

SECTION 6

PARISH FINANCE POLICIES

SECTION 6 - PARISH FINANCIAL POLICIES

TABLE OF CONTENTS

PARISH FINANCIAL POLICIES		6-1
I. ACCOUNTING SYSTEM		6-1
A. Statement of Policy		6-1
B. Provisions		6-1
II. ACCOUNTING PERIOD		6-1
A. Statement of Policy		6-1
B. Provisions		6-1
III. BASIS OF RECORDING FINANCIAL TRANSACTIONS		6-1
A. Statement of Policy		6-1
B. Provisions		6-2
IV. ACCOUNTING RECORDS		6-2
A. Statement of Policy		6-2
B. Provisions		6-2
V. UNIFORM CHART OF ACCOUNTS		6-3
A. Statement of Policy		6-3
B. Provisions		6-3
VI. PARISH FINANCIAL REPORTS		6-3
A. Statement of Policy		6-3
B. Provisions		6-3
VII. PARISH BUDGETS		6-4
A. Statement of Policy		6-4
B. Provisions		6-4
C. Benefits of Sound Budgetary Management		6-5
VIII. PARISH CENTRAL BANK ACCOUNT		6-5
A. Statement of Policy		6-5
B. Provisions		6-5
IX. PARISH AUXILIARY BANK ACCOUNTS		6-6
A. Statement of Policy		6-6
B. Provisions		6-6
1. General		6-6
2. Bingo Bank Account		6-6
3. Payroll Bank Account		6-7

	4.	Mass Offerings Bank Account	6-8
	5.	Cemetery Bank Account	6-8
	6.	Parish Organization Bank Account	6-9
X.		PARISH INCOME	6-10
	A.	Statement of Policy	6-10
	B.	Provisions	6-10
		1. Offertory Collections	6-10
		2. Bequests and Donations	6-11
		3. Fund Raising Income	6-11
		4. Rental Income	6-12
		a. Contacted Leases	6-12
		b. Special Events	6-13
XI.		PARISH DISBURSEMENTS	6-13
	A.	Statement of Policy	6-13
	B.	Provisions	6-13
		1. Compensation and Benefits for Religious Brothers and Sisters	6-14
		2. Payroll and Other Taxes	6-14
XII.		REAL ESTATE - SALES AND PURCHASES	6-16
	A.	Statement of Policy	6-16
		(See Real Estate, Section 1)	
		1. Sale of Property	6-16
		2. Purchase of Property	6-17
		3. Leases	6-18
		4. Gifts and Bequests	6-19
		5. Expenses Related to Property Exchanges	6-20
		6. Record Keeping	6-20
XIII.		DIOCESAN ATTORNEY	6-21
	A.	Statement of Policy	6-21
XIV.		PARISH COMPILATIONS	6-21
	A.	Statement of Policy	6-21
	B.	Provisions	6-21

(Updated September, 2005)

SECTION 6 PARISH FINANCIAL POLICIES

I. ACCOUNTING SYSTEM

A. Statement of Policy

Each parish is to use the double entry method of recording its financial transactions. Each receipt and disbursement transaction shall be chronologically listed in a journal or register.

B. Provisions

A standard form and/or formal one for journals to record receipts and registers to record disbursements is not required. The parish is allowed to choose whatever system it deems best provided that:

1. All financial policies and procedural requirements as embodied in this Manual are met.
2. The forms used clearly identify the sources of receipts and the purpose of each disbursement.
3. The forms used include a clear description of each transaction.

II. ACCOUNTING PERIOD

A. Statement of Policy

The parish accounting period for recording financial transactions will be a 12-month fiscal year beginning on July 1 and ending on June 30.

B. Provisions

All operating units of the parish as well as all parish organizations will observe the same accounting period for recording financial transactions.

III. BASIS OF RECORDING FINANCIAL TRANSACTIONS

A. Statement of Policy

Financial transactions shall be recorded for the parish in books of accounts using a semi-cash basis of recognizing revenue and expenses.

B. Provisions

1. Revenue and expenses shall be recognized and recorded in the books of account only upon actual receipt or disbursement.

Revenue and expenses arising from non-cash transactions (transactions that do not involve any deposit or withdrawal in the parish bank account) are to be recognized and recorded in the books of account only:

- a) If these transactions have already occurred.
 - b) If these transactions benefitted the parish or are proper charges to the parish.
2. The recognition in the books of account of certain monies already received as revenue may be deferred only in instances where a contingent liability on the part of the parish exists; i.e., the service must be performed before such monies received are earned. The deferral shall be limited to:
 - a) Monies received for Masses to be celebrated in the future.
 - b) Monies received as prepayment for tuition applicable in the future school year.

IV. ACCOUNTING RECORDS

A. Statement of Policy

The following basic account records shall be maintained:

1. Business Papers or Vouchers - supplier invoices or receipts, contracts and other financial documents which evidence or attest to the occurrence, correctness and propriety of each financial transaction.
2. Books of Original Entry - cash receipt journals, check registers, journal entry registers for recording non-cash transactions.
3. Ledgers - summarize transactions of the same nature and classification that are recorded in the books of original entry.

B. Provisions

1. All parish financial and accounting records shall be located at the parish rectory or business office.

2. All parish financial and accounting records which are kept and maintained at different locations in the parish during the fiscal year, i.e., school office, bookstore, religious education office, CCW, men's club, etc., must be turned over to the parish rectory or business office for permanent safekeeping at the end of each fiscal year.
3. No financial and accounting record shall be taken off the premises of the parish without the consent of the pastor.
4. Financial and accounting records shall be destroyed/discarded only upon approval of the Pastor/Pastoral Administrator/Parish Life Coordinator after the lapse of the prescribed period as set forth by law. (See Standard Operating Procedures, Section 3)
5. All parish permanent records are to be kept in fireproof vaults.

V. UNIFORM CHART OF ACCOUNTS

A. Statement of Policy

The uniform chart of accounts is to be used in classifying financial transactions in the books of account.

B. Provisions

The chart of accounts for parishes and their respective operating units are shown in the Standard Operating Procedures Manual, Section 3 - CHART OF ACCOUNTS.

VI. PARISH FINANCIAL REPORTS

A. Statement of Policy

The results of financial operations shall be reported.

B. Provisions

1. All financial reports must reflect a complete and accurate accounting of all financial transactions.
2. The uniform financial report format must be used.
 - Parish Balance Sheet
 - Parish Income Statement
 - Religious Education Financial Report
 - Elementary School Financial Report

High School Financial Report
Cemetery Financial Report
Parish Organizations Financial Reports

3. An annual financial report must be submitted to the Diocese of Gaylord Finance Office no later than August 31 of each year.
4. Financial reports (balance sheet and income statement) should be prepared at least quarterly for review by the Parish Finance Council and submitted annually to the parishioners. (C. 1284)

VII. PARISH BUDGETS

A. Statement of Policy

A budget is an estimate of income and expenses. It is a formal written statement of management's plans for the future, expressed in financial terms. A budget should contain sound, attainable objectives.

A budget of anticipated income, expenses and capital improvements must be developed prior to each fiscal year. The parish budget should be prepared by the Parish Finance Council in accordance with the goals and objectives, as determined by the Parish Pastoral Council.

B. Provisions

1. The budget should be prepared objectively and realistically.
2. The budget should be prepared using a uniform format utilizing the standard CHART OF ACCOUNTS.
3. A copy of the budget should be submitted no later than June 30 of each year to the Diocesan Finance Office.
4. The budget will serve as the financial plan of operation for the parish.
5. The Pastor/Pastoral Administrator and the Parish Finance Council should review the budget on a periodic basis, at least quarterly, in relation to the actual operating results.
6. The Pastor/Pastoral Administrator/Parish Life Coordinator and the Parish Finance Council should amend the budget whenever any proposed expenditures exceed the budgeted amounts.
7. Any deviation that is anticipated to create a deficit which would require borrowing from the Diocesan Deposit and Loan Fund shall be reported

immediately to the Diocesan Finance Office.

C. Benefits of Sound Budgetary Management

It is essential for a parish to maintain financial control through effective budgetary management. Strong budgetary management has several benefits for the parish:

1. It mandates a planning and prioritizing process for all program activities and functions.
2. The budget serves as an early warning device of deviations from what has been budgeted and approved, making certain that the parish's objectives are achieved.
3. It provides central direction for all of the parish's activities, preventing waste while achieving program coordination and integration.
4. The forced participatory nature of the budgeting process fosters organizational teamwork.
5. The budgetary process demands accountability and responsibility on where the parish resources should be allocated to maximize results.
6. The budget is the moral document to provide the resources to allow the ministry, education and service required by a given parish.

VIII. PARISH CENTRAL BANK ACCOUNT

A. Statement of Policy

Each parish shall have one central bank account.

B. Provisions

1. The parish central bank account shall be established and maintained with the Pastor/Pastoral Administrator/Parish Life Coordinator as the primary authorized signer. Secondary authorized signatories, which shall be to any ~~limited~~ will be chosen by the Pastor/Pastoral Administrator/Parish Life Coordinator from the following:
 - a) Parochial Vicar or Administrator
 - b) Pastoral Team Member
 - c) Parochial School Principal(s)
 - d) Finance Council Member

2. **The parish bookkeeper MUST NOT be one of the
authorized
signers.**
3. The parish central bank account should be established and maintained as an interest earning checking account, whenever possible.

IX. PARISH AUXILIARY BANK ACCOUNTS

A. Statement of Policy

The following parish auxiliary bank accounts are permitted:

Bingo Checking Account
 Payroll Checking Account
 Mass Offering Account
 Cemetery Checking Account
 Parish Organization Checking Accounts
 Inter-parochial School Systems Checking Account

B. Provisions

1. General

- a) Auxiliary bank accounts may only be established with the consent of the Pastor/Pastoral Administrator/Parish Life Coordinator and the Parish Finance Council.
- b) Auxiliary bank accounts must list the Pastor/Pastoral Administrator/Parish Life Coordinator as a signer.
- c) Each auxiliary bank account must be established and maintained, whenever possible, in an interest earning checking account.
- d) Funds in auxiliary bank accounts will be considered as part of the parish central bank account.
- e) All transactions passing through auxiliary bank account(s) will be reflected in the parish books of account and/or financial reports.
- f) Transactions in the auxiliary bank account will be treated and recorded in the same manner as that prescribed for the parish central bank account.

2. Bingo Bank Account

- a) As required by State regulations, a separate bingo bank account must be

maintained.

- b) The bingo bank account is to be maintained as a checking account only.
- c) Expenses that are paid out of the bingo account are to be limited to those that are directly related to bingo operations, i.e., jackpot prizes, bingo license, bingo supplies, bingo concession supplies, security, etc.
- d) The maximum account balance that can be retained at the end of each month after the payment of all outstanding bills and expenses are not to exceed:
 - 1) \$500.00 plus the amount established as the bingo change fund, if the account is maintained as a regular checking account.
 - 2) The minimum balance as required by the depository bank plus the amount established as the bingo change fund, if the account is an interest paying checking account.
- e) All bingo profits except the required account balance and change fund should be transferred no later than the end of each month to the parish central bank account.
- f) In order to maintain tax exempt status, the bingo license must be in the name of the parish.
- g) The bingo account will be maintained on a joint signature requirement basis with the following as authorized signers: Pastor/Pastoral Administrator, bingo committee chairperson, bingo committee treasurer.
- h) At the end of each fiscal year, all bingo financial records such as check stubs, paid and cancelled checks, voided checks, books of account, bills, invoices, work sheets, bingo reports, etc., shall be turned over to the Pastor/Pastoral Administrator/Parish Life Coordinator.
- i) A copy of the bingo report as submitted to the State of Michigan shall be submitted to the Diocesan Finance Officer annually when the Parish Financial Reports are filed.

3. Payroll Bank Account

- a) The payroll account must be used only for the payment of salaries and the applicable payroll taxes thereon.
- b) The payroll bank account must be maintained with the same signature requirements as the parish central bank account which includes the Pastor/Pastoral Administrator/Parish Life Coordinator as one of the

signers.

- c) The amount established to open and maintain the bank account should remain constant. Interest earned, if any, must be transferred to the parish central bank account at the end of each quarter.
- d) At the end of the fiscal year, the payroll account balance will be included as part of the parish central bank account balance for purposes of the parish financial report.

4. Mass Offerings Bank Account

- a) All monetary offerings received for Masses to be celebrated are to be deposited in this account immediately upon receipt.
- b) At least quarterly, funds are to be transferred to the parish central bank account for those Masses which have been celebrated during the quarter
- c) In lieu of the use of a separate bank account for Mass offerings, computer users may use a liability account, "Masses to be Celebrated" or "Unsaid Masses" to account for the liability. If this liability account is used, it must be reconciled no less than twice a year; however, more frequent reconciliations are recommended (i.e., monthly or quarterly).

5. Cemetery Bank Account

- a) The cemetery checking account should be established and used for the day-to-day operations and financial transactions of the cemetery. If the account is maintained as an interest-earning checking account, the interest can be used for general operations of the cemetery.
- b) Cemetery funds should not be included as part of the parish general operating funds due to the unique nature of cemetery transactions and operations and cemetery perpetual care requirements.
- c) Cemetery transactions are to be recorded in a separate set of books of account which shall be maintained in accordance with the applicable financial policies and procedures.
- d) Excess parish cemetery funds arising from operating profits should be deposited in the Diocesan Deposit and Loan Fund and designated as a Cemetery General Fund Account. These funds must be used for the general operation of the cemetery.
- e) Receipts for the perpetual care of graves and/or perpetual care funds already established and maintained should not be used for normal

operating expenses. These monies are not considered normal cemetery operating funds but are merely held by the cemetery for the perpetual care of the individual grave lots. These monies should not be invested in savings/certificates of deposit nor placed in savings accounts. These funds must be deposited as a separate account in the Diocesan Deposit and Loan Fund.

- f) The interest earned by the perpetual care fund could be used as regular cemetery operating funds for the care of the cemetery grounds and lots.
- g) The cemetery account must be maintained on the same signature basis as the parish central bank account with the Pastor/Pastoral Administrator/Parish Life Coordinator and cemetery administrator, if any, as authorized signers.
- h) The parish will prepare annual financial reports for the cemetery and will include these with the parish financial reports submitted to the Diocesan Finance Office.

6. Parish Organization Bank Account

- a) Each parish organization may maintain one checking account with the Pastor/ Pastoral Administrator/Parish Life Coordinator as an authorized signer.
- b) The parish organization checking account should be maintained and used for purposes of handling transactions arising from the organization's internal activities. Internal activities include the collection of membership dues, payments received for work performed in administering bingo or other parish fund raising activities, funds raised among the general membership of the organization, purchases of jackets or uniforms, etc., or for a specific undertaking or purpose approved by the Pastor/Pastoral Administrator/Parish Life Coordinator and Parish Finance Council.
- c) Financial undertakings such as the administration of operation of festivals, raffles, etc., which involve the entire parish are not to be passed through the parish organization's checking account. These transactions must pass through the parish central bank account.
- d) Transactions in the parish organization bank accounts are to be recorded in appropriate books of accounts. A report of these transactions must be included with the parish financial reports on an annual basis.
- e) Parish organization checking accounts can only be maintained with the Pastor/Pastoral Administrator and organization president/treasurer as authorized signers.

- f) At the end of the fiscal year, financial and accounting records such as check stubs, paid and cancelled checks, voided checks, bank statements, books of account, bills, invoices, etc., of each parish organization, must be turned over to the Pastor/Pastoral Administrator/Parish Life Coordinator for permanent safekeeping.
- g) Excess organization funds at the end of the fiscal year must be donated to the parish. Excess organization funds that may be carried over to the following fiscal year will not exceed \$500.00 unless the Pastor/Pastoral Administrator/ Parish Life Coordinator has approved a larger amount earmarked for a specific purpose. These funds are not to be invested nor placed in a savings account by the organization. These funds may be placed in the Diocesan Deposit and Loan Fund with the approval of the Pastor/Pastoral Administrator/Parish Life Coordinator.
- h) If excess funds are earmarked for a specific purpose that relates to the general welfare of the parish, e.g., to purchase altar furnishings, school equipment, etc., such funds are to be turned over to the parish for disbursement instead of the particular organization making the purchase directly.

X. PARISH INCOME

A. Statement of Policy

All income received by the individual operating units of a parish is to be considered parish income. Distinctions made for income on a per operating unit basis; i.e., church, religious education, school, etc., are for purposes of accounting only and should not be construed as segregation of funds.

B. Provisions

The applicable Policy provisions under each income source are outlined in the various supplements to this policy.

1. Offertory Collections

- a) Parishioner contributions shall be on a voluntary basis only. Minimum contribution amounts should not be set nor required of the parishioner including those with children attending the parish school.
- b) In compliance with tax rules and regulations, tuition and other school fees shall not be considered as offertory collections.
- c) The parish shall maintain on a calendar year basis a detailed list of

contributions made by each parishioner. A detailed statement of annual contributions is to be made available, upon request, to each contributing parishioner no later than January 31 of each year.

- d) Offertory collections in the form of stock certificates and bonds must be treated as follows:
Stock certificates and/or bonds are to be received and registered or endorsed in the name of the parish. These should be liquidated, sold or redeemed for cash during the fiscal year received.

2. Bequests and Donations

- a) Bequests and donations received by the parish are to be free of any stipulation or requirement for any service or advantageous preference to be performed/granted by the parish on behalf of the donor.
- b) Bequests and donations in the form of stock certificates, bonds and real property are to be treated as follows:
 - 1) Stock certificates and/or bonds are to be received and registered or endorsed in the name of the parish. These should be liquidated, sold or redeemed in cash during the fiscal year received.
 - 2) Real property received is to be registered in the name of the Roman Catholic Bishop of the Diocese of Gaylord. These bequests and donations should be recorded as non-cash donations at the time of receipt using the fair market value of the property.

3. Fund Raising Income

- a) All fund raising activities, for whatever purpose, whether or not these are administered/operated by professional groups, parish units/organizations or students, shall be conducted under the auspices of the parish.
- b) All transactions for fund raising activities shall pass through the parish central bank account. The only exception to this requirement is bingo transactions.
- c) All fund raising income shall be treated and recorded as church income, regardless of the purpose for which these funds were raised. The proceeds from these activities are to be used for the purpose for which the activity was undertaken except where limitations are specified, i.e., school support.
- d) An accounting of each parish fund raising activity must be made to the

general membership of the parish at the completion of such an activity.

- e) Insurance and tax withholding requirements must be complied with at all times in all parish fund raising activities.
 - 1) The parish is obligated by law to withhold 20 percent of prizes paid out on raffles, festivals, etc., of more than \$1,000 or having a fair market value of \$1,000 or more. If the prize is a car or other non-currency item, the 20 percent withholding is to be applied on the fair market value of such an item. The winner will be required to pay to the parish for withholding purposes 20 percent of the value of the item. The person who is to receive the payment of winnings subject to withholding is required to furnish the parish with his/her name, address and taxpayer identification number (social security).
 - 2) Ride contractors during festivals shall be required to have casualty and liability insurance.
 - 3) Where food and liquor are sold during festivals, the appropriate licenses shall be secured.
- f) State and federal requirements for fund raising activities must be complied with at all times for all parish fund raising activities.

4. Rental Income

- a) Contracted Leases
 - 1) The decision to lease parish property is to be made by the Pastor/Pastoral Administrator/Parish Life Coordinator and the Parish Finance Council with the approval of the Bishop of the Diocese of Gaylord.
 - 2) All leases of buildings, facilities and equipment which are not one-time rentals are to be covered with a lease contract as provided by the Diocese of Gaylord. One copy of the signed lease contract is to be retained by the parish, one copy by the tenant and one copy by the Diocese of Gaylord.
 - 3) All lease agreements are to be signed by the Bishop of Gaylord since all diocesan property is in his name.
 - 4) An appropriate record must be kept of all payments made by each lessee.
- b) Special Events

- 1) The rentals of parish properties for one-time events such as parties, wedding receptions, etc., are to be by written agreement, signed by the lessee and approved by the Pastor/Pastoral Administrator/Parish Life Coordinator or delegate.
- 2) The applicable rental fee and a security deposit to cover possible damages or breakage to property are required in advance from the prospective lessee. The security deposit will be returned to the lessee upon completion of the event but only after inspection of the rented property. If damages/ breakage have been caused, the cost of repair and/or replacement of damaged property will be taken from the security deposit or insurance proceeds.
- 3) A parish should not rent parish property to non-parishioners, parish operating units/organizations, or parishioners for activities which are not parish sponsored; i.e., wedding receptions, private parties, etc., unless the following requirements are met:
 - (a) The lessee is to secure a Comprehensive General Liability Insurance policy with a minimum of \$100,000 per occurrence, \$300,000 aggregate and \$50,000 property damage.
 - (b) The lessee must execute a statement providing the date and time of occupancy or possession by the lessee of the premises.
- 4) Insurance coverage for special events may be obtained through the Michigan Catholic Conference.

XI. PARISH DISBURSEMENTS

A. Statement of Policy

All parish disbursements or expenditures must be made in accordance with the framework of the policies and directives of the Diocese of Gaylord.

B. Provisions

Parish disbursements which exceed or are expected to exceed \$10,000 for any one project must be approved by the Bishop of the Diocese of Gaylord prior to the commencement or purchase of any such project. If a project consists of various elements, i.e., carpeting, painting, wallpapering, etc., the project will be viewed as a single project and permission should be obtained from the Bishop.

The policy provisions for priests, religious and lay compensation, benefits, payroll and taxes are presented below.

1. Compensation and Benefits for Religious Brothers and Sisters

- a) The Bishop of the Diocese of Gaylord determines annually the compensation package for Religious Brothers and Sisters serving within the Diocese.
- b) The compensation and fringe benefits for the religious may include the following, subject to negotiation with the Bishop:
 - 1) Base stipend
 - 2) Annual retirement allocation
 - 3) Social Security equivalency
 - 4) Health insurance/Dental
 - 5) Housing and transportation
 - 6) Vacation, sick pay and Holy/Holidays.

2. Payroll and Other Taxes

- a) Churches and related religious activities under their control are generally exempt from most taxes; however, parishes may be exposed to and must pay or must collect some of the following taxes:
 - 1) State, federal and local income taxes
 - 2) Social Security taxes
 - 3) Real estate property taxes (property not used for church purposes)
 - 4) Income taxes on unrelated business income
 - 5) Sales taxes on items purchased for resale and fund raising, as applicable.
- b) All parishes and organizations listed in the Official Catholic Directory, published annually by P. J. Kenedy & Sons, are exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Contributions to them are tax deductible by the donors for federal income tax purposes.
- c) Unrelated business activities are subject to normal business taxes.
- d) Churches and related activities are exempt from real estate property taxes; however, property which is not used, vacant, or used for unrelated business purpose may not be exempt from taxes.
- e) Churches are not exempt from the payment of various licenses, permits and fees; i.e., bingo and raffle licenses, automobile license plates, inspection fees, building permits, etc.

- f) Churches are generally exempt from state sales and use taxes. Because they are exempt by law, the State does not furnish a sales tax number to churches. (Note: Churches are not exempt from the payment of sales taxes on cars purchased for church use and fund raising income. See state tax regulations for clarification.)
- g) Although the Michigan Sales Tax Act authorizes churches to purchase tangible personal property for church use and consumption without application of the sales tax, there is no exemption allowed when tangible personal property is purchased for resale purposes unless the purchaser is licensed as a retailer for the purpose of paying tax on the receipts derived from the subsequent resale. A sales tax license is required wherever any function is conducted on a user charge basis -- where customers purchase merchandise, food or beverages either separately or as part of a ticket entry fee.
- h) Schools are exempt from federal excise taxes; i.e., telephones, motor fuels. The current exemption number is 38-82-0106F, granted September 27, 1982, for all diocesan schools.
- i) Social Security taxes must be withheld on each employee's earnings in accordance with the rates and limits set by the Federal Government. The amount withheld from the employees must be matched by the employer and both must be remitted to the Government.
- j) Parishes must file the appropriate reports on a timely basis for employee compensation, withholding, and social security taxes. Government brochures generally provide filing dates. Normally, no other reports need to be filed. State and local income tax reporting is generally patterned after the Federal Income tax laws.
- k) Parishes must also report compensation of \$600 or more paid during the calendar year to all persons who are considered as self-employed persons for income tax purposes.
- l) Failure to comply or to pay proper tax liability can result in severe penalties.

XII. REAL ESTATE - SALES AND PURCHASES

A. Statement of Policy

The following policies are established for the sale or acquisition of real estate or any interest in real estate, such as leases or oil and gas rights. These policies and procedures should be followed in all cases unless special arrangements are approved, in writing, by the Bishop.

1. Sale of Property

- a) The local church should seek approval from the Bishop before selling any property. In order to review the matter thoroughly, the Bishop will need the following items from the local church:
 - 1) Common and/or legal description of the property.
 - 2) The approximate size of the property and a description of any improvements located on the parcel.
 - 3) The current use of the property (and past use if known).
 - 4) The most recent written appraisal of the property. If there is no recent appraisal, the church must obtain a realtor's appraisal for any parcel with an expected value of less than \$2,000. The church should obtain an independent appraisal from a licensed appraiser for any parcel with an expected value in excess of \$2,000.
 - 5) The potential sales price and anticipated terms (i.e.; cash sale, land contract, etc.).
 - 6) The reason(s) for desiring a sale and any other information the church feels is pertinent.
 - 7) Any other information requested by the Bishop.
- b) Once the prospective sale is preliminarily approved by the Bishop, the church should proceed to obtain a buyer and do the following things:
 - 1) Request prospective buyer to prepare a Purchase Agreement.
 - 2) The proposed Purchase Agreement must be reviewed by the diocesan attorney.
 - 3) If approved, the Purchase Agreement will be signed by the Bishop and returned to the church for delivery to the buyer.
- c) The closing will proceed as follows:
 - 1) Once the Purchase Agreement has been signed, title insurance will be obtained directly from the appropriate title company and provided to the Bishop. The following documents must be prepared and forwarded to the Bishop prior to closing: a deed, closing statements and any other transfer documents. These

documents may be prepared by the diocesan attorney or a local Attorney.

- 2) The closing will take place at the chancery where the purchaser provides the agreed-upon consideration and signs the closing documents.
- 3) If the sale is through a mortgage with a lending institution, the closing will be at the lending institution's office unless otherwise agreed upon. The church should notify the diocese if a lending institution is involved and instruct the lending institution that the deed will be prepared by the diocesan attorney. Also, the church should request the lending institution to submit any and all closing documents to the Bishop at least 48 hours prior to the scheduled closing date so they can be reviewed by the diocesan attorney and Bishop.

2. Purchase of Property

- a) The local church should seek approval from the Bishop before purchasing any property. In order to review the matter thoroughly, the Bishop will need the following items from the church:
 - 1) Common and/or legal description of the property.
 - 2) The approximate size of the property and a description of any improvements located on the parcel.
 - 3) The current use of the property (and past use if known).
 - 4) The most recent written appraisal of the property. If there is no recent appraisal, the church must obtain a realtor's appraisal for any parcel with an expected value of less than \$2,000. The church should obtain an independent appraisal from a licensed appraiser for any parcel with an expected value in excess of \$2,000.
 - 5) The potential purchase price and anticipated terms (i.e.; cash sale, land contract, etc.).
 - 6) The reasons for desiring the purchase and any other information the church feels is pertinent.
 - 7) Any other information requested by the Bishop.
- b) Once the prospective purchase is preliminarily approved by the Bishop, the church should proceed as follows:

- 1) Prepare a Purchase Agreement form with all of the pertinent terms and submit the Purchase Agreement to the Bishop for review and signature.
 - 2) If approved, the Purchase Agreement will be signed by the Bishop and returned to the church for delivery to the seller.
 - 3) The Purchase Agreement should specifically state that documents are to be reviewed by the diocesan attorney prior to the closing.
- c) The closing will proceed as follows:
- 1) The church should request the realtor/seller to provide the Diocese with closing documents at least 48 hours prior to the scheduled closing date for review by the Bishop and the Diocesan Attorney.
 - 2) The closing site will be the Chancery or any other convenient location as designated in the Purchase Agreement. The Bishop's designate will appear on behalf of the diocese at all closings.

3. Leases

- a) The local church should seek approval from the Bishop before entering into any lease, whether as a lessee or a lessor. In order to review the matter thoroughly and grant approval, the Bishop will need the following items from the church:
- 1) Common and/or legal description of the property to be leased.
 - 2) The approximate size of the property and buildings along with a description of the area(s) to be leased.
 - 3) The current use of the property and buildings (and past use if known).
 - 4) Potential lease price and terms.
 - 5) Reasons for desiring to enter into the lease.
 - 6) Any other information requested by the Bishop.
- b) Once the prospective lease is preliminarily approved by the Bishop, the church should proceed as follows:
- 1) If property is to be leased by the church **as lessee**, obtain a copy

of the proposed lease from lessor and send it to the Diocese for review by the Bishop and the diocesan attorney.

- 2) If property is to be leased by the church **as lessor**, the church should send the names and addresses of the prospective lessees to the diocese along with pertinent terms to be included in the lease and request the diocese to prepare a lease.
 - 3) Once prepared and/or approved by the Bishop, the lease will be signed by the Bishop and returned to the church for delivery to the prospective lessor/lessee. No leases can be signed by anyone other than the Bishop unless expressly approved in writing.
- c) The local church will be responsible for obtaining the signature(s) of the other party(ies) to any lease and return a fully signed original copy to the diocese.
 - d) If a church wishes to renew a lease at the expiration of the original lease, the church should again seek approval from the Bishop and proceed as outlined in the previous sections.
 - e) Oil and gas leases should be handled in the same manner as set forth above for other leases.

4. Gifts and Bequests

- a) The same procedures established for the purchase of property by a church must be followed for any real estate interest which is intended to be donated to the church as a gift.
- b) The following process applies for any real estate interest which has been bequested to the church:
 - 1) Provide the Bishop with any and all probate documents as soon as they are received by the church.
 - 2) The church should gather as much information as possible regarding the bequested property and provide that information to the Bishop along with probate documents. This information should include:
 - (a) The common and/or legal description of the property.
 - (b) The approximate size of the property and description of any improvements located on the parcel.
 - (c) The current uses of the property and past use if known.

- (d) Most recent written appraisal of the value of the property, if available.
 - (e) The current yearly taxes for the property in question and a copy of the taxing authority's equalized value if available.
 - (f) Phase I environmental test.
 - (g) Any other information which the church may feel is pertinent to making a decision as to whether or not to accept the bequested property.
- c) All proposed deeds or other documents of conveyance must be sent to the Diocese for review by the Bishop and the diocesan attorney prior to acceptance of the gift or bequest.

5. Expenses Related to Property Exchanges

It will be the responsibility of the individual parish to pay for expenses incurred in any property exchange. These expenses may include: title insurance, commissions, recording fees, etc. This list is not meant to be comprehensive but contains only a few of the expenses that may be incurred.

6. Record Keeping

The original deeds, leases, or other documents of conveyance shall be sent to and stored by the diocese following recording. The local church should retain copies of these documents as well.

XIII. DIOCESAN ATTORNEY

A. Statement of Policy

The Diocesan Attorney is available for use by all parishes of the diocese. The use of these services is mandated for the following reasons:

1. The legal standing of the Church in Michigan and, in particular, the Diocese of Gaylord requires the use of an attorney who not only understands the structure but also specializes in church work.
2. By using the Diocesan Attorney, a parish may save expenses because this is not the first case of this type that the attorney has worked on. Through repetition, a historical perspective is achieved.
3. Use of the Diocesan Attorney will give the Diocese and the parishes continuity of legal representation.
4. Because of the legal structure of the State of Michigan, any legal action taken against the Church, is taken against the Bishop, not an individual parish.
5. Use of the Diocesan Attorney is to be coordinated through the Diocesan Secretariat of Administrative Services.

XIV. PARISH COMPILATIONS

A. Statement of Policy

A budget is an estimate of income and expenses. It is a formal written statement of management's plans for the future, expressed in financial terms. A budget should contain sound, attainable objectives.

A budget of anticipated income, expenses and capital improvements must be developed prior to each fiscal year. The parish budget should be prepared by the Parish Finance Council in accordance with the goals and objectives, as determined by the Parish Pastoral Council.

B. Provisions

1. Each parish of the Diocese of Gaylord is to have a compilation report prepared for the parish for the fiscal year July 1, 1991 - June 30, 1992, and at least once in every three-year period thereafter. Parishes that have a new pastor/pastoral administrator/pastoral life coordinator assigned may also be required to have a compilation report prepared at the time of the new assignment.

2. The compilation is to be performed by an independent accounting firm to be selected by the pastor/pastoral administrator/parish life coordinator and parish finance council. Bids for the work should be solicited from qualified accounting firms in the area. The Diocesan Secretariat for Administrative Services will aid in locating a firm if for any reason one from the area cannot be found.
3. Parishes may utilize a sample form letter to accounting firms explaining the compilation requirements as prepared by the Diocesan Secretariat for Administrative Services.
4. In order to reduce costs, parishes of a vicariate may wish to bid their work together and select the same firm to do all the compilations needed in a given area of the diocese.
5. It will be the responsibility of the individual parish to pay the costs of its compilations.
6. In addition to the compilation, the following items should also be included:
 - a) The confirmation of all bank accounts.
 - b) A Letter of Comments and Recommendations must be presented to the pastor/pastoral administrator/parish life coordinator. This letter should not be limited in any way but it must bring the books into an auditable state and should report any non compliance with the Parish Finance Policies.
7. The compiled parish financial statement shall include:
 - a) Balance Sheet (Statement of Assets, Liabilities and Fund Balance.)
 - b) Statement of Support and Revenue, Expenses and Changes in Fund Balance.
 - c) Notes to the Financial Statements.
8. A copy of the Financial Report along with a copy of the Letter of Comments and Recommendations shall be forwarded to the Diocesan Secretariat for Administrative Services .
9. Within ninety (90) days of the parish's receipt of the compilation report the pastor/pastoral administrator is to respond in writing to the Diocesan Secretariat for Administrative Services concerning actions taken by the parish with regard to those items listed in the accountant's Letter of Comments and Recommendations.