

Memo

To: Pastor/ Parish Life Coordinator /Business Manager/Bookkeeper
From: Gerald Arnold
Date: 6/23/2025
Re: Fiscal year information

The end of Fiscal Year 2025 is approaching 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 will be used to facilitate reporting to the Diocese and is the required vehicle to submit your report. The annual financial report is due in the Finance Office no later than **FRIDAY, AUGUST 15, 2025**. Earlier submission is encouraged. Toolkits are submitted electronically to the following address:

parishaccounting@dioceseofcleveland.org

For safety and data security purposes, please submit all toolkits and any related financial information via the parish business manager (BMR) e-mail account. The transmission between Diocese of Cleveland Accounts is encrypted and secure as long as no outside domains are included on the e-mail.

The toolkit and all related annual reporting information will be available on the Finance Office website and the Business Manager SharePoint site on or before July 15, 2025. This will be the last toolkit available on the public website of the Finance Office. All future financial reporting tools and information will only be available on the Business Manager SharePoint site.

As required in the Parish Finance Council Statutes dated February 1, 2024, each parish Finance Council is required to submit a representation letter to the Diocese (Appendix 4 of the statutes). Please submit the representation letter to Mr. Kevin Krencisz (kkrencisz@dioceseofcleveland.org) in the Finance Office. A sample letter is found on our website, and the Business Manager SharePoint site. 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 (UBI) survey. Please read the form carefully and consider the activities of the parish, school and affiliated 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.** The UBI Survey form must be retained in your records. If it is determined that your

parish needs to file Form 990-T, electronic submission to the Internal Revenue Service is required. Contact Gerald Arnold or LuAnn Ashby in the Finance Office for assistance.

RESTRICTED FUNDS

All cash and investment accounts on the annual report must reflect status of restrictions, that is one of the following: unrestricted (U), temporarily restricted (T) or permanently restricted (P). When evaluating the cash position of the parish please indicate if the amount reported is available for general operations of the parish or if for another purpose (e.g. "maintenance fund"). The indication is found on Schedule A and Schedule L in the toolkit. A definition of each classification is included in the 4th tab of the toolkit. Grant funding that has been received for which the restriction has not been met, must be listed as temporarily restricted. It is possible that bank accounts may need to be split into unrestricted and restricted portions in the schedules.

ACCRUAL OF FINANCIAL INFORMATION

All parishes with grade schools must accrue for salaries and matching FICA/Medicare amounts that were incurred through June 30, 2025 and will not be paid until July or August of 2025. The parish should use the payables (0301xx) account and the corresponding salaries (5101xx) and payroll tax (5102xx) general ledger accounts. For schools with principal contracts running concurrent with teacher contract dates, use accounts 5001XX and 5002XX. Health Benefits and Pension amounts should not be accrued.

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 record 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 by family or student. 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 with or 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. Any amounts due for rent (if applicable) should also be accrued as a parish receivable.

All parishes need to accrue any outstanding balances owed to the Diocese of Cleveland including collected but unremitted 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, 2025. Other items would include any amounts due for Health Benefits, Pension, Diocesan debt or loans, and Property/Casualty Insurance.

Large projects or items for which a contract has been signed, must be shown as an accrued item using percentage of completion. If your parish has made a pledge to the Heart of a Shepherd campaign, the amount of the unpaid obligation as of June 30, 2025 must be reflected on the balance sheet.

Many parish schools receive EANS funding. If the parish or school has expended funds for items that would be covered by EANS funds and are awaiting state reimbursement, the amount must be shown as Accounts Receivable on the Balance Sheet.

Some schools elected to receive auxiliary funding directly from the government as opposed through the local school district. The income from auxiliary funding and the expenses related to auxiliary funding must be shown on the toolkit on lines 288 and 289, and must net to zero. Unspent auxiliary funding received must be shown as a liability on the balance sheet. Please make sure the amount is segregated and not included with other liabilities.

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. Any amount received, but not remitted is shown as a payable on the balance sheet at year end. The offset is a debit to the corresponding designated collection expense account. 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. All designated collections must be reconciled both by **individual collection**, and the total for all collections. It is advised to perform the reconciliation as soon as possible so that errors may be corrected BEFORE the end of the fiscal year. For assistance with designated collections, please contact Nancy Mar at extension 1037.

UNCLAIMED FUNDS

The best practice is to examine all outstanding checks regularly to ensure none of the checks are more than a few months old. When old outstanding checks are identified, the individual or vendor should be contacted and asked why a check has not yet been cashed. A replacement check can be provided if needed (stop payment on the old check should be considered in this situation).

An Unclaimed Funds Report is due to the Ohio Department of Commerce on or before November 1, 2025 for funds unclaimed through June 30, 2025. The outstanding checks on all checking accounts, including those of parish/school groups and organizations, must be examined and compared against Ohio's Unclaimed Funds regulations. In certain situations, 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. All reporting of unclaimed funds and negative reports must be made through the Ohio Department of Commerce website.

<https://unclaimedfunds.ohio.gov/app/submit-a-report>

Note: 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 deciding 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 results compared to budget results must 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, is a listing of ALL parish affiliated 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. As a reminder, all records for parish and school groups and organizations are official parish records and are subject to records retention guidelines and review.

Schedule L is not intended to show parish operating, savings, investment, or endowment accounts. Schedule L is limited to parish and school affiliated GROUP and ORGANIZATION accounts.

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 now require 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. Parish foundations, trusts, and any other accounts benefiting 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. If the outside organization refuses to share financial information, list the name of the organization on the schedule and "refused to provide information" after the name.

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| Dates to Remember | June 16, 2025 | Remind all groups and organizations to submit financial information to the parish. |
| | June 30, 2025 | Reconcile and remit all designated collections for the fiscal year. Remember any collections not remitted need to be accrued. Collect Finance Council confidentiality agreements/conflict of interest documents and retain on file. |
| | July 1, 2025 | New health care rates start today New Clergy salaries take effect Parish/School budgets begin today |
| | July 15, 2025 | Workers' Compensation and Unemployment reports are due to MinuteMenHR; payment for Workers' Comp and Unemployment are due to the lockbox. Remember Priests and Religious are not included in Unemployment; however, they are included for workers' comp. |
| | July 31, 2025 | Review all parish revenue sources for unrelated business income (UBI) and complete UBI worksheet. Retain worksheet on file. Review all parish accounts Schedule A and Schedule L for unclaimed funds. |
| | August 15, 2025 | Annual Financial Report is due to the Finance Office for the period July 1, 2024 through June 30, 2025. |

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
- Christopher Malik Extension 3970
- Judith Artino Extension 1038