporting requirements or any questions regarding any other information, please feel free to contact the Finance Office.

- Gerald Arnold Extension 2170
- LuAnn Ashby Extension 1039
- Devra Konjura Extension 3970